OFFERING MEMORANDUM

U.S.$ 300,000,000

Gruposura Finance

(Incorporated as an exempted company with limited liability in the Cayman Islands)

Unconditionally Guaranteed by

Grupo de Inversiones Suramericana S.A.

(Incorporated in the Republic of Colombia)

5.70% Notes due 2021

Gruposura Finance (the "Issuer") is offering U.S.$ 300,000,000 aggregate principal amount of its 5.70% notes due 2021. The notes will mature on May 18, 2021. The notes will accrue interest at a rate of 5.70% per year, payable semi-annually in arrears on May 18 and November 18 of each year, commencing on November 18, 2011. The notes will be unconditionally guaranteed by Grupo de Inversiones Suramericana S.A. ("GRUPOSURA").

We may redeem the notes, in whole, but not in part, by paying the greater of 100% of the outstanding principal amount and a "make-whole" amount, in each case plus accrued and unpaid interest. In addition, we may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts, at any time upon the occurrence of specified changes in Colombian or Cayman Islands tax law. See "Description of the Notes—Optional Redemption."

If a change of control occurs, GRUPOSURA, on behalf of the Issuer, will be required to offer to purchase the notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. See "Description of the Notes—Change of Control Offer."

The notes will be senior unsecured obligations of the Issuer and will rank equal in right of payment with all of its future senior unsecured and unsubordinated indebtedness. The guarantees will be senior unsecured obligations of GRUPOSURA and will rank equal in right of payment with all of its other existing and future senior unsecured and unsubordinated indebtedness.

Application has been made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue price: 99.354% plus accrued interest, if any, from May 18, 2011.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The notes are being offered or sold only to (1) qualified institutional buyers, as defined in Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

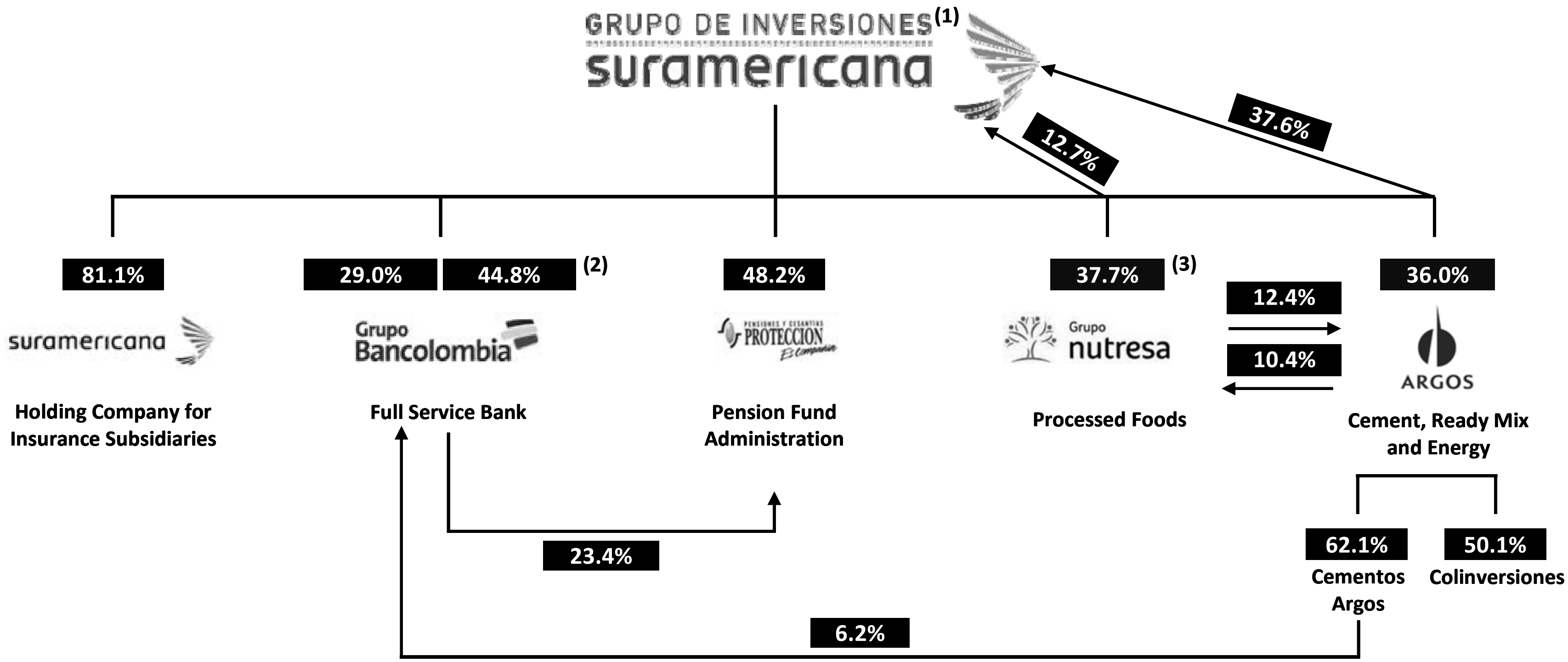
The notes may not be publicly offered or sold in Colombia without the prior authorization of the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance, or "SFC") and registration with the *Registro Nacional de Valores y Emisores* (National Registry of Securities and Issuers). Pursuant to Article 6.12.1.1 of Decree 2,555 of 2010, the issuance and sales of the notes on the terms and conditions set forth in this offering memorandum do not require the prior authorization of the SFC. The notes have not been registered in the Cayman Islands and may not be offered or sold in the Cayman Islands except in compliance with the securities laws thereof.

The delivery of the notes is expected to be made to investors in book-entry form through the facilities of The Depository Trust Company, for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, on or about May 18, 2011.

Joint Book-Running Managers

BofA Merrill Lynch **J.P. Morgan**

The date of this offering memorandum is May 11, 2011.



(1) Includes ownership held through GRUPOSURA and its wholly owned subsidiaries Inversiones y Construcciones Estrategicas S.A.S. and Grupo de Inversiones Suramericana - Panamá S.A.

(2) GRUPOSURA currently owns 44.8% of the voting shares of Bancolombia, which is equal to 29.0% of the capital stock.

(3) Grupo Nutresa S.A. was formerly known as Grupo Nacional de Chocolates S.A.

In making your investment decision, you should rely only on the information contained in this offering memorandum. We have not, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC (together, the "initial purchasers") have not, authorized any other person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing.

The offering memorandum has been prepared by the Issuer and GRUPOSURA, which are solely responsible for its contents.

By its acceptance hereof, each recipient agrees that neither it nor its agents, representatives, directors or employees will copy, reproduce or distribute to others this offering memorandum, in whole or in part, at any time without the prior written consent of the Issuer and GRUPOSURA, and that it will keep permanently confidential all information contained herein or otherwise obtained from the Issuer and GRUPOSURA, and will use this offering memorandum for the sole purpose of evaluating a possible acquisition of the notes and no other purpose.

This offering memorandum shall remain the property of the Issuer and GRUPOSURA. Each of the Issuer, GRUPOSURA and the initial purchasers reserves the right to require the return of this offering memorandum (together with any copies or extracts thereof) at any time.

None of the U.S. Securities and Exchange Commission (the "SEC"), any U.S. state securities commission or any other regulatory authority has approved or disapproved the notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

Prospective investors are not to construe the contents of this offering memorandum, or any prior or subsequent communications from or with the Issuer and GRUPOSURA or other professionals associated with the offering, as legal, tax or business advice. Each prospective investor should consult its own attorney and business advisor as to the legal, business, tax and related matters concerning this investment. The initial purchasers are not acting as your advisors or agents. Prior to entering into any transaction, you should determine, without reliance upon the initial purchasers or their affiliates, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction, and independently determine that you are able to assume these risks. In this regard, by acceptance of these materials, you acknowledge that you have been advised that (a) the initial purchasers are not in the business of providing legal, tax or accounting advice, (b) you understand that there may be legal, tax or accounting risks associated with the transaction, (c) you should receive legal, tax and accounting advice from advisors with appropriate expertise to assess relevant risks, and (d) you should apprise senior management in your organization as to the legal, tax and accounting advice (and, if applicable, risks) associated with this transaction and the initial purchasers' disclaimers as to these matters.

This offering memorandum contains summaries of the notes and of certain documents, agreements and opinions relating to this offering. Reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Cayman Islands Residents

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Available Information

GRUPOSURA is a *sociedad anónima* (corporation) organized under the laws of the Republic of Colombia ("Colombia"). Our principal executive offices are located at Carrera 64B # 49A – 30, Medellín, Colombia, and our telephone number at that address is (011) 57 4435 5628. Our website is http://*www.gruposuramericana.com*.

GRUPOSURA is an issuer in Colombia of securities registered with the *Registro Nacional de Valores y Emisores* (National Registry of Shares and Issuers) and is subject to oversight by the SFC. Our common shares are traded on the *Bolsa de Valores de Colombia* ("Colombian Stock Exchange or "BVC") under the symbol "GRUPOSURA." Accordingly, we are currently required to file quarterly and annual reports in Spanish and issue *información relevante* (notices of material events) to the SFC and the Colombian Stock Exchange. All such reports and notices are available at http://*www.superfinanciera.gov.co* and http://*www.bvc.com.co*.

These reports and notices and any information contained in, or accessible through, our website are not incorporated by reference in, and do not constitute a part of, this offering memorandum.

For as long as any notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered to such persons pursuant to Rule 144(d)(4) under the Securities Act (or any successor provision thereto).

Incorporation by Reference

Our affiliate Bancolombia S.A. ("Bancolombia") is subject to the Exchange Act, and, in accordance therewith, Bancolombia files reports and other information with the SEC. The following portions of the annual report on Form 20-F of Bancolombia for the year ended December 31, 2010, filed with the SEC on April 28, 2011, are incorporated by reference into this offering memorandum : (1) "Item 4 — Information on the Company"; (2) "Item 5 — Operating and Financial Review and Prospects"; and (3) "Item 18 — Financial Statements" (those portions of the annual report incorporated by reference herein being hereinafter referred to as "Bancolombia's 2010 Annual Report").

This document may be inspected and copied at the public reference section maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Copies of such material can be obtained from the public reference section of the SEC at prescribed rates and from the SEC's website located at http://*www.sec.gov*.

As used in the offering memorandum, references to "GRUPOSURA," "the Company," "we," "us" and "our" and "ours" and similar expressions are to Grupo de Inversiones Suramericana S.A., the guarantor of the notes offered hereby; references to "the Issuer" are only to Gruposura Finance, the issuer of the notes offered hereby and a wholly owned subsidiary of GRUPOSURA; references to our wholly owned subsidiaries are to Inversiones y Construcciones Estrategicas S.A.S. ("ICE"), Grupo de Inversiones Suramericana – Panamá S.A. ("Gruposura Panamá") and, prior to March 31, 2011, Portafolio de Inversiones Suramericana – En Liquidación ("Portafolio en Liquidación"); references to the "Group" are to GRUPOSURA, its wholly owned subsidiaries, Suramericana S.A. ("Suramericana"), Bancolombia S.A. ("Bancolombia"), Grupo Nutresa S.A., formerly known as Grupo Nacional de Chocolates S.A. ("Chocolates"), Inversiones Argos S.A. ("Inversiones Argos"), Protección S.A. ("Protección") and Enlace Operativo S.A. ("Enlace Operativo"), and their respective subsidiaries; and references to the "Group's principal companies" are to Bancolombia, Suramericana, Chocolates and Inversiones Argos, and their respective subsidiaries. The term "Group" is used in this offering memorandum solely as defined above and differs from the term as used under Colombian Law.

Presentation of Financial and Other Information

Presentation of Financial Information

We and our subsidiaries and affiliates prepare our financial statements in Colombian pesos in accordance with generally accepted accounting principles in Colombia and the regulations of the SFC, as applicable (collectively, "Colombian GAAP"). Colombian GAAP differs in certain significant respects from generally accepted accounting principles adopted in the United States ("U.S. GAAP") and from International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"). We and our subsidiaries and affiliates are expected to change the preparation of our financial statements to IFRS by 2014. See Annex A "–Summary of Principal Differences among Columbian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)" for a description of the principal differences among Colombian GAAP, U.S. GAAP and IFRS, and how those differences might affect the financial information contained herein.

GRUPOSURA's 2010 audited consolidated and unconsolidated financial statements included in this offering memorandum present GRUPOSURA's consolidated and unconsolidated financial position as of December 31, 2010 and 2009 and results of operations for each of the two years ended December 31, 2010 and 2009 (collectively, "GRUPOSURA's 2010 audited financial statements"). GRUPOSURA's 2009 audited consolidated and unconsolidated financial statements included in this offering memorandum present GRUPOSURA's consolidated and unconsolidated financial position as of December 31, 2009 and 2008 and results of operations for each of the two years ended December 31, 2009 and 2008 (collectively, "GRUPOSURA's 2009 audited financial statements" and, together with GRUPOSURA's 2010 audited financial statements, "GRUPOSURA's audited financial statements").

We also present the financial statements and other financial information of Bancolombia, Suramericana, Chocolates and Inversiones Argos in this offering memorandum because the dividends that we receive from our direct and indirect ownership of these companies are our main source of cash.

The audited consolidated financial statements of our affiliate Bancolombia included in Bancolombia's 2010 Annual Report, which is incorporated by reference in this offering memorandum, present Bancolombia's financial position as of December 31, 2010 and 2009 and results of operations for each of the three years ended December 31, 2010, 2009 and 2008 ("Bancolombia's audited consolidated financial statements"). Note 31 to Bancolombia's audited consolidated financial statements included in Bancolombia's 2010 Annual Report provides a description of the principal differences between Colombian GAAP and U.S. GAAP as they relate to Bancolombia's audited consolidated financial statements and provides a reconciliation of net income and stockholders' equity for the years and dates indicated in such financial statements.

The audited unconsolidated financial data of our subsidiary Suramericana included in this offering memorandum is derived from its (i) audited unconsolidated financial statements as of December 31, 2010 and 2009 and for the two years ended December 31, 2010 and 2009, and (ii) audited unconsolidated financial statements as of December 31, 2009 and 2008 and for the two years ended December 31, 2009 and 2008 that are not included in this offering memorandum. Suramericana does not prepare consolidated financial statements.

The 2010 audited consolidated financial statements of our affiliate Chocolates included in this offering memorandum present Chocolates' financial position as of December 31, 2010 and 2009 and results of operations for each of the two years ended December 31, 2010 and 2009 ("Chocolates' 2010 audited consolidated financial statements"). The 2009 audited consolidated financial statements of Chocolates included in this offering memorandum present Chocolates' financial position as of December 31, 2009 and 2008 and results of operations for each of the two years ended December 31, 2009 and 2008 ("Chocolates' 2009 audited consolidated financial statements" and, together with Chocolates' 2010 audited consolidated financial statements, "Chocolates' audited consolidated financial statements").

The 2010 audited consolidated financial statements of our affiliate Inversiones Argos included in this offering memorandum present Inversiones Argos' financial position as of December 31, 2010 and 2009 and results of operations for each of the two years ended December 31, 2010 and 2009 ("Inversiones Argos' 2010 audited consolidated financial statements"). The 2009 audited consolidated financial statements of Inversiones Argos included in this offering memorandum present Inversiones Argos' financial position as of December 31, 2009 and

2008 and results of operations for each of the two years ended December 31, 2009 and 2008 ("Inversiones Argos' 2009 audited consolidated financial statements" and, together with Inversiones Argos' 2010 audited consolidated financial statements, "Inversiones Argos' audited consolidated financial statements").

We are not a financial institution, and we are not supervised or regulated as a financial institution in Colombia and we are not a holding company of financial subsidiaries. Thus, we are not required to comply with capital adequacy regulations applicable to financial institutions or with SFC-enacted accounting regulations applicable to financial institutions.

Accounting Methodology

The discussion on our results of operations included in "Management's Discussion and Analysis of Results of Operations and Financial Condition" in this offering memorandum is presented on an unconsolidated basis because (i) we do not have any substantial assets other than the equity interests we hold in our subsidiaries and affiliates and (ii) of the Group's principal companies, only Suramericana's results of operations are consolidated into our results of operations, as Bancolombia, Chocolates and Inversiones Argos are not majority owned by us directly or indirectly.

The primary components of our unconsolidated income statement are dividends and earnings from the equity method. In the dividends line item, we accrue dividends only from our direct ownership interests in less than majority-owned companies, such as Bancolombia, Chocolates and Inversiones Argos. As of December 31, 2010, we directly owned 13.9% of Bancolombia, 30.2% of Chocolates and 23.4% of Inversiones Argos. We also hold interests in these same companies indirectly through wholly owned subsidiaries, which are not included in the dividends line-item. The earnings from the equity method line item represents the earnings received from our direct ownership of companies in which we, directly or indirectly, own more than 50% of the total shares outstanding and that appear in the Medellin Chamber of Commerce as under our control. As of December 31, 2010, these companies were Suramericana, in which we had a 40.1% direct ownership interest, and our wholly owned subsidiaries. As of December 31, 2010, our wholly owned subsidiaries (including Portafolio en Liquidación) owned 15.1% of Bancolombia, 41.0% of Suramericana, 7.5% of Chocolates and 12.6% of Inversiones Argos. All of our wholly owned subsidiaries are holding companies without any operations of their own and we manage all of their income, expenses and cash.

As of December 31, 2010, our wholly owned subsidiary Portafolio en Liquidación owned the following portion of the interests held collectively by us and our wholly owned subsidiaries in the Group's principal companies: Bancolombia (14.7% out of our total 29.0% ownership interest), Suramericana (41.0% out of our total 81.1% ownership interest), Chocolates (7.5% out of our total 37.7% ownership interest) and Inversiones Argos (12.6% out of our total 36.0% ownership interest). As a result of the winding up of Portafolio en Liquidación on March 31, 2011, its ownership interests were transferred to us and in the future (i) the dividends attributable to its ownership interests in Bancolombia, Chocolates and Inversiones Argos will appear in our dividends line item rather than our earnings from the equity method line item and (ii) the earnings attributable to its ownership in Suramericana will appear in the Suramericana sub-line item of our earnings from the equity method rather than the Portafolio en Liquidacíon sub-line item. The pro forma financial information presented in "Pro Forma Financial Information" gives effect to the winding up of Portafolio en Liquidacíon and the transfer of all of the company's assets and liabilities to us as if the winding up had occurred on January 1, 2010.

Under Colombian GAAP, we account for our ownership interests in companies in which we directly or indirectly own less than 50% of the total shares outstanding using the cost method plus valuation on these interests. In our income statement, we record dividends accrued from our direct ownership in such companies, as described above. In our balance sheet, our ownership interests in these companies are measured at fair value using either the intrinsic value of the shares or their market value if publicly traded. The difference between the cost and the fair value of these interests is accounted for in a separate balance sheet line item as an asset with the offset recorded in shareholders' equity and has no affect on our income statement. However, when the fair value of these interests is lower than their cost, an impairment may be recognized as a charge in our income statement.

Presentation of Other Information

In this offering memorandum, references to "Colombian pesos," "pesos" and "COP" are to the currency of Colombia and to "dollars," "U.S. dollars", "U.S.$" and "USD" are to the currency of the United States. The meaning of the word "billion" in the Spanish language is different from that in American English. In the Spanish language, as used in Colombia, a "billion" is a million millions, which means the number of 1,000,000,000,000, while in American English a "billion" is a thousand millions, which means 1,000,000,000. In this offering memorandum, we have not used billion in connection with figures denominated in pesos and, therefore, the meaning of billion is as used in American English.

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the numbers that precede them.

U.S. dollar amounts presented in this offering memorandum have been translated from Colombian peso amounts solely for the convenience of the reader. No representation is being made that the peso or dollar amounts shown in this offering memorandum could have been or could be converted into U.S. dollars or Colombian pesos at the rates shown in this offering memorandum or at any other rate. The Federal Reserve Bank of New York does not report a noon buying rate for Colombian pesos. The conversion of amounts expressed in Colombian pesos as of a specified date at the then prevailing exchange rate may result in presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this offering memorandum, all figures corresponding to 2010, 2009 and 2008 have been converted into U.S. dollars at the year-end exchange rates of COP 1,913.98 per U.S.$1.00 for 2010, COP 2,044.23 per U.S.$1.00 for 2009 and COP 2,243.59 per U.S.$1.00 for 2008, which were the rates published by the Colombian Central Bank (*Banco de la República* or the "Central Bank") as certified by the SFC. On May 10, 2011, the exchange rate between the Colombian peso and the U.S. dollar certified by the SFC was COP 1,779.70 per U.S.$1.00.

Fluctuations in exchange rates significantly affect the comparability of amounts presented in U.S. dollars throughout this offering memorandum. The exchange rate between the Colombian peso and the U.S. dollar has had significant fluctuations during 2010, 2009 and 2008. See "Exchange Rates and Foreign Exchange Controls."

Colombia experienced annual inflation rates of 3.2%, 2.0% and 7.7% for the years ended December 31, 2010, 2009, 2008, respectively. Currently, Colombian GAAP does not require us to adjust our financial statements for inflation, and, therefore, inflation-adjusted financial statements have not been used throughout this offering memorandum.

Unless otherwise indicated, statistical information relating to Bancolombia regarding market share, ranking, loan portfolio and other measures, as well as information on Colombian financial institutions and the Colombian financial system generally, has been derived from reports and information published by the SFC or the Central Bank or from other publicly available sources and industry publications. Unless otherwise indicated, statistical information relating to Suramericana, Chocolates and Inversiones Argos regarding market share, ranking and other measures has been derived from reports and information published by the Federación de Aseguradores Colombianos (Federation of Colombian Insurers, or "FASECOLDA"), Nielsen Colombia, and the Instituto Colombiano de Productores de Cemento (Colombian Institute of Cement Producers), respectively, or from other publicly available sources and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, any internal surveys, estimates and market research used in this offering memorandum, while believed to be reliable, have not been independently verified, and we do not make any representation as to the accuracy of such information.

Forward-Looking Statements

This offering memorandum contains statements that constitute forward-looking statements. These statements appear throughout this offering memorandum, including, without limitation, under "Summary," "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Business," and include statements regarding our current intent, belief or expectations with respect to, among other things, the following: (1) our asset growth and financing plans, (2) trends affecting our financial condition or results of operations, (3) the impact of competition and regulations, (4) projected capital expenditures and (5) liquidity. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those described in such forward-looking statements included in this offering memorandum as a result of various factors, many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, among others, the following:

- economic, business and political developments in Colombia, Latin America, the Caribbean and the United States;
- exchange rate instability and government measures to control exchange rates;
- increased inflation;
- increases in interest rates;
- changes in regional and global markets;
- downturns in the capital markets and changes in capital markets in general that affect policies or attitudes towards lending to Colombian companies or securities issued by Colombian companies;
- changes in Colombian and foreign laws and regulations;
- increased competition in the Colombian financial services and insurance markets;
- credit and other risks of lending, such as increases in defaults of borrowers;
- increased costs of funding or inability to obtain additional debt or equity financing on attractive terms;
- failure to adequately price insurance premiums;
- decreases in the spread between investment yields and implied interest rates in annuities;
- increased competition in the food processing industry;
- changing consumer preferences;
- supply chain disruptions;
- health and product liability risks related to the food industry;
- unexpected safety or manufacturing issues;
- the cyclical activity growth of the construction industry in Colombia, Latin America and the United States;
- weather conditions affecting construction activity in Colombia, Latin America and the United States;

- increased competition in the ready mix and cement industry;
- continued volatility of, and sharp increase in, commodity and other input costs either in the food processing industry or in the ready mix or cement industry; and
- the other factors discussed under "Risk Factors" in this offering memorandum.

You should not place undue reliance on forward-looking statements, which speak only as of the date that they were made. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after the date of this offering memorandum to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

Enforceability of Foreign Judgments

The Issuer is incorporated under the laws of the Cayman Islands, and GRUPOSURA is incorporated under the laws of Colombia. GRUPOSURA's directors and most of its executive officers and controlling persons named in this offering memorandum are residents of Colombia, and substantially all of their and our assets are located outside the United States. Although the Issuer and GRUPOSURA will appoint an agent for service of process in the United States, it may be difficult for you to effect service of process within the United States upon us or such persons, including with respect to matters arising under federal securities laws of the United States, or to enforce against us or such persons judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws.

Enforceability in Colombia

GRUPOSURA has been advised by its General Counsel that Colombian courts will enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as *exequatur*. Colombian courts will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the following requirements set forth in Articles 693, 694 and 695 of the *Código de Procedimiento Civil* (Colombian Code of Civil Procedure):

(i) a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

(ii) the foreign judgment does not relate to "in rem" rights vested in assets that were located in Colombia at the time the suit was filed;

(iii) the foreign judgment does not contravene or conflict with Colombian laws relating to public order (mandatory provisions) other than those governing judicial procedures;

(iv) the foreign judgment, in accordance with the laws of the country in which it was rendered, is final and not subject to appeal and a duly certified, legalized and authenticated copy of the judgment has been presented to a competent court in Colombia;

(v) the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;

(vi) no proceedings are pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and

(vii) in the proceedings commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to defend against the action.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court has in the past accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Proceedings for execution of a money judgment by attachment or execution against any assets or property located in Colombia would be within the exclusive jurisdiction of Colombian courts. In the course of the exequatur proceedings, both the plaintiff and the defendant are afforded the opportunity to request that evidence be collected in connection with the requirements listed above. In addition, before the judgment is rendered, each party may file final allegations in support of such party's position.

Enforceability in the Cayman Islands

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States or Colombia, a judgment obtained in such jurisdictions will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment:

(i) is given by a foreign court of competent jurisdiction;

(ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;

(iii) is final;

(iv) is not in respect of taxes, a fine or a penalty; and

(v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Summary

This summary highlights selected information described in greater detail elsewhere in this offering memorandum. It does not contain all of the information that may be important to you. You should read the entire offering memorandum carefully, including the risk factors and financial statements.

Grupo de Inversiones Suramericana S.A.

GRUPOSURA is the principal shareholder of a group of leading companies operating primarily in Colombia in two key sectors: Financial Services, including commercial banking, insurance and pension funds; and Industrial, including processed foods and cement, ready mix and energy. We estimate that the Group in aggregate represented nearly 6.4% of Colombia's gross domestic product, or "GDP", in 2010. In recent years, the Group has expanded to other countries and regions in the Western Hemisphere, including Central America, the Caribbean, the United States, Peru and Mexico.

Our interests in the Financial Services sector include our ownership of 44.8% of the voting shares (equal to 29.0% of the capital stock) of Bancolombia, the largest bank in Colombia, in which we are the largest shareholder, and our 81.1% ownership of Suramericana, the holding company for the largest life and property and casualty insurance companies in Colombia. The remaining 18.9% of Suramericana is owned by the German insurer Münchener Rückversicherungs-Gesellschaft Munich Re, or "Munich Re." In addition, we have a 48.2% ownership interest of Protección, the second largest private pension fund administrator in Colombia, in which we are the largest shareholder. Our interest in the processed food segment of the Industrial sector is held through our 37.7% ownership of Chocolates, the largest processed food congolomerate in Colombia, in which we are also the largest shareholder. Our interest in the cement, ready mix and energy segment of the Industrial sector is comprised of our 36.0% ownership of Inversiones Argos, in which we are the largest shareholder. Inversiones Argos is the majority owner of Colombia's largest cement producer, Cementos Argos, S.A., or "Cementos Argos", and Colombia's fourth largest electric generation company, Compañía Colombiana de Inversiones S.A., or "Colinversiones."

Many of these companies also have cross holdings in the Group, which as of December 31, 2010 were as set forth below:

- Bancolombia had a 23.4% ownership interest in Protección;
- Chocolates had a 12.7% ownership interest in GRUPOSURA and a 12.4% ownership interest in Inversiones Argos; and
- Inversiones Argos and its subsidiaries had a 37.6% ownership interest in GRUPOSURA, a 9.0% ownership interest in Bancolombia and a 10.4% ownership interest in Chocolates.

The following table sets forth the cash dividends received by GRUPOSURA (including by its wholly owned subsidiary Portafolio en Liquidación) from other Group companies in 2010, 2009 and 2008.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in millions)*	
Bancolombia	73,458	140,596	134,158	114,104
Suramericana	19,643	37,597	33,038	30,482
Chocolates	26,344	50,422	45,002	37,757
Inversiones Argos	21,891	41,899	37,675	29,459
Others	8,715	16,681	14,547	10,550
Total	**150,051**	**287,194**	**264,420**	**222,352**

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

Of the COP 287,194 million in cash dividends received by GRUPOSURA and Portafolio en Liquidación from other Group companies in 2010, 49.0% came from Bancolombia, 17.6% from Chocolates, 14.6% from Inversiones Argos and 13.1% from Suramericana.

As of March 31, 2011, GRUPOSURA had a market capitalization of COP 17,438,805 million. As of December 31, 2010, its shareholders' equity was COP 17,561,190 million, the second largest of all companies in Colombia.

Our common shares are traded on the BVC under the symbol "GRUPOSURA", and our Level 1 American Depositary Receipts ("ADRs") are traded on the Over-the-Counter-Market ("OTC Market") in the United States under the symbol "GIVSY." We are also listed on the *Mercado de Valores Latinoamericanos en Euros* ("LATIBEX") under the symbol "XGSUR."

The Group's Performance in 2010

The following table sets forth key statistics relating to GRUPOSURA's subsidiaries and affiliates as of December 31, 2010:

	Bancolombia	Suramericana	Chocolates	Inversiones Argos
% Ownership[1]	44.8%[4]	81.1%	37.7%	36.0%
Ratings (Moody's/Fitch)	Baa3[5]/BBB-	Baa3[6]/NR	NR/AAAcol	NR/AA+col[9]
% of Dividends Received by GRUPOSURA[2]	49.0%	13.1%	17.6%	14.6%
Market Share in Colombia	21.7%	29.9%/16.7%/ 27.9%[7]	61.1%	51.0%[9]
Market Position in Colombia	1	1/1/1[7]	1	1[9]
Operating Revenues (COP in millions)	7,226,263	3,816,610[8]	4,458,858	5,409,150
Market Capitalization (COP in millions) [3]	22,976,736	N/A	10,225,401	12,133,520
Net Income (COP in millions)	1,436,494	309,254	263,239	388,333

(1) Ownership of GRUPOSURA directly or indirectly through its wholly owned subsidiaries.
(2) Cash dividends received by GRUPOSURA (including its wholly-owned subsidiary Portafolio en Liquidación).
(3) Presented as of March 31, 2011. This measurement does not apply to Suramericana because it is not listed on any stock exchange.
(4) Represents percentage of voting stock owned, which was 29.0% of the total share capital.
(5) Subordinated debt rating.
(6) Insurance financial strength rating of Suramericana's subsidiaries Seguros de Vida Suramericana S.A. and Seguros Generales Suramericana S.A.
(7) Represents the market shares and market position data of Suramericana's subsidiaries Seguros de Vida Suramericana S.A., Seguros Generales Suramericana S.A., and Seguros de Riesgos Profesionales Suramericana S.A., respectively.
(8) Represents the sum of operating revenues from Suramericana's subsidiaries, without adjustments in consolidation.
(9) Rating, market share and market share position data corresponds to Cementos Argos only.

The Colombian Economy

During the last five years, Colombia's GDP grew at an annual average rate of 4.6%, one of the highest growth rates in Latin America. According to the Colombian National Department of Statistics (*Departamento Administrativo Nacional de Estadística*, or "DANE"), Colombia's GDP grew 4.3% during 2010. Colombia's GDP growth was attributable, in large part, to a significant increase in the oil and mining sectors, which supported growth in other sectors, including those in which our companies operate. According to forecasts by the *Asociación Nacional de Instituciones Financieras* (National Association of Financial Institutions, or "ANIF"), the Colombian economy is expected to grow by approximately 4.5% and 4.3% in 2011 and 2012, respectively.

The following table shows the historical and projected evolution of Colombia's principal macroeconomic indicators:

	2006	2007	2008	2009	2010	2011	2012
GDP growth	6.7%	6.9%	3.5%	1.5%	4.3%	4.5%	4.3%
Inflation[1]	4.5%	5.7%	7.7%	2.0%	3.2%	3.8%	4.0%
Unemployment rate	11.8%	9.9%	10.6%	11.3%	11.1%	11.2%	10.8%

Sources: Historical data provided by the DANE; forecasts provided by the ANIF.
(1) As measured by the *Indice de Precios al Consumidor*, or "IPC" (Colombian Consumer Price Index).

In recent years, Colombia has been one of the more stable and dynamic economies in Latin America. In particular, from 2000 to 2010 Colombia's GDP per capita has doubled. In addition, Colombia's credit rating was recently raised to an investment grade level by Standard & Poor's to BBB-. We believe that these favorable economic conditions provide a strong foundation with attractive growth prospects and a positive outlook for the sectors in which the Group's principal companies operate.

Our Interests in the Financial Services Sector

Bancolombia S.A.

Bancolombia is Colombia's leading financial institution, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other countries including El Salvador, Panama, the United States, Puerto Rico and Peru. Bancolombia is the largest bank in Colombia as measured by total loans and deposits, accounting for 21.2% and 19.0%, respectively, of the Colombian market at December 31, 2010. In 2010, Bancolombia's non-performing loans as a percentage of total loans was 2.9%.

Bancolombia was founded in 1945 and has grown substantially over the years, through organic growth as well as through acquisitions. Bancolombia's distribution network in Colombia includes 921 branches, 2,945 automated teller machines ("ATMs") and additional channels that contribute to its nationwide presence. Bancolombia serves approximately 6.0 million clients in Colombia and 1.0 million clients in El Salvador. As of December 31, 2010, Bancolombia had, on a consolidated basis:

- COP 68,095,156 million in total assets;
- COP 46,091,877 million in total net loans and financial leases, net;
- COP 43,538,967 million in total deposits; and
- COP 7,947,140 million in stockholders' equity.

Bancolombia's consolidated net income for 2010 was COP 1,436,494 million, representing an average return on equity of 19.7% and an average return on assets of 2.3%.

Bancolombia's common and preferred shares are traded on the BVC under the symbols "BCOLOMBIA" and "PFBCOLOM", respectively. Its ADRs, each representing four preferred shares, are traded on the New York Stock Exchange ("NYSE") under the symbol "CIB".

Suramericana S.A.

Suramericana is the holding company for a group of companies providing a full range of insurance products and related services, including social security – related services, to customers in Colombia and elsewhere in Latin America. In 2010, Suramericana had a net income of COP 309,254 million. Suramericana's principal insurance subsidiaries are as follows:

- *Seguros de Vida Suramericana S.A.* ("Seguros de Vida"), which provides life insurance services, including health, life, collective life, pension and other life insurance products. Life insurance products accounted for 34.6% of Suramericana's business by written premiums in 2010;
- *Seguros Generales Suramericana S.A.* ("Seguros Generales"), which provides property and casualty ("P&C") insurance services, including vehicle, fire, theft, transport and other liabilities. P&C insurance products accounted for 26.6% of Suramericana's business by written premiums in 2010;
- *EPS y Medicina Prepagada Suramericana S.A.* ("EPS Sura"), which provides health insurance services, including mandatory health plans and complementary health plans. Health insurance products accounted for 19.2% of Suramericana's business by written premiums in 2010;
- *Seguros de Riesgos Profesionales Suramericana S.A.* ("ARP Sura"), which provides mandatory workers' compensation insurance, including professional risk. Workers' compensation products accounted for 10.5% of Suramericana's business by written premiums in 2010; and
- *Seguros Suramericana S.A.* in Panama ("Seguros Panama"), which provides P&C and life insurance services in Panama.

In 2010, Suramericana's subsidiaries Seguros de Vida, Seguros Generales and ARP Sura were Colombia's largest insurance companies in their respective categories, with 29.9%, 16.7% and 27.9% market shares based on written premiums, respectively. In 2010, Suramericana's subsidiaries primarily marketed their services through a distribution network of 4,720 insurance agents operating through 73 of their own branches, 52 selling stations through Suramericana's joint venture with Almacenes Éxito S.A. ("Almacenes Éxito"), the largest retail company in Colombia, and the Bancassurance joint venture with Bancolombia that provides access to 673 of Bancolombia's branches. Suramericana's subsidiaries service more than 3.5 million clients in Colombia.

Protección S.A.

Protección is the second largest private pension fund administrator in Colombia. In 2010, Protección had COP 29,649,821 million assets under management, representing a market share of 25.9%. Protección has 3.1 million clients. In 2010, Protección's consolidated net income was COP 85,716 million.

Protección's common shares are traded on the BVC under the symbol "PROTECCION".

Our Interests in the Industrial Sector

Processed Foods Business

Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

Chocolates operates the largest food processing group in Colombia, as measured by market shares in the majority of the business lines that it serves. Chocolates also has a significant presence in Venezuela, Central America, the United States, Peru, Mexico, Ecuador and the Caribbean.

Chocolates' principal activities involve producing, distributing and selling cold cuts, cookies, chocolates, roasted and milled coffee, ice cream and pasta. Chocolates' other activities include its interests in the packaging industry. Chocolates' cold cuts, cookies, chocolates, coffee, ice cream, and pasta businesses offer a competitive group of products which have helped Chocolates capture a majority of the market in its respective business lines in Colombia. Chocolates has an extensive distribution network in 12 countries, owns operating facilities in 8 countries, and benefits from broad international distribution of its products, which are exported to 74 countries.

In 2010, Chocolates had consolidated operating revenues of COP 4,458,858 million, of which 32.7% is attributable to the cold cuts segment, 19.6% to cookies, 19.4% to chocolates, 15.8% to coffee, 5.9% to ice cream, 4.2% to pasta and 2.4% to others. Chocolates' consolidated net income in 2010 was COP 263,239 million.

Chocolates' common shares are traded on the BVC under the symbol "CHOCOLATES," and its Level 1 ADRs are traded on the OTC Market in the United States under the symbol "GCHOY."

Cement, Ready Mix and Energy Business

Inversiones Argos S.A.

Inversiones Argos is the holding company for a group of companies operating mainly in the cement, ready mix and energy industries in Colombia, the United States, Central America and the Caribbean. Inversiones Argos' main subsidiaries include the cement company Cementos Argos and the energy company Colinversiones. Inversiones Argos' consolidated revenues for 2010 were COP 5,409,150 million. As of December 31, 2010, Inversiones Argos directly held a 62.1% interest in Cementos Argos and a 50.1% interest in Colinversiones.

Inversiones Argos' common shares are traded on the BVC under the symbol "INVERARGOS."

Cementos Argos S.A.

Cementos Argos is engaged in the business of producing cement and ready mix in Colombia, the United States, Panama, Haiti, the Dominican Republic, St. Maarten, St. Thomas, Antigua, Dominica, Curacao and Surinam. Cementos Argos' operating revenues derive from sales of cement and ready mix in these countries, as well as from its cement exports to more than 37 countries. In addition to what Cementos Argos produces abroad, approximately 30.0% of its Colombian production is exported to the United States and the Caribbean region.

In 2010, Cementos Argos was the leading cement and ready mix producer in Colombia in terms of cement and ready mix sales volumes, the fifth largest cement and ready mix producer in Latin America in terms of cement and ready mix sales volumes, and the sixth largest ready mix producer in the United States in terms of ready mix sales volume. In the United States, Cementos Argos operates in the regional markets of Texas, Arkansas, Georgia, South Carolina, North Carolina and Virginia.

Cementos Argos has achieved its market position through internal growth and through strategic acquisitions. In 2009, Cementos Argos acquired equity interests in companies owning cement and ready mix production facilities in Panama, Haiti and the Dominican Republic from Holcim (Colombia) S.A. ("Holcim").

In terms of its cement production, Cementos Argos controls four ports and operates 11 cement plants with a total production capacity of 12.8 million tons per year in Colombia. In ready mix, Cementos Argos owns 400 mixers and 70 plants, and has a total production capacity of 3.5 million cubic meters in Colombia. Internationally, Cementos Argos exports cement and clinker to over 39 countries.

For 2010, 51.0% of Cementos Argos' consolidated operating revenues were attributable to its Colombian operations, 24.0% to its U.S. operations and 20.0% to its Caribbean operations. For 2010, 61.0% of Cementos Argos' consolidated operating revenues were attributable to its sales of cement and 39.0% to its sales of ready mix.

Cementos Argos' common shares are traded on the BVC under the symbol "CEMARGOS", and its Level 1 ADRs are traded on the OTC Market in the United States under the symbol "CMTOY."

Compañía Colombiana de Inversiones S.A.

Colinversiones is primarily engaged in the generation, transmission, and distribution of electrical energy throughout Colombia. In terms of energy generation, as of December 31, 2010, Colinversiones' installed capacity was 1,878 megawatts, or "MW", making it the fourth largest participant in the Colombian market, with 16 plants in operation. Colinversiones' energy is produced through its subsidiaries Termoflores S.A E.S.P, or "Termoflores" and Empresa Energía del Pacifico S.A., or "EPSA." Colinversiones has a diversified asset base with a current generation capacity of 51.0% based on hydro energy and 49.0% based on thermal energy.

In distribution, Colinversiones, through its subsidiaries EPSA and Compañia de Electricidad de Tulua S.A. ("CETSA"), serves 496,025 customers in 39 of the 42 municipalities of Valle del Cauca, Colombia. In 2010, Colinversiones operated a distribution network with a non-interruptable demand of 2,267 gigawatt hours ("GWh") per year from Colombia's national energy system. Based on this level of demand, Colinversiones is the fifth largest electricity distributor in Colombia.

Colinversiones' common shares are traded on the BVC under the symbol "COLINVERS."

Our Strengths

Principal shareholder in a diversified group of leading companies in Colombia. We hold interests in well-established companies that are market leaders in Colombia across such diversified industries as financial services, insurance, food processing, cement and ready mix production and energy generation, among others. As the principal shareholder in all the Group companies, we have been able to elect a majority of each of their boards of directors. In the past, we have elected four directors to the board of Bancolombia, five directors to the board of Protección, four directors to the board of Chocolates and four directors to the board of Inversiones Argos.

Strong, diversified and growing cash flows from the Group's companies. GRUPOSURA derives most of its cash flows from dividends paid by a diversified group of companies operating across various industries. In recent years, these companies have consistently paid dividends, which have been increasing by at least the rate of inflation as measured by the *Indice de Precios al Consumidor* (Consumer Price Index, or "IPC").

Strong balance sheet that supports our businesses. As of December 31, 2010, GRUPOSURA's shareholders' equity was COP 17,561,190 million, the second largest in Colombia, and its total debt-to-shareholders' equity ratio was 3.1%. GRUPOSURA has historically financed its expansion primarily through operating cash flow and the sale of its non-strategic assets.

Multi-product and multi-channel business model. We have increased our market share in our financial services sector by developing an integrated business model, which permits us to exploit synergies between our different banking, insurance and pension fund administration businesses while accessing a wider customer base and creating enhanced customer loyalty. We believe that our integrated business model allows us significant room for margin improvements as we seek to improve revenue synergies from our distribution, operational and administrative structure and identify promising brands and products that complement our existing brands and products. This integrated business model enables us to benefit from an extensive distribution network in Colombia that provides the Group's principal companies with a competitive advantage and creates high entry barriers that protect our businesses from competition.

Commitment to best practices, corporate governance and sustainable development. We established a Corporate Governance Code in 2002 and have been publishing annual reports on corporate governance since 2005. The guiding principle behind our corporate governance policies is to champion a business policy governed by principles of fairness, respect, responsibility and transparency and a firm commitment to Colombia and its people. Our Corporate Governance Code follows international standards regarding relationships with regulatory entities, independent board members, board of directors' roles, board of directors' committees, control and disclosure of information. In addition, as part of our emphasis on social responsibility and good corporate citizenship, we, our subsidiaries and affiliates take part in projects that help improve the quality of life for more vulnerable communities, by means of institutional contributions and our own group of volunteers, all of which is channeled through our Suramericana Foundation. In 2010, the Suramericana Foundation invested a total of COP 9,355 million in 16 departments in Colombia.

Experienced management team. We benefit from an experienced and talented management team. Most of the members of our senior management have held executive positions across various industries in Colombia and elsewhere in Latin America.

Our Strategy

Our business strategy is to expand and develop our businesses through strong and sustainable growth by identifying synergies and pursuing business creation and growth opportunities among the companies that belong to the Group. We plan to pursue our business strategy by focusing on the following:

Maintaining leadership in local markets. All of our significant subsidiaries and affiliates are market leaders in Colombia. Bancolombia is the leading financial institution in the country; Suramericana is the leading holding company for the largest insurance companies; Chocolates is the largest food processing conglomerate; and Inversiones Argos is the holding company for the largest producer in the cement and ready mix industries. We plan to maintain our leadership in these markets by employing highly skilled and trained individuals, offering superior products and solutions to our customers, investing in research and development for innovation, fostering customer loyalty by providing a combination of personalized service and high-quality products and services at competitive prices and ensuring that our businesses continue to carry out their operations through our guiding principles of fairness, respect, responsibility and transparency.

Expanding into selected international markets in our core financial services business, and supporting the growth of Group companies in the industrial sector. We have recently increased and will continue to increase our market share in Latin America by actively seeking opportunities to acquire market leading companies in the financial services sector, particularly in El Salvador, Costa Rica, Panama, the Dominican Republic, Peru and Chile. When determining to expand our interests in the financial services sector abroad, we apply the following key criteria: (i) political, social and macroeconomic country stability; (ii) growth potential; (iii) market leadership; (iv) controlling stakes; (v) positive economic, environmental and social performance; (vi) good corporate governance; and (vii) excellent corporate reputation. The application of this criteria has led us to acquire, through Protección, companies such as Administradora de Fondos de Pensiones Crecer, the largest pension fund administration company in El Salvador. We have also acquired, through Suramericana, Aseguradora Suiza Salvadoreña S.A. ("Asesuisa") and Progreso Compañia de Seguros S.A. ("Proseguros"), market leading insurance companies in El Salvador and the Dominican Republic, respectively. These acquisitions are pending regulatory approval from their home countries. We are aiming to replicate acquisitions such as these in our other target countries in the near future. In the industrial sector, while we will not finance the future expansion of Chocolates and Inversiones Argos, we actively manage and support these companies through our participation on their boards of directors.

Promoting synergies among the Group. Within our financial services business, we seek to achieve synergies among our businesses through our common knowledge, information technology and human resources systems as well as the implementation of a multi-product and multi-channel business model through which we offer products and services across different industries. For example, Bancolombia and Suramericana have developed the Bancassurance joint venture through which Suramericana's subsidiaries offer general insurance products and services at 673 of Bancolombia's branches throughout Colombia. Suramericana and Protección are also offering and marketing each others' products in order to increase cross-selling opportunities between their wide range of clients. We intend to continue promoting similar arrangements across all of our strategic interests in the near future.

Maintaining and enhancing our strong, diversified and growing cash flows. By expanding our presence in the financial services sector and supporting the growth of our interests in the industrial sector, we seek to maintain and enhance the financial strength of Group companies. In doing so, we aim to ensure that our dividend flow continues to be well diversified across various industries and grows at similar or faster rates than in recent years. In addition, to assure that our growth will not hamper our strong credit position, we intend to continue with our long-term policy of maintaining conservative leverage levels.

Corporate Structure

Compañía Nacional de Chocolates S.A., Compañía de Cemento Argos S.A., Suramericana de Seguros S.A. and Banco Industrial Colombiano S.A, which were the predecessor companies of Chocolates, Inversiones Argos, Suramericana and Bancolombia, respectively, were incorporated in 1912, 1934, 1944 and 1945, respectively. These companies operated largely as independent, operating companies until the 1970s when, as a result of an alliance among the Medellin business community (formerly known as the Sindicato Antioqueño), Compañía Nacional de Chocolates S.A., Compañía de Cemento Argos S.A. and Suramericana de Seguros S.A. entered into an equity swap as an anti-takeover measure, thereby becoming the three head companies of the so-called Antioqueño Business Group (the "Grupo Empresarial Antioqueño"). The Grupo Empresarial Antioqueño also gained ownership interests in Bancolombia as a result of Suramericana de Seguros S.A.'s then-ownership of Banco Industrial Colombiano S.A.

As a result of organic growth and the simplification of our shareholder structure, we now have the corporate structure set forth on the inside front cover of this offering memorandum.

The Issuer

The Issuer is a wholly owned subsidiary of GRUPOSURA, incorporated on March 18, 2011 as an exempted company with limited liability under the laws of the Cayman Islands. The Issuer was incorporated solely for the purpose of issuing the notes and other unsecured indebtedness ranking equally with the notes, and to help finance the development of the Group. See "Use of Proceeds." The payment of principal, interest and premium, if any, on the notes will be unconditionally and irrevocably guaranteed by GRUPOSURA.

The Issuer has no prior operating history or prior business activity and does not have any substantial assets or liabilities. The Issuer's sole source of cash for payments of principal, interest and other amounts in respect of the notes will be ongoing capital contributions to be made by GRUPOSURA, earnings from short-term and fixed income investments and/or funds received by the Issuer from inter-company loans it may make to GRUPOSURA or any direct or indirect subsidiary of GRUPOSURA.

Corporate Information

GRUPOSURA's principal executive offices are located at Carrera 64B # 49A – 30, Medellín, Colombia. The Issuer's registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Offering

The following summary highlights selected information regarding the terms of the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the entire offering memorandum carefully, including "Description of the Notes."

Issuer	Gruposura Finance
Guarantor..	Grupo de Inversiones Suramericana S.A. ("GRUPOSURA")
Securities Offered...............................	U.S.$ 300,000,000 aggregate principal amount of 5.70% notes due 2021.
Issue Price...	99.354% plus accrued interest, if any, from May 18, 2011.
Maturity Date......................................	The notes will mature on May 18, 2021.
Interest..	The notes will accrue interest at a rate of 5.70% per year. Interest will accrue from the original issue date of the notes.
Interest Payment Dates	Interest on the notes will be payable semi-annually in arrears on May 18 and November 18 of each year, beginning on November 18, 2011.
Ranking	The notes will be senior unsecured obligations of the Issuer and will rank equal in right of payment to all the future unsecured and unsubordinated indebtedness of the Issuer. The guarantees will be senior unsecured obligations of GRUPOSURA and will rank: • equal in right of payment to other existing and future senior unsecured and unsubordinated indebtedness of GRUPOSURA; • effectively subordinated to any existing and future secured indebtedness of GRUPOSURA to the extent of such security; and • structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of the subsidiaries and affiliates of GRUPOSURA. At December 31, 2010, the Issuer had no outstanding indebtedness, and GRUPOSURA had total unconsolidated indebtedness of U.S.$301.6 million, of which U.S.$23.2 million was secured indebtedness.
Optional Redemption..........................	The notes will not be redeemable prior to maturity except as set forth below. *Make-Whole Redemption.* We may redeem the notes, in whole but not in part, at any time, at a redemption price equal to the greater of 100% of the outstanding principal amount of the notes and a "make-whole" amount, in each case plus accrued and unpaid interest to the date of redemption. See "Description of the Notes—Optional Redemption — Make-Whole Redemption." *Tax Redemption.* We may redeem the notes, in whole but not in part, at any time upon the occurrence of specified changes in Colombian or Cayman Islands tax law, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to the date of redemption and any additional amounts. See "Description of the

Notes —Optional Redemption —Tax Redemption."

Additional Amounts	All payments in respect of the notes or the guarantees will be made without any withholding or deduction for any Colombian or Cayman Islands taxes unless such withholding or deduction is required by law. In that event, the Issuer or GRUPOSURA will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Colombian or Cayman Islands taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts."
Change of Control	If a change of control occurs, GRUPOSURA, on behalf of the Issuer, will be required to offer to purchase the notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest. See "Description of the Notes—Change of Control Offer."
Covenants of Gruposura Finance........	The indenture will prohibit the Issuer from incurring indebtedness, other than the notes and other unsecured indebtedness ranking equally with the notes, and will impose certain other limitations and restrictions on the Issuer, as described under "Description of the Notes—Covenants of Gruposura Finance."
Covenants of GRUPOSURA.............	The indenture will limit GRUPOSURA's ability, among other things, to: • incur liens on its assets; • enter into transactions with affiliates; and • consolidate or merge with, or convey, transfer or lease all or substantially all of our assets, to another person, unless GRUPOSURA complies with certain requirements. However, these covenants are subject to a number of significant exceptions. In addition, these covenants do not place restrictions or limitations on the subsidiaries or affiliates of GRUPOSURA. See "Description of the Notes —Covenants."
Events of Default...............................	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross-default of other indebtedness of the Issuer, GRUPOSURA, any of GRUPOSURA's other subsidiaries and/or GRUPOSURA investees that, individually or in the aggregate, constitute a material entity, in an aggregate amount of U.S.$50 million or more, in the case of the Issuer, GRUPOSURA or any of GRUPOSURA's other subsidiaries, or in an aggregate amount of U.S.$75 million or more, in the case of investees (to the extent such investees, individually or in the aggregate, constitute a material entity). See "Description of the Notes —Events of Default."
Further Issues....................................	The Issuer may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering.
Use of Proceeds	The net proceeds from this offering to will be used for general corporate purposes, which may include acquisitions to enhance our strategic

	interests in our financial services sector.
Form and Denomination	The notes will be issued in book-entry form, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, and will be represented by global notes deposited with, or on the behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interest in the global notes will be shown on, and transfers will be effected only through, records maintained by DTC for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). The global notes will be exchangeable or transferable for certificated notes only in limited circumstances. See "Description of the Notes—Form of Notes."
Transfer Restrictions	The notes have not been registered under the Securities Act or the laws of any other jurisdiction. As a result, the notes are subject to limitations on transferability and resale. See "Transfer Restrictions."
Listing and Trading	We have applied to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market. However, the notes are a new issue of securities and there is no established trading market for the notes. Accordingly, we cannot assure you that a trading market for the notes will develop or if one develops, that it will be maintained.
Governing Law	The indenture, the notes and the guarantees will be governed by, and construed in accordance with, the law of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	The Bank of New York Mellon
Luxembourg Transfer Agent and Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.
Risk Factors	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" in this offering memorandum for a description of the principal risks involved in making an investment in the notes.

Summary Financial Information

The following tables set forth summary unconsolidated financial information for GRUPOSURA. For the selected financial information of the Group's principal companies, see "Selected Financial Information."

GRUPOSURA's income statement data for the years ended December 31, 2010, 2009 and 2008 and balance sheet data as of December 31, 2010, 2009 and 2008 are derived from GRUPOSURA's audited unconsolidated financial statements included in this offering memorandum.

The pro forma financial information of GRUPOSURA includes unaudited pro forma unconsolidated income statement data for the year ended December 31, 2010 and unaudited pro forma unconsolidated balance sheet data as of December 31, 2010. We derived the pro forma financial information by applying adjustments to GRUPOSURA's 2010 unconsolidated income statement and balance sheet data as described under "Pro Forma Financial Information," which gives effect to the winding up of our wholly owned subsidiary Portafolio en Liquidación and the transfer of all its assets and liabilities to GRUPOSURA as if the winding up had occurred on January 1, 2010. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The pro forma financial information should not be considered indicative of actual results that would have been achieved for 2010 had the winding up been consummated on January 1, 2010 and does not purport to indicate results of operations for any future period.

The following tables should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Selected Financial Information," "Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and GRUPOSURA's audited unconsolidated financial statements and the related notes appearing in this offering memorandum.

Grupo de Inversiones Suramericana S.A.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Income Statement Data:				
Operating revenues:				
Dividends	73,616	140,898,673	139,300,331	114,590,028
Interests	7,543	14,436,438	5,478,464	4,549,390
Earnings from the equity method, net	296,273	567,060,204	333,642,816	152,177,661
Earnings from sale of investments, net	26,860	51,410,202	25,140,208	1,138,099
Unrealized gains on marketable securities, net	10,434	19,970,509	7,841,237	(13,217,508)
Derivatives operations	3,410	6,526,347	5,098,527	–
Reimbursement provision for investments	8	15,199	159,624	49,610,865
	418,144	800,317,572	516,661,207	308,848,535
Operating and administrative expenses:				
Provision for investments	75	143,752	31,664,556	2,386,593
Tax refund	(135)	(257,626)	(272,973)	–
Payroll expenses	2,586	4,948,753	3,784,221	3,322,319
Fees	959	1,834,995	2,595,056	1,513,091
Administrative expenses	3,280	6,277,023	8,867,602	4,468,978
Depreciation	41	77,755	82,625	82,624
	6,806	13,024,652	46,721,087	11,773,605
Operating income	411,338	787,292,920	469,940,120	297,074,930
Non-operating expenses (income):				
Foreign-exchange	4,099	7,845,047	7,049,865	5,236,788
Interests	23,961	45,860,672	10,711,366	12,204,922
Bank expenses – commissions	478	915,148	541,541	415,358
Extraordinary expenses	92	176,294	152,070	–
Amortized premium	2,912	5,574,245	–	–
ADR call option compensation	12,076	23,113,312	–	–
Miscellaneous	(30)	(57,704)	(3,568)	(175,826)
	43,588	83,427,014	18,451,274	17,681,242
Income before taxes	367,750	703,865,906	451,488,846	279,393,688
Income and tax provision	(3,971)	(7,600,000)	(5,438,583)	(6,380,000)
Net income	363,779	696,265,906	446,050,263	273,013,688

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Balance Sheet Data:				
Cash	62	118,195	5,444,606	107,734
Short-term investments	42,842	81,998,970	161,390,128	79,998,099
Accounts receivable, net	40,405	77,334,851	42,217,934	38,680,008
Total current assets	83,404	159,634,007	209,225,993	118,959,166
Permanent investments	5,561,658	10,644,902,253	9,484,775,927	6,561,618,873
Valuations[(2)]	3,847,271	7,363,600,136	4,993,303,492	2,010,971,867
Total assets	9,492,581	18,168,609,567	14,695,316,243	8,702,243,396
Commercial paper	122,077	233,652,000	—	95,000,000
Total current liabilities	186,741	357,419,005	58,008,911	317,003,418
Ordinary bonds	130,618	250,000,000	250,000,000	—
Total liabilities	317,359	607,419,005	357,008,911	317,003,418
Shareholders' equity	9,175,222	17,561,190,562	14,338,307,332	8,385,239,978

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

(2) Non-controlling investments are accounted at cost. If the market value of these investments exceeds their book value at the end of the period, the excess is recorded as valuations.

	As of December 31,		
	2010	2009	2008
Other Financial Data:			
Leverage ratio[(1)]	3.1%	2.1%	3.1%

(1) Represents total indebtedness as a percentage of shareholders' equity.

Grupo de Inversiones Suramericana S.A. Pro Forma Financial Information

	For the year ended December 31, 2010	
	Pro Forma	
	(USD in thousands)[(1)]	*(COP in thousands)*
Pro Forma Income Statement Data:		
Operating revenues	432,115	827,059,926
Operating and administrative expenses	13,955	26,709,881
Operating income	418,160	800,350,045
Non-operating expenses (income)	50,410	96,484,139
Income before taxes	367,750	703,865,906
Net income	363,779	696,265,906

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

	As of December 31, 2010	
	Pro Forma	
	(USD in thousands)[1]	*(COP in thousands)*
Pro Forma Balance Sheet Data:		
Assets		
Total current assets	454,413	869,737,448
Other assets	9,039,748	17,301,895,952
Total assets	9,494,161	18,171,633,400
Liabilities and shareholders' equity		
Total current liabilities	188,321	360,442,836
Long term financial obligations	130,618	250,000,000
Total liabilities	318,939	610,442,836
Shareholders' equity	9,175,222	17,561,190,564
Total liabilities and shareholders' equity	9,494,161	18,171,633,400

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

Risk Factors

You should carefully consider the following risk factors, as well as the other information presented in this offering memorandum, before buying the notes. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition. In that event, the market price of the notes could decline, and you could lose all or part of your investment.

Risk Factors Relating to Colombia

A substantial portion of our assets is located in, and a substantial portion of our revenues and cash flows are derived from, Colombia, making us highly dependent on economic and political conditions in Colombia.

A substantial portion of our assets is located in Colombia, and a substantial portion of our revenues and cash flows is derived from Colombia and denominated in Colombian pesos. Accordingly, our financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Colombia. Decreases in the growth rate, periods of negative growth, increases in inflation, changes in law, regulation, policy, or future judicial rulings and interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia may affect the overall business environment and may, in turn, impact our financial condition and results of operations.

Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. The Colombian fiscal deficit was 0.1% of GDP in 2008, 2.8% of GDP in 2009, and 3.9% of GDP in 2010. In addition, the U.S. dollar/Colombian peso exchange rate has shown some instability in the last four years, particularly with the Colombian peso experiencing significant fluctuations during the last twelve months. We cannot assure you that measures recently adopted by the Colombian government and the Central Bank will suffice to control this instability.

Despite the recovery of Colombia's economy over the past four years, we cannot assure you as to whether current growth and relative stability will be sustained. If the condition of the Colombian economy were to deteriorate, we would likely be adversely affected.

The Colombian government frequently intervenes in Colombia's economy and from time to time makes significant changes in monetary, fiscal and regulatory policy. Our business and results of operations or financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia. We cannot predict what policies will be adopted by the Colombian government and whether those policies would have a negative impact on the Colombian economy or our business and financial performance.

The Colombian government and the Central Bank may seek to implement new policies aimed at controlling further fluctuation of the peso against the U.S. Dollar and fostering domestic price stability. We cannot predict the effects that such policies will have on the Colombian economy. In addition, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future.

Colombia's economy remains vulnerable to external shocks, including the recent global economic crisis and possible future significant economic difficulties of its major regional trading partners.

Colombia has recently experienced slower growth and other adverse economic and financial effects as a result of the global financial and economic crisis. GDP grew 3.5% in 2008, 1.5% in 2009 and 4.3% in 2010.

A significant decline in the economic growth of any of Colombia's major trading partners, such as the United States or Venezuela, could have a material adverse impact on Colombia's balance of trade and adversely affect Colombia's economic growth. According to the Colombian Ministry of Commerce, the United States is Colombia's largest export market. For 2010, the United States accounted for 42.5% of Colombia's total exports.

We cannot assure you that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. In addition, we cannot assure you that these events will not adversely affect Colombia's economy.

Developments and the perception of risk in other countries may adversely affect the market price of securities issued by Colombian companies, including the notes.

Securities issued by Colombian companies may be affected by economic and market conditions in other countries, including the United States, other Latin American and emerging market countries. Securities issued by Colombian issuers are also likely to be affected by economic and political conditions in Colombia's neighbors, particularly, Venezuela, Ecuador, Peru, Brazil and Panama. Although economic conditions in such Latin American and other emerging market countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Colombian issuers, including the notes.

Due to financial and economic crises that may occur in countries around the world (such as the Asian financial crisis of 1997, the Russian financial crisis of 1998, the Argentine financial crisis of 2001 and the recent global financial crisis) and which may have an effect in emerging markets economies, investors may view investments in emerging markets with heightened caution. As a result of financial and economic crises in other countries including, among others, the United States or countries with emerging market economies, flows of investments into Colombia may be reduced. Crises in other countries may hamper investors' enthusiasm for securities of Colombian issuers, which may, in turn, adversely affect market prices for the notes and make it difficult for us and our subsidiaries to access the international capital markets and finance our operations and capital expenditures.

Violence and political instability in Colombia may adversely affect the Colombian economy and our businesses and financial performance.

Colombia has experienced periods of severe violence over the past four decades, primarily due to the activities of guerrillas, paramilitary groups and drug cartels. In response, the Colombian government has implemented various security policies and has strengthened its military and police forces, including the creation of specialized units. Despite these efforts, drug-related crime and guerrilla and paramilitary activity continue to exist in Colombia. Any escalation in the violence associated with these activities may have a negative impact on the Colombian economy, as well as on us, including our subsidiaries' and affiliates' customers, employees, assets or projects. In the context of political instability, allegations have been made against members of the Congress of Colombia and on government officials for possible ties with illegal groups. This situation may have a negative impact on the credibility of the Colombian government which could, in turn, have a negative impact on the Colombian economy or on us in the future.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Colombia or other countries where we operate could adversely affect our results.

Uncertainty relating to tax legislation poses a constant risk to us. Colombian national authorities have levied new taxes in recent years. Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting stated expenses and deductions, and eliminating incentives and non-taxed income. Notably, the Colombian government has a significant fiscal deficit that may result in future tax increases. Additional tax regulations could be implemented that could require us to make additional tax payments, negatively affecting our results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that we do. Differing interpretations could result in future tax litigation and associated costs.

Natural disasters in Colombia could disrupt our businesses and impact our results of operations and financial condition.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, floods, tropical storms and hurricanes. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse impact on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data or affects commodities, ingredients and raw materials that the Group uses in the production of its products. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

The Colombian government could seize or expropriate our assets under certain circumstances.

Pursuant to Article 58 of the Colombian constitution, the Colombian government can exercise its eminent domain powers in respect of our assets in the event such action is deemed by the Colombian government to be required in order to protect public interests. According to Law 388 of 1997, eminent domain powers may be exercised through (i) an ordinary expropriation proceeding (*expropiación ordinaria*), (ii) an administrative expropriation (*expropriación administrativa*) or (iii) an expropriation for war reasons (*expropiación en caso de guerra*). In all cases we would be entitled to a fair compensation for the expropriated assets. Also, as a general rule, compensation must be paid before the asset is effectively expropriated. However, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business.

It may be difficult or impossible to enforce judgments of courts of the United States and other jurisdictions against us, or any of our directors or officers.

We are organized under the laws of Colombia. Our directors and most of our executive officers currently reside in Colombia. In addition, the majority of our assets are located in Colombia. Although we expect to appoint Corporation Service Company as our agent for service of process in the state of New York, it may be difficult or impossible for you to effect service of process on, or to enforce judgments of U.S. courts against us or against our directors and officers based on the civil liability provisions of the U.S. federal securities laws. We have been advised by our general counsel that Colombian courts will enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as exequatur. See “Enforceability of Foreign Judgments.”

Risks Relating to Our Businesses

Our ability to pay interest on and principal of the notes will depend on the ability of our subsidiaries and affiliates to pay dividends and make other distributions to us.

We are the principal shareholder in a group of companies operating throughout various industries, and all of our operations are conducted through our subsidiaries and affiliates. Accordingly, our ability to pay interest on and principal of the notes will depend upon our receipt of dividends and other distributions from our subsidiaries and affiliates. There are various regulatory restrictions in Colombia and other jurisdictions that may limit our subsidiaries’ and affiliates’ ability to pay dividends or make other payments to us, such as the obligation to maintain minimum regulatory capital, minimum liquidity and minimum reserves. In addition, our subsidiaries and affiliates may incur indebtedness or enter into other arrangements containing terms that may restrict or prohibit the payment of dividends, the making of other distributions, or the making of loans to us. To the extent our subsidiaries and affiliates do not have funds available or are otherwise restricted from paying dividends to us, our ability to pay interest to our noteholders will be materially and adversely affected.

Although we are the largest shareholder in each of the Group’s principal companies, we do not own the majority of the share capital in many of them, including Bancolombia, Chocolates and Inversiones Argos. We cannot assure you that, in the future, we will be able to appoint the majority of members of the board of directors in these companies, or that we will be able to determine the amount of dividends paid by these companies.

Our right to receive any distribution of assets of our subsidiaries and affiliates may be effectively subordinated to the rights of our subsidiaries' and affiliates' creditors, and you may have limited recourse against their assets in case of our liquidation.

As the principal shareholder in a group of companies operating throughout various industries, our right to receive any distribution of assets of our subsidiaries and affiliates upon any subsidiary's or affiliate's liquidation or reorganization or otherwise, will be subject to the prior claims of creditors of that subsidiary or affiliate, as the case may be, except to the extent that any claims by us as a creditor of such subsidiary or affiliate, as the case may be, may be recognized as such. Accordingly, holders of our notes will have rights that will effectively be subordinated to all existing and future indebtedness of our subsidiaries and affiliates, and, in the event of any claim against us, noteholders may have recourse only against our assets, and not those of our subsidiaries or affiliates, for payments. The only significant assets that we currently hold are our equity interests in our subsidiaries and affiliates.

Colombian accounting standards and corporate disclosure applicable to us and our subsidiaries and affiliates differ from those in the United States and other countries.

We and our subsidiaries and affiliates prepare our financial statements in accordance with Colombian GAAP, which differs in significant respects from U.S. GAAP and IFRS. Our Colombian financial statements and reported earnings thus may differ substantially from those of companies in other countries in these and other respects. Although the Colombian government is currently undertaking a review of regulations relating to accounting, audit, and information disclosure, to achieve convergence with international standards, current regulations continue to differ in significant respects from those in other countries. In addition, there may be less publicly available information about us and our subsidiaries and affiliates than is regularly published by or about issuers in the United States and other countries.

Risks Relating to our Financial Services Sector

Risks Relating to our Commercial Banking Business

Bancolombia is subject to extensive supervision and regulation in Colombia and in other jurisdictions where it operates, which may affect its financial condition and results of operations.

Bancolombia is subject to extensive supervision and regulation by the SFC and the Central Bank. Colombia's constitution and Colombia banking regulation grant the SFC the authority to oversee and supervise banks and other financial institutions. Under these laws, all banking operations in Colombia require licensing by the SFC, and the SFC and the Central Bank have general administrative responsibilities over banks and other financial institutions, including authority to set loan loss provisions, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide the SFC, on a periodic basis, all information that is necessary to allow for its evaluation of the bank's financial performance.

Changes in the banking laws and regulations, or in their official interpretation, and the supervision and regulation of banks, in Colombia and in other jurisdictions in which Bancolombia operates could adversely affect Bancolombia's results of operations and financial condition. Since banking laws and regulations change frequently, they could be adopted, enforced or interpreted in a manner that may have an adverse effect on Bancolombia's business. For example, the SFC and the Central Bank have in the past changed capital structure and deposit reserve requirements, rules regarding provisions for loan losses and legal lending limits applicable to Colombian banks. We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting their business will be adopted in the future, the timing of any such adoption and what effect such events would have on their operations, profitability and financial condition.

Our continuous assessment of Bancolombia's capital position seeks to ensure that it and its financial subsidiaries maintain sufficient capital consistent with their risk profile, all applicable regulatory standards and guidelines as well as external rating agency conditions. We cannot assure you, however, that future regulations will not change or require Bancolombia or its subsidiaries to comply with requirements to hold additional capital. Regulatory authorities around the world have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulatory authorities in the jurisdictions where Bancolombia operates may alter the current Technical Capital requirements to which Bancolombia is subject.

Banking regulations and corporate disclosure applicable to Bancolombia and its subsidiaries differ from those in the United States and other countries.

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects. For example, capital adequacy requirements applicable to banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries.

Bancolombia is subject to regulatory inspections, examinations, inquiries or audits in Colombia and in other countries in which it operates, and any sanctions, fines and other penalties resulting from such inspections and audits could materially and adversely affect Bancolombia's business, financial condition, results of operations and reputation.

Bancolombia is subject to comprehensive regulation and supervision by the banking authorities of Colombia, to a lesser extent, El Salvador and the other jurisdictions in which Bancolombia operates. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of Bancolombia's capitalization, organization and operations, including the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by financial institutions. In the event of non compliance with applicable regulations, Bancolombia could be subject to fines, sanctions or the revocation of licenses or permits necessary to operate its business. In Colombia, for instance, in the event Bancolombia encounters significant financial problems or becomes insolvent or is in danger of becoming insolvent, banking authorities have the power to take over Bancolombia's management and operations. Any sanctions, fines and other penalties resulting from non compliance with regulations in Colombia and in the other jurisdictions where Bancolombia operates could materially and adversely affect Bancolombia's business, financial condition, results of operations and reputation.

Banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on Bancolombia's financial position and operations, including making and collecting loans and other extensions of credit.

Bancolombia faces uncertainties regarding new consumer protection laws.

Law 1,328 of 2009, also referred to as the "financial reform law," creates a new customer protection regime with respect to financial institutions. The financial reform law provides a bill of rights for consumers of financial services, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. The financial reform law also contains specific new obligations for financial institutions, including, among others, the following: (i) a duty to maintain a designated financial ombudsman in charge of consumer protection; (ii) a duty to create a customer service center pursuant to terms set by the SFC; (iii) an obligation to provide products and services to customers on the same terms and conditions offered to all customers; and (iv) a prohibition on the inclusion of predatory or abusive terms and conditions in contracts with consumers. Because the financial reform law has only recently been enacted, there is limited guidance on how it will be interpreted. Any violation of the financial reform law by Bancolombia could result in monetary or administrative sanctions or restrictions on its operations.

Constitutional collective actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions may affect Bancolombia's business, financial condition and results of operations.

Under the Colombian constitution, individuals may initiate constitutional collective actions (*acciones populares*) or class actions (*acciones de grupo*) to protect their collective or class rights, respectively. In recent years, Colombian financial institutions, including Bancolombia, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions are related to banking fees, financial services and interest rates, and their outcome is uncertain. While the aggregate number of such actions against Bancolombia remained stable through 2010 as compared to 2008 and 2009, the number of such actions may increase in the future and could significantly affect Bancolombia's business, financial condition and results of operations.

Future restrictions on interest rates or banking fees could negatively affect Bancolombia's profitability.

The Colombian Commerce Code limits the amount of interest that may be charged in commercial transactions. In the future, regulations in the jurisdictions where Bancolombia operates could impose further limitations regarding interest rates or fees. A new law enacted in late December 2010 authorizes the Colombian government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the SFC to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semiannually to the Colombian government. In addition, the Colombian congress is currently discussing a bill aimed at regulating fees charged by financial institutions to customers using automated services such as automatic teller machines, phones and the internet. Any such regulations could materially and adversely affect Bancolombia's results of operations and financial position.

There has also been an ongoing dispute in Colombia among merchants, payment service institutions and banks regarding interchange fees.

As a consequence of these disputes, interchange fees in Colombia have been declining in recent years, while further pressures may lead to additional decreases, which in turn could adversely impact Bancolombia's financial results.

Bancolombia is subject to significant credit risk.

Many of Bancolombia's products expose it to credit risk, including loans, financial leases, lending commitments and derivatives contracts. Changes in the income levels of Bancolombia's borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of Bancolombia's loan portfolio, causing Bancolombia to increase provisions for loan losses and resulting in reduced profits or in losses.

Bancolombia estimates and establishes reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of its borrowers to repay their loans. This process is subject to human error as Bancolombia's employees may not always be able to assign an accurate credit rating to a client, which may result in Bancolombia's exposure to higher credit risks than indicated by Bancolombia's risk rating system. Bancolombia may not be able to timely detect these risks before they occur, or due to limited resources or available tools, Bancolombia's employees may not be able to effectively implement Bancolombia's credit risk management system, which may increase its exposure to credit risk. Moreover, Bancolombia's failure to continuously refine its credit risk management system may result in a higher risk exposure for Bancolombia, which could materially and adversely affect its results of operations and financial position.

Overall, if Bancolombia is unable to effectively control or manage the level of non-performing or poor credit quality loans in the future, or if its loan loss reserves are insufficient to cover future loan losses, Bancolombia's financial condition and results of operations may be materially and adversely affected.

In addition, the amount of Bancolombia's non-performing loans, including loan portfolios that Bancolombia may acquire through auctions or otherwise, may increase in the future as a result of factors beyond Bancolombia's control, such as the impact of macroeconomic trends, social and political events affecting Colombia or other jurisdictions where Bancolombia operates, or events affecting specific industries to which Bancolombia is exposed.

Bancolombia is subject to liquidity risk.

A significant amount of Bancolombia's funding comes from demand and term deposits. Bancolombia's lending activities, on the other hand, often involve loans with maturities of up to fifteen years. Its ability to continue funding long-term credit operations depends largely on its capacity to maintain the level of its deposits. Any significant decrease in the amounts of such deposits could affect Bancolombia's liquidity and its ability to grant loans in pesos.

The Colombian Central Bank may impose requirements on the ability of Colombian residents (including Bancolombia) to obtain loans in foreign currency.

Under Colombian exchange control operations, the Central Bank may impose certain mandatory deposit requirements in connection with foreign currency denominated loans obtained by Colombian residents, including Bancolombia. Most recently, when the peso appreciated against foreign currencies in 2008, such a mandatory deposit requirement was set at 40.0% of the amounts to be disbursed under any credit facility denominated in a foreign currency. We cannot predict or control future actions by the Central Bank in respect of such deposit requirements. In the event the Central Bank exercises this right, there may be a disincentive for Bancolombia and its clients to obtain loans in foreign currency.

Insolvency laws in Colombia may limit the ability of Bancolombia to collect monetary obligations and enforce rights against collateral or under guarantees.

Colombian insolvency laws provide that creditors of a debtor in default are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of the debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy must be suspended and any creditors are prevented from enforcing their rights against the collateral of the debtor.

The Colombian Congress recently enacted Law 1,380 of 2010, which provides insolvency protection to individuals that are not merchants. The law enables an individual to submit monetary obligations, other than those related to alimony, to extrajudicial conciliation hearings with the individual's creditors. The collection of interest on the debt subject to the extrajudicial proceedings is suspended for a period of 60 days or more. After hearings have been initiated, it is not possible for any creditor, including Bancolombia, to initiate or continue enforcement actions or collect collateral from the debtor. Increased difficulties in enforcing and recovering debt and other monetary obligations due to this new insolvency law may cause Bancolombia to enhance credit requirements and result in decreased lending to individuals, which would have an adverse impact on its results of operations and financial condition.

The economic downturn has adversely affected, and may continue to adversely affect, Bancolombia's asset quality levels, which in turn could lead to higher provision charges.

Recent lower economic activity has affected, and may continue to affect, consumer confidence levels, consumer spending, bankruptcy rates, and levels of incurrence and default on consumer and commercial debt in the markets where Bancolombia operates. Any of these factors, along with persistently high levels of unemployment, may result in a greater likelihood of delinquencies and past due loans, which in turn, could result in a higher level of loan losses and allowances for credit losses, all of which could adversely affect its earnings.

Bancolombia is subject to credit risks with respect to its non-traditional banking businesses, including investing in securities and entering into derivatives transactions.

Non-traditional sources of credit risk can arise from, among others, the following: (i) investing in securities of third parties; (ii) entering into derivative contracts under which counterparties have obligations to make payments to Bancolombia; and (iii) executing securities, futures, currency or commodity trades from Bancolombia's proprietary trading desk that fail to settle at the required time due to non-performance by the counterparty or a systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect Bancolombia's results of operations and financial position.

Bancolombia is exposed to risks associated with the mortgage loan market.

Bancolombia is a leader in the Colombian mortgage loan market. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors, such as periods of sustained high interest rates, which have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

Credit issues affecting one or more of Bancolombia's largest borrowers may adversely affect its financial condition and results of operations.

The aggregate outstanding principal amount of Bancolombia's 25 largest borrowing relationships represented approximately 14.14% of its total consolidated loan portfolio as of December 31, 2010. Problems with one or more of Bancolombia's largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see "Item 4 Information on the Company—E. Selected Statistical Information—E.3. Loan Portfolio—Borrowing Relationships" in Bancolombia's 2010 Annual Report incorporated by reference in this offering memorandum.

The value of the collateral or guarantees securing the outstanding principal and interest balance of Bancolombia's loans may not be sufficient to cover such outstanding principal and interest, and Bancolombia may be unable to realize the full value of the collateral or guarantees securing such loans.

Collateral securing the outstanding principal or interest balance of Bancolombia's loans primarily consists of real estate, assets pledged in financial leasing transactions and other assets that are located primarily in Colombia and, to a lesser degree, El Salvador, the value of which may significantly fluctuate or decline due to factors beyond Bancolombia's control. These factors include macroeconomic factors and political events affecting local economies. Any decline in the value of the collateral securing Bancolombia's loans may result in a reduction in the recovery from collateral realization and may have an adverse impact on Bancolombia's results of operations and financial condition. In addition, Bancolombia may face difficulties in enforcing its rights as a secured creditor. In particular, timing delays, procedural problems in enforcing against collateral and local protectionism may make foreclosures on collateral and enforcement of judgments difficult, and may result in losses that could materially and adversely affect Bancolombia's results of operations and financial position.

Bancolombia is subject to market risk.

Bancolombia is directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by changes in market conditions, is inherent in the products and instruments associated with its operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect its financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Bancolombia is subject to fluctuations in interest rates, which may materially and adversely affect its results of operations and financial condition.

Bancolombia holds a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. Therefore, changes in interest rates could adversely affect its net interest margins as well as the prices of these securities. Increases in interest rates may reduce gains or the market value of Bancolombia's debt securities. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. On the other hand, decreases in interest rates may cause margin compression and lower net interest income as Bancolombia usually maintains more assets than liabilities at variable rates. Decreasing interest rates also may trigger loan prepayments, which could negatively affect Bancolombia's net interest income and return on assets. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average maturity of Bancolombia's interest-earning assets, and adversely affects its operating results. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage obligations, by shortening the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields. In addition, Bancolombia may incur costs as it implements strategies to reduce future interest rate exposure, which, in turn, may impact Bancolombia's results of operations and financial condition.

Bancolombia's income from its proprietary trading activities is highly volatile.

Bancolombia's trading income is highly volatile. Bancolombia derives a portion of its profits from its proprietary trading activities and any significant reduction in its trading income could adversely affect

Bancolombia's results of operations and financial position. Bancolombia's trading income is dependent on numerous factors beyond its control, such as the general market environment, overall market trading activity, interest rate levels, exchange rate fluctuations and general market volatility. A significant decline in Bancolombia's trading income, or the incurrence of a trading loss, could adversely affect Bancolombia's results of operations and financial position.

Bancolombia's financial condition and results of operations could be negatively impacted by the depreciation of sovereign debt securities.

A significant portion of Bancolombia's debt securities portfolio consists of sovereign debt securities—in particular, securities issued or guaranteed by the Colombian government. Bancolombia's financial condition and results of operations are exposed to credit, market and liquidity risks associated with sovereign debt. As of December 31, 2010, Bancolombia's total debt securities represented 12.1% of its total assets, and 27.0% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect Bancolombia's debt securities portfolio and, consequently, Bancolombia's financial position and results of operations.

Bancolombia is subject to market, operational and structural risks associated with its derivative transactions.

Bancolombia enters into derivative transactions for hedging purposes and on behalf of its customers. Bancolombia is subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to perform its obligations). In addition, market practice and documentation for derivative transactions is less developed in jurisdictions where Bancolombia operates as compared to other more developed countries, and the court systems in such jurisdictions have limited experience in dealing with issues related to derivative transactions and in pricing the obligations contained therein. As a result, there is increased operating and structural risks associated with derivatives transactions in these jurisdictions.

In addition, the execution and performance of derivatives transactions depend on Bancolombia's ability to develop adequate control and administrative systems and to hire and retain qualified personnel. Moreover, Bancolombia's ability to adequately monitor, analyze and report these derivative transactions depends, to a great extent, on its information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect Bancolombia's results of operations and financial position.

Bancolombia is subject to operational risks.

Bancolombia's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems. Bancolombia's currently adopted procedures may not be effective in controlling each of the operational risks faced by Bancolombia.

Bancolombia's businesses rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect Bancolombia's reputation, the effectiveness of its risk management and internal control systems and its financial condition and results of operations.

All of Bancolombia's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information at its various branches across numerous markets. The proper functioning of financial control, accounting or other data collection and processing systems is critical to Bancolombia's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect Bancolombia's decision-making process, its risk management and internal control systems, the quality of its service and Bancolombia's ability to respond on a timely basis to changing market conditions. If Bancolombia cannot maintain an effective data collection and management system, its business operations, financial condition, reputation and results of operations could be materially and adversely affected. Bancolombia is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. Bancolombia may experience operational problems with its information systems as a result of system failures, viruses, computer hackers or other causes. Any material disruption or slowdown of its systems could cause information, including data related to customer requests, to be lost or to be delivered to Bancolombia's clients with delays or errors, which could reduce demand for Bancolombia's services and products and could materially and adversely affect Bancolombia's results of operations and financial position.

Any failure to effectively improve or upgrade Bancolombia's information technology infrastructure and management information systems in a timely manner could adversely affect its competitiveness, financial condition and results of operations.

Bancolombia's ability to remain competitive will depend, in part, on its ability to upgrade Bancolombia's information technology infrastructure on a timely and cost-effective basis. The information available to and received by Bancolombia's management through its existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. Bancolombia is currently undertaking a project to update its information technology platform. Any failure to effectively improve or upgrade Bancolombia's information technology infrastructure and information management systems in a timely manner could materially and adversely affect Bancolombia's competitiveness, financial condition and results of operations.

Acquisitions and strategic partnerships may not perform in accordance with expectations or may disrupt Bancolombia's operations and adversely affect its profitability.

An element of Bancolombia's business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, Bancolombia acquired interests in various institutions during recent years. Bancolombia will continue to actively consider other strategic acquisitions and partnerships from time to time. Bancolombia must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Past and future acquisitions, investments and alliances may not produce anticipated financial results, synergies or perform in accordance with Bancolombia's expectations and could adversely affect its profitability. In addition, new demands on Bancolombia's existing organization and personnel resulting from the integration of new acquisitions could disrupt Bancolombia's operations and adversely affect its profitability.

Bancolombia's concentration in and reliance on short-term deposits may increase its funding costs.

Bancolombia's principal source of funds are short-term deposits, which together represented 72.4%, 76.9% and 72.4% of total liabilities at the end of 2008, 2009 and 2010, respectively. Because Bancolombia relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets where Bancolombia operates, Bancolombia may not be able to maintain its current level of funding without incurring higher costs by borrowing funds at higher interest rates or selling certain assets at prices below their prevailing market value.

Bancolombia is subject to reputational risk.

Damage to Bancolombia's reputation may limit its ability to attract customers, employees and investors. Harm to its reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. Failure to adequately address these issues may affect its business and financial performance.

Bancolombia's policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose Bancolombia to fines and other liabilities.

Bancolombia is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations. These laws and regulations require Bancolombia, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While Bancolombia has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been adopted recently and may not completely eliminate instances where Bancolombia may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent Bancolombia may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines, freeze assets and assess other penalties on Bancolombia. In addition, Bancolombia's business and reputation could suffer if customers use Bancolombia for money laundering or illegal or improper purposes.

Bancolombia is subject to increasing competition, which may adversely affect its results of operations.

Bancolombia operates in a highly competitive environment and increased competitive conditions are to be expected in the jurisdictions where Bancolombia operates. Intensified merger activity in the financial services industry produces larger, better capitalized and more geographically diverse firms that are capable of offering a wider array of financial products and services at more competitive prices. Bancolombia's ability to maintain its competitive position depends mainly on its ability to attract new customers, increase the number of existing products and services offered, fulfill the needs of new customers through the development of new products and services and offer adequate services and strengthen its customer base through cross-selling. Bancolombia's business will be adversely affected if Bancolombia is not able to maintain efficient service strategies. In addition, Bancolombia's efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures.

Risks Relating to our Insurance Business

Suramericana's businesses are vulnerable to significant catastrophic property loss, which could have an adverse effect on its financial condition and results of operations.

Suramericana's property insurance subsidiaries face a significant risk of loss in the ordinary course of their business for property damage resulting from natural disasters, man-made catastrophes and other catastrophic events, such as earthquakes, tropical storms, fires, acts of terrorism, and other natural and man-made disasters. These events typically increase the frequency and severity of automobile and other property claims. Because catastrophic loss events are by their nature unpredictable, historical results of operations may not be indicative of future results of operations, and the occurrence of claims from catastrophic events is likely to result in substantial volatility in Suramericana's property insurance subsidiaries' financial condition and results of operations from period to period. Although Suramericana's property insurance subsidiaries attempt to manage their exposure to such events, the occurrence of one or more major catastrophes in any given period could have a material and adverse impact on Suramericana's property insurance subsidiaries' financial condition and results of operations and could result in substantial outflows of cash as losses are paid.

The success of Suramericana's subsidiaries depends on their ability to accurately underwrite risks and to charge adequate premiums to policyholders.

The financial condition, results of operations and liquidity of Suramericana's subsidiaries depend on their ability to underwrite and set premiums accurately for the risks it assumes. Premium rate adequacy is necessary to generate sufficient premiums to offset losses, loss adjustment expenses, and underwriting expenses and to earn a profit. In order to price its products accurately, Suramericana's subsidiaries must collect and properly analyze a substantial volume of data; develop, test, and apply appropriate rating formulae; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. The ability of Suramericana's subsidiaries to undertake these efforts successfully, and, as a result, price accurately, is subject to a number of risks and uncertainties, including, but not limited to: availability of sufficient reliable data; incorrect or incomplete analysis of available data; uncertainties inherent in estimates and assumptions, generally; selection and application of appropriate rating formulae or other pricing methodologies; successful innovation of new pricing strategies; recognition of changes in trends and in the projected severity and frequency of losses; the ability of Suramericana's subsidiaries to forecast renewals of existing policies accurately; unanticipated court decisions, legislation or regulatory action; ongoing changes in their claim settlement practices; changes in operating expenses; changing driving patterns; extra-contractual liability arising from bad faith claims; weather catastrophes; claims; unexpected medical inflation; and unanticipated inflation in auto repair costs, auto parts prices, and used car prices. Such risks may result in the pricing of Suramericana's subsidiaries being based on outdated, inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies, and may cause them to estimate incorrectly future changes in the frequency or severity of claims. As a result, Suramericana could underprice risks, which would negatively affect their margins, or they could overprice risks, which could reduce their volume and competitiveness. In either event, the financial condition, results of operations, and liquidity of Suramericana's subsidiaries could be materially adversely affected.

The insurance industry is subject to extensive regulation, which may affect the ability of Suramericana's subsidiaries to execute their business plan and grow their businesses.

Suramericana's subsidiaries are subject to comprehensive regulation and supervision by the SFC and Colombian government agencies. Some regulations require prior regulatory approval of specific corporate actions, which may adversely affect their ability to operate, innovate, obtain necessary rate adjustments in a timely manner or grow its business profitably. The ability of Suramericana's subsidiaries to comply with these laws and regulations, and to obtain necessary regulatory action in a timely manner, is and will continue to be, critical to their success.

Continuing adverse global economic conditions may negatively affect Suramericana's businesses and operating results.

Changes to economic conditions could affect Suramericana's businesses in the form of consumer behavior and pressure on its investment portfolio. Consumer behavior could include policy cancellations, modifications, or non-renewals, which may reduce cash flow from operations and investments, may harm the financial position of Suramericana's subsidiaries, and may reduce their statutory surplus. Challenging economic conditions also may impair the ability of Suramericana's subsidiaries' customers to pay premiums as they fall due, and as a result, the bad debt reserves and write-offs of Suramericana's subsidiaries could increase. The investment portfolios of Suramericana's subsidiaries could be adversely affected as a result of deteriorating financial and business conditions affecting the issuers of the securities in their investment portfolio.

Sales of Suramericana's subsidiaries' insurance products and services depend, in part, on their ability to attract, retain and provide support to a network of independent third-party brokers, consultants and agents.

The insurance products of Suramericana's subsidiaries are sold, in part, through independent brokers, consultants and agents who assist in the production and servicing of business. Suramericana's subsidiaries' sales would be adversely affected if they were unable to retain independent brokers, consultants and agents or if they do not adequately provide support, training and education to them regarding their product portfolio, or if their sales strategies are not appropriately aligned across distribution channels. Suramericana's subsidiaries' relationships with brokers and agents could be adversely impacted by changes in their business practices, including potential reductions in commissions and changes in the treatment of consulting fees.

Suramericana's subsidiaries face significant competitive pressures in each of their businesses.

The insurance business is highly competitive and many insurance organizations actively compete with Suramericana's subsidiaries in one or more areas of their business. Competing firms that operate nationally or that are strong in a particular region or locality may have, in that region or locality, an office with revenues as large as those of its corresponding local office. We believe that the primary factors determining the competitive position of Suramericana's subsidiaries with other organizations in the insurance industry are the quality of the services rendered. Losing business to competitors offering similar products at lower prices or having other competitive advantages would adversely affect their businesses.

Regulatory restrictions on transactions between Suramericana and its affiliates may adversely affect their ability to innovate or operate efficiently.

Transactions between Suramericana and its affiliates, including us, generally must be disclosed to regulatory authorities, including the SFC, and prior approval of the applicable regulatory authority is required before any material or extraordinary transaction may be consummated. Regulatory authorities may refuse to approve or delay approval of some transactions, which may adversely affect their ability to innovate or operate efficiently.

Loss reserves maintained by Suramericana's subsidiaries may prove to be inadequate to protect their businesses and financial position.

The process of establishing property and liability loss reserves is inherently uncertain due to a number of factors, including underwriting quality, the frequency and amount of covered losses, variations in claims settlement practices, the costs and uncertainty of litigation, and expanding theories of liability. While Suramericana's subsidiaries believe that improved actuarial techniques and databases have assisted in estimating loss reserves, their methods may prove to be inadequate. If any of these contingencies, many of which are beyond their control, results in loss reserves that are not sufficient to cover its actual losses, the financial condition, results of operations and liquidity of Suramericana's subsidiaries may be materially adversely affected.

Failures or interruptions affecting the information technology systems of Suramericana's subsidiaries could result in a material adverse effect on their businesses, financial condition and results of operations.

Suramericana's subsidiaries depend on the accuracy, reliability, and proper functioning of their information technology systems. They rely on these systems to effectively manage many aspects of their businesses, including underwriting, policy acquisition, claims processing and handling, accounting, reserving and actuarial processes and policies, and to maintain their policyholder data. The failure of hardware or software that supports their systems, the loss of data contained in the systems, or any delay or failure in the full deployment of their new systems could disrupt their businesses and could result in decreased premiums, increased overhead costs, and inaccurate reporting, all of which could have a material adverse effect on the business, financial condition, and results of operations of Suramericana's subsidiaries. In addition, despite system redundancy, the implementation of security measures, and the existence of a disaster recovery plan for Suramericana's subsidiaries' systems, these systems are vulnerable to damage or interruption from earthquakes, fires, floods and other natural disasters; terrorist attacks and attacks by computer viruses or hackers; power loss; unauthorized access; and computer systems, internet, telecommunications or data network failure. It is possible that a system failure, accident, or security breach could result in a material disruption to Suramericana's subsidiaries. In addition, substantial costs may be incurred to remedy the damages caused by these disruptions. To the extent that a critical system fails or is not properly implemented and the failure cannot be corrected in a timely manner, Suramericana's subsidiaries may experience disruption to their businesses that could have a material adverse effect on the company.

There is uncertainty involved in the availability of reinsurance and the collectability of reinsurance recoverable.

Suramericana's subsidiaries reinsure a portion of their potential losses on the policies they issue to mitigate the volatility of the losses on their financial condition and results of operations. The availability and cost of reinsurance is subject to market conditions, which are outside of Suramericana's subsidiaries' control. From time to time, market conditions have limited, and in some cases prevented, insurers from obtaining the types and amounts of reinsurance that they consider adequate for their business needs. In addition, as is customary, Suramericana's subsidiaries initially pay all claims and seek to recover the reinsured losses from their reinsurers. Although Suramericana's subsidiaries report as assets the amount of claims paid that they expect to recover from reinsurers, we cannot assure you that Suramericana's subsidiaries will be able to collect from its reinsurers. If the amounts actually recoverable under Suramericana's subsidiaries' reinsurance treaties are ultimately determined to be less than the amounts they have reported as recoverable, Suramericana's subsidiaries may incur a loss during the period in which that determination is made.

The insurance industry faces risks related to litigation, which, if resolved unfavorably, could result in substantial penalties and/or monetary damages.

Insurance companies, such as Suramericana's subsidiaries, are subject to a variety of legal actions including employee benefit claims, wage and hour claims, breach of contract actions, tort claims, fraud and misrepresentation claims. In addition, insurance companies incur and likely will continue to incur potential liability for claims related to the insurance industry in general and Suramericana's businesses in particular, such as claims by policyholders alleging failure to pay for, termination or non-renewal of coverage, sales practices, claims related to reinsurance matters, and other matters. These actions can also include allegations of fraud, misrepresentation, and unfair or improper business practices. Court decisions and legislative activity may increase exposure for any types of claims insurance companies face. There is a risk that insurance companies could incur substantial legal fees and expenses in any of the actions companies defend in excess of amounts budgeted for defense. The precise nature of the relief that may be sought or granted in any lawsuits is uncertain and may negatively impact the manner in which Suramericana's subsidiaries conducts their businesses and results of operations, which could materially increase Suramericana's legal expenses. In addition, potential litigation involving new claim, coverage, and business practice issues could adversely affect Suramericana's subsidiaries by changing the way policies are priced, extending coverage beyond its underwriting intent, or increasing the size of claims.

The effects of emerging claim and coverage issues are uncertain and may have an adverse effect on Suramericana's businesses.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect Suramericana's businesses by either extending coverage beyond its underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until after Suramericana's subsidiaries have issued insurance policies that are affected by the changes. As a result, the full extent of liability under the insurance policies of Suramericana's subsidiaries may not be known for many years after a policy is issued.

Risks Relating to our Pension Fund Administration Business

Protección operates in a highly regulated market, which limits its flexibility to manage its businesses.

Protección's operations are regulated by Law 100 of 1993, the Financial System Law (*Estatuto Orgánico del Sistema Financiero)*, decrees issued by the Ministry of Finance and, to the extent applicable, Colombian Corporation Law. Under Colombian law, the funds under management of a pension fund administrator, or "AFP", are independent from the AFP's own resources. The Ministry of Finance limits the range of assets in which AFPs may invest the resources under management and also sets investment limits. In addition, each AFP is legally required to provide a minimum return on investment for each of its mandatory pension and severance funds. This minimum return, currently 9.87%, 9.47% and 1.71% for mandatory pensions funds (over the last three years), long-term severance funds (over the last two years) and short-term severance funds (over the last quarter), respectively, is based on the weighted average of aggregate returns of the AFPs and a reference portfolio established by the SFC.

If a fund's return for any month is lower than the minimum return, the AFP must cover the difference within a period of five days. To do so, the AFP must first apply funds from a stabilization reserve (a portion of the AFP's capital invested in the fund equal to 1% of the value of each mandatory pension fund under management). If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its own capital within the same five-day period. In such a situation, the SFC may require capitalization of the AFP up to the amount needed to cover the shortfall, in order to replenish the legally mandated minimum capital level. The SFC is also entitled to take control of the AFP if the entity does not cover the minimum return or does not comply with the order of capitalization. In addition, under Law 100 of 1993, AFPs are required to have a guarantee issued by the Colombian Deposit Insurance Fund (*Fondo de Garantías de Instituciones Financieras,* or "Fogafin") which insures reimbursement of the individual account balance for the pension savings, and is paid in the event of dissolution or liquidation of the corresponding AFP. Although Protección has never failed to meet the minimum requirement, failure to do so could require GRUPOSURA to increase its investment in Protección, seek capital from alternative sources or forfeit its investment, or lead to dissolution of Protección and transfer of the fund to another AFP. If Protección is unable to fulfill the minimum return or the stabilization reserve requirements, or if new laws or decrees impose more onerous requirements, Protección's business may be materially adversely affected.

In addition, there are regulatory limitations on the amount of commissions that Protección may charge for its services. For example, Protección may only retain 300 basis points of the 16.0%-17.0% of an employee's base contribution to a mandatory pension fund, a portion of which (currently 110 basis points) Protección is required to pay to an insurer for life and disability coverage. The percentage that Protección pays for this insurance may increase or decrease depending on market conditions and other factors. New life and mortality rate tables have recently been adopted in Colombia and became effective on October 1, 2010. These tables account for longer life expectancy trends, which may result in an increase in the amount Protección pays for insurance and may affect our results of operations.

Continuing global negative economic conditions may negatively affect Protección's businesses and operating results.

Pension funds, such as those administrated by Protección, are global investors and thus are affected by regional and global economic factors. Lower economic growth of Colombia's major trading partners or a contagion effect in the region or globally may lead to lower pension fund returns, which may, in turn, result in decreases in assets under management and impair Protección's financial condition and results of operations. In recent years, pension fund returns have been subject to increased volatility in international financial markets.

Risks Relating to our Industrial Sector

Risks Relating to our Processed Foods Business

Chocolates operates in a highly competitive industry.

The food industry is highly competitive. Chocolates competes based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences.

From time to time, Chocolates may need to reduce its prices in response to competitive and customer pressures and to maintain its market share. Competition and customer pressures may also restrict its ability to increase prices in response to commodity and other input cost increases. Chocolates' results of operations will suffer if profit margins decrease as a result of a reduction in prices, increased input costs or other factors, and if Chocolates is unable to increase sales volumes to offset those profit margin decreases.

If Chocolates is not able to maintain or improve its brand image or value proposition, it could have a material effect on its market share and its profitability. Chocolates may also need to increase spending on marketing, advertising and new product innovation to protect existing market share or increase market share. The success of its investments are subject to risks, including uncertainties about trade and consumer acceptance. As a result, Chocolates' increased expenditures may not maintain or enhance market share and could result in lower profitability.

Increased prices for commodities that Chocolates purchases may affect its financial performance.

Chocolates is a major purchaser of commodities, including coffee, wheat, soybean and vegetable oils, meat products, cocoa and sugar. In addition, Chocolates uses significant quantities of plastic, glass and cardboard to package its products, and natural gas for its factories and warehouses. Price increases and volatility for commodities that Chocolates purchases has increased due to conditions outside of its control, including recent economic conditions, currency fluctuations, availability of supply, weather, consumer demand and changes in governmental agricultural programs. Although we monitor Chocolates' exposure to commodity prices as an integral part of our overall risk management program, continued volatility in the prices of commodities Chocolates purchases could increase the costs of its products, and its profitability could suffer. Chocolates' results may be adversely impacted as a result of increases in the price of raw materials, including agricultural commodities. Agricultural commodities are the principal raw materials used in its products. Cartonboard, corrugated, and plastic are the principal packaging materials used by Chocolates. The cost of such commodities may fluctuate widely due to government policy and regulation, weather conditions, or other unforeseen circumstances. To the extent that any of the foregoing factors affect the prices of such commodities and Chocolates is unable to increase its prices or adequately hedge against such changes in prices in a manner that offsets such changes, the results of its operations could be adversely affected.

Chocolates' product sales depend on its ability to identify, interpret and predict changes in consumer preferences and demand, and its ability to develop and offer new products rapidly enough to meet those changes.

Consumer preferences for food products are subject to continual change. Chocolates' success depends on its ability to predict, identify and interpret the tastes and dietary habits of consumers and to offer products that appeal to those preferences.

If Chocolates does not succeed in offering products that appeal to consumers, its sales and market share will decrease and its profitability could suffer. Chocolates must be able to distinguish among short-term fads, mid-term trends and long-term changes in consumer preferences. If Chocolates is unable to accurately predict which shifts in consumer preferences will be long-term, or if it fails to introduce new and improved products to satisfy those preferences, its sales could decline. In addition, because of Chocolates' varied consumer base, it must offer a sufficient array of products to satisfy the broad spectrum of consumer preferences. If Chocolates fails to expand its product offerings successfully across product categories or if it does not rapidly develop products in faster growing and more profitable categories, demand for its products will decrease and its profitability could suffer.

Prolonged negative perceptions concerning the health implications of certain food products could influence consumer preferences and acceptance of some of its products and marketing programs. For example, recently, consumers have been increasingly focused on health and wellness, including weight management and sodium consumption. Although Chocolates strives to respond to consumer preferences and social expectations, it may not be successful in these efforts. Continued negative perceptions and failure to satisfy consumer preferences could decrease demand for its products and adversely affect its profitability.

Increased regulation may increase Chocolates' costs and affect its profitability.

Food production and marketing are highly regulated by a variety of local and foreign agencies. New regulations and changes to existing regulations are issued regularly. Increased governmental regulation of the food industry, such as proposed requirements designed to enhance food safety or to regulate imported ingredients, could increase its costs and adversely affect its profitability.

Chocolates may need to recall products and may experience product liability if food products become adulterated or misbranded.

Chocolates may need to recall some of its products if they become adulterated or misbranded. Chocolates may also be liable if the consumption of any of its products causes injury. A widespread product recall could result in significant losses due to the costs of a recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. Chocolates could also suffer losses from a significant product liability judgment against it. A significant product recall or product liability case could also result in a loss of consumer confidence in Chocolates' food products, which could have a material adverse effect on its business results and the value of its brands.

Increases in logistics and other transportation-related costs could materially adversely impact Chocolates' results of operations.

Logistics and other transportation-related costs have a significant impact on Chocolates' earnings and results of operations. Chocolates uses multiple forms of transportation to bring its products to the market, including ships and trucks. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including availability or cost of fuel, regulations affecting the industry, service failures by its third party logistics service provider, or natural disasters (which may impact the transportation infrastructure or demand for transportation services), could have an adverse effect on its ability to serve its customers, and could have a material adverse effect on its financial performance.

Contamination of ingredients or other raw materials used in Chocolates' products may adversely affect its financial performance and results of operations.

Chocolates buys ingredients, commodities and other raw materials that it uses in producing its products from third party suppliers. If these materials are alleged or prove to include contaminants affecting the safety or quality of its products, Chocolates may need to find alternate materials for its products, delay production of its products, or discard or otherwise dispose of its products, which could adversely affect its results of operations. Additionally, if the presence of such contaminants are not alleged or discovered until after the affected product has been distributed, Chocolates may need to withdraw or recall the affected product and it may experience adverse publicity or product liability claims. In either case, its financial performance could be adversely affected.

Chocolates is subject to environmental regulation and environmental risks, which may adversely affect its business.

As a result of Chocolates' agricultural and food processing operations, it is subject to numerous environmental laws and regulations. Many of these laws and regulations are becoming increasingly stringent and compliance with them is becoming increasingly expensive. Changes in environmental conditions may result in existing legislation having a greater impact on Chocolates. Additionally, Chocolates may be subject to new legislation and regulation in the future. Compliance with environmental legislation and regulations, particularly if they are more aggressive than Chocolates' current sustainability measures used to monitor its emissions and improve its energy efficiency, may increase its costs. We cannot predict the extent to which any environmental law or regulation that may be enacted or enforced in the future may affect Chocolates' operations.

Adverse publicity regarding product quality or food and beverage safety, whether or not accurate, may harm Chocolates' business.

Chocolates may be the subject of complaints or litigation from customers alleging beverage and food-related illnesses, injuries suffered on the premises or other quality, health or operational concerns. Adverse publicity resulting from such allegations may materially adversely affect Chocolates, regardless of whether such allegations are true or whether it is ultimately held liable. In addition, any litigation relating to such allegations could be costly and could divert management attention.

In addition, coffee, one of Chocolates' products, contains significant amounts of caffeine and other active compounds, the health effects of some of which are not fully understood. A number of research studies conclude or suggest that excessive consumption of caffeine may lead to increased heart rate, nausea and vomiting, restlessness and anxiety, depression, headaches, tremors, sleeplessness and other adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in coffee could significantly reduce the demand for coffee, which could harm its business and reduce its sales and profits. Chocolates could also become subject to litigation relating to the existence of such compounds in its coffee, which litigation could be costly and could divert management attention.

Chocolates' copyrights, trademarks and other intellectual property rights could conflict with the rights of others, and Chocolates may be unable to protect its copyrights and other intellectual property rights.

We believe that Chocolates' registered copyrights, registered and common law trademarks and other intellectual property rights have significant value and are critical to its ability to create and sustain demand for its products. Although Chocolates has not been inhibited from selling its products in connection with intellectual property disputes, we cannot assure you that obstacles will not arise as Chocolates expands its product line and extends its brand as well as the geographic scope of its sales and marketing. We also cannot assure you that the actions taken by Chocolates to establish and protect its intellectual property will be adequate to prevent imitation of its products or infringement of its rights by others. The legal regimes of some foreign countries may not protect intellectual property to the same extent as the laws of the United States or Colombia, and it may be more difficult for Chocolates to successfully challenge the use of its intellectual property by others in these countries. The loss of copyrights, trademarks and other intellectual property could adversely impact Chocolates' results of operations. Any litigation regarding Chocolates' intellectual property could be time consuming and costly.

Risks Relating to our Cement and Ready Mix Business

Higher energy and fuel costs may have a material adverse effect on Cementos Argos' financial performance.

Our cement operations consume significant amounts of energy and fuel, the cost of which has significantly increased worldwide in recent years. To mitigate high and volatile energy and fuel costs, Cementos Argos has built-in capacity in energy through its own electricity generation plants, which has resulted in less vulnerability to price spikes. Cementos Argos has also implemented technical improvements in several facilities, continued to operates most of its petcoke mines in Colombia and entered into long-term supply contracts for gas fuel to mitigate price volatility. In the United States, Cementos Argos is exposed to energy and fuel volatility through its ready mix business. Cementos Argos manages such volatility by adding a fuel surcharge to the price of its products. Despite these measures, we cannot assure you that Cementos Argos' operations would not be materially adversely affected in the future if energy and fuel costs increase.

Interruption of Cementos Argos' ability to immediately ship individual or custom product orders could harm its reputation and result in lost revenues if customers turn to other sources for products.

Cementos Argos' building products business is highly dependent upon rapid shipments to contractors and distributors, a large portion of which orders are manufactured upon demand to meet customer specifications. If there is significant interruption of operations at any of Cementos Argos' manufacturing plants or of its computer systems that track customer orders and production, Cementos Argos may damage its reputation for speed and reliability with key customers and lose short-term and long-term revenues if these customers turn to other sources.

Significant increases in energy and transportation costs that cannot be passed on to customers could have a significant adverse effect on operating income.

Cementos Argos purchases a significant amount of energy from various sources to conduct its operations, including fossil fuels and electricity for production of building products and diesel fuel for distribution of its products and for production-related vehicles. In recent years, fuel cost increases have increased truck and rail carrier transportation costs for its products. Fuel cost increases have in the past and may in the future adversely affect the results of its operations and its financial condition. Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of its control.

Cementos Argos' operations are subject to environmental laws and regulations.

Cementos Argos operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. The enactment of stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new risks or costs on Cementos Argos or result in the need for additional investments in pollution control equipment, which could result in a material decline in its profitability. Efforts to address climate change through national, state and regional laws and regulations, as well as through international agreements and the laws and regulations of other countries, to reduce the emissions of greenhouse gases ("GHGs") can create risks and uncertainties for its business. The cement manufacturing process requires the combustion of large amounts of fuel and creates carbon dioxide (CO2) as a byproduct of the calcination process. Such risks could include costs to purchase allowances or credits to meet GHG emission caps, costs required to provide equipment to reduce emissions to comply with GHG limits or required technological standards, or decreased profits or losses arising from decreased demand for goods or higher production costs resulting directly or indirectly from the imposition of legislative or regulatory controls.

Existing products may be replaced by substitute products which Cementos Argos does not produce and, as a result, it may lose market share in the markets for these products.

Cementos Argos' products compete, in many cases, with other forms of building products that it does not produce. Any significant replacement of its building products by substitute products, which Cementos Argos does not produce, could adversely impact market share and results of operations in these markets.

Levels of construction spending in Colombia, the United States, and other countries affect demand for Cementos Argos' products.

Demand for Cementos Argos' products is directly related to the level of activity in the construction industry, which includes residential, commercial and infrastructure construction. Furthermore, activity in the infrastructure construction business is directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects or any decrease in construction activity in general, including the continued slow down of home building activity, could have a material adverse effect on Cementos Argos' financial condition and results of operations.

Unexpected equipment failures, catastrophic events and scheduled maintenance may lead to production curtailments or shutdowns.

Due to the high fixed cost nature of Cementos Argos' business, interruptions in its production capabilities may cause its productivity and results of operations to decline significantly during the affected period. Its manufacturing processes are dependent upon critical pieces of equipment, such as its kilns and finishing mills. This equipment, on occasion, may be out of service as a result of unanticipated failures or damage during accidents. In addition to equipment failures, its facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Any significant interruption in production capability may require Cementos Argos' to make significant capital expenditures to remedy problems or damage as well as cause it to lose revenue due to lost production time, which could have a material adverse effect on its results of operations.

Cementos Argos' customers participate in cyclical industries, which are subject to industry downturns.

A majority of Cementos Argos' revenues are from customers who are in industries and businesses that are cyclical in nature and subject to changes in general economic conditions, including the current economic recession. Since Cementos Argos' operations are in a variety of geographic markets, its businesses are subject to the economic conditions in each such geographic market. General economic downturns or localized downturns in the regions where Cementos Argos has operations, including the current and any future downturns in the residential or commercial construction industries, generally have an adverse effect on demand for its products.

The recent global economic condition may continue to adversely affect Cementos Argos' business, financial condition and results of operations.

The recent global recession has had and current global economic conditions may continue to have a material adverse impact on Cementos Argos' business, financial condition and results of operations throughout its operations worldwide. Cementos Argos has a particularly large exposure to the U.S. market. For the year ended December 31, 2010, 61.0% of Cementos Argos' sales of ready mix, measured by sales volume, were to the United States. As a result, the recent economic slowdown in the United States and other financial and related difficulties in the United States negatively impacted Cementos Argos' earnings as home building, consumer spending and construction activity declined during the slowdown. This was the deepest and longest global recession in several generations. Despite some aggressive measures taken by governments and central banks thus far, there is still a significant risk that these measures may not prevent the global economy from falling into an even deeper and longer lasting recession. In the construction sector, declines in residential construction in all of its major markets broadened and intensified in line with the spread and deterioration of the financial crisis.

The Central and South American economies also pose a downside risk in terms of overall activity. The recent global financial downturn, lower exports to the U.S. and Europe, lower remittances and lower commodity prices could represent an important negative risk for the region in the short term. This may translate into greater economic and financial volatility and lower growth rates, which could have a material adverse effect on cement and ready mix consumption and/or prices. Political or economic volatility in the South American, Central American or the Caribbean countries in which Cementos Argos has operations may also have an impact on cement prices and demand for cement and ready mix, which could adversely affect its business and results of operations.

If the global economy were to continue to deteriorate and fall into an even deeper and longer lasting recession, or even a depression, Cementos Argos' business, financial condition, and results of operations would be adversely affected.

Cementos Argos operates port facilities in the United States under lease agreements that may be terminated under certain circumstances.

Cementos Argos operates most of its U.S. seaports under lease agreements. In the event Cementos Argos' landlords fail to comply with their obligations under port concessions or permits, or in case the leases under which Cementos Argos operates port facilities in the United States are not renewed or terminated, Cementos Argos may not be able to continue operating such port facilities. If port leases were terminated, Cementos Argos' ability to export its products at competitive prices may be significantly reduced, which may, in turn, result in an adverse effect on its business, results of operations and financial condition.

Risks Relating to the Notes and the Offering

GRUPOSURA's ability to make payment in respect of the notes and the guarantees will depend on the dividend distributions that it receives from its subsidiaries and affiliates, and holders of the notes will be effectively subordinated to the claims of creditors of GRUPOSURA's subsidiaries and affiliates.

GRUPOSURA is the principal shareholder of a group of companies operating throughout various industries, with no substantial assets other than the equity interests it holds in its subsidiaries and affiliates. Consequently, GRUPOSURA and the Issuer will depend on dividend distributions from GRUPOSURA's subsidiaries and affiliates to be able to make payments in respect of the notes and the guarantees. Moreover, GRUPOSURA's subsidiaries and affiliates are separate and distinct legal entities, and they will have no obligation, contingent or otherwise, to pay the amounts due under the notes or to make any funds available to pay these amounts, whether by dividend, distribution, loan or other payments. You will not have any direct claim on the cash flows or assets of GRUPOSURA's subsidiaries or affiliates.

The ability of GRUPOSURA's subsidiaries and affiliates to make dividends and other payments to us will depend on their cash flows and earnings which, in turn, will be affected by the factors discussed in "Risk Factors—Risks Related to Our Business. The ability of GRUPOSURA's subsidiaries and affiliates to make distributions to GRUPOSURA may be restricted by, among other things, applicable laws and regulations and the terms of agreements into which they enter. There are various regulatory restrictions in Colombia and other jurisdictions that may limit our subsidiaries' and affiliates' ability to pay dividends or make other payments to us, such as the obligation to maintain minimum regulatory capital, minimum liquidity and minimum reserves. If we are unable to obtain funds from GRUPOSURA's subsidiaries and affiliates as a result of restrictions under their debt or other agreements, applicable laws or otherwise, then we may not be able to pay interest or principal on the notes when due. We cannot assure you that the agreements governing the future indebtedness of GRUPOSURA's subsidiaries and affiliates will permit them to provide us with sufficient dividends, distributions or loans to fund principal and interest payments on the notes.

Our right to receive any distribution of assets of our subsidiaries and affiliates upon any subsidiary's or affiliate's liquidation or reorganization or otherwise will be subject to the prior claims of creditors of that subsidiary or affiliate, as the case may be, except to the extent that any claims by us as a creditor of such subsidiary or affiliate, as the case may be, may be recognized. Accordingly, holders of our notes will have rights that will effectively be subordinated to all existing and future indebtedness of our subsidiaries and affiliates, and, in the event of any claim against us, noteholders may have recourse only against our assets, and not those of our subsidiaries or affiliates, for payments. The only significant assets that we currently hold are our equity interests in our subsidiaries and affiliates. In the event of bankruptcy or insolvency, you may receive less, ratably, than holders of debt and other liabilities or GRUPOSURA's subsidiaries or affiliates.

The indenture governing the notes will not restrict GRUPOSURA's subsidiaries and affiliates, including their ability to incur debt, sell assets or agree to restrict dividend payment.

The Issuer has no operations of its own, and holders of the notes must depend on GRUPOSURA to provide funds to make payments on the notes when due.

The Issuer, a wholly-owned Cayman Islands subsidiary of GRUPOSURA, has no operations other than issuing and making payments on the notes and other indebtedness ranking equally with the notes, and using the proceeds therefrom as described herein. Accordingly, the ability of the Issuer to pay principal, interest and other amounts due in respect of the notes and other indebtedness will depend upon GRUPOSURA's financial condition. The Issuer may not have sufficient funds to repay all amounts due on or with respect to the notes.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your notes in the future.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop or that you will be able to sell any notes you have purchased or that any such notes may be sold for any particular price. Although application has been made for the notes to be listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may, in their sole discretion, discontinue any market making in the notes at any time. If the initial purchasers do not facilitate trading in the notes for any reason, we cannot assure you that another firm or person will do so. In addition, trading or resale of the notes may be negatively affected by other factors described in this offering memorandum. As a result, we cannot assure you as to the liquidity of any trading market for the notes and, accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely. The notes may also trade at a discount from their initial issue price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- our financial condition and results of operations;
- prevailing interest rates;
- the interest of securities dealers in making a market for them;
- the market for the notes and similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

We may not be able to purchase the notes upon a specified change of control.

Upon the occurrence of a specified change of control, we will be required to offer to purchase the holder's notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. At the time of any specified change of control, we may not have sufficient financial resources to purchase all of the notes that holders may tender in connection with any such change of control offer.

In the case of redemption of the notes, you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem the notes prior to their stated maturity pursuant to the optional redemption provison of the notes. In addition, in the event of certain changes in Colombian or Cayman Islands tax law requiring us to pay additional amounts, we will have the right to redeem the notes prior to their stated maturity. See "Description of the Notes—Optional Redemption—Make-Whole Redemption" and "—Tax Redemption." We may chose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

Enforcing your rights in Colombia may prove difficult.

Your rights under the notes and guarantees will be subject to the insolvency and administrative laws of Colombia and the Cayman Islands, as the case may be, and we cannot assure you that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Colombia may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related-party creditors, ability to obtain post bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Colombia may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Colombian laws, as the case may be, should apply. These issues may adversely affect your ability to enforce your rights under the notes and guarantees in Colombia, or limit any amounts that you may receive. Furthermore, all of GRUPOSURA's directors, officers and controlling persons reside outside the United States, and all of GRUPOSURA's assets are located outside the United States. As a result, it may be difficult for the holders of notes to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of GRUPOSURA's General Counsel, foreign judgments of liabilities based solely on the U.S. federal securities laws may be enforced against such persons in Colombia, whether in legal proceedings initiated in Colombia or in actions to enforce judgments of U.S. courts, so long as they are in compliance with the procedure established under Colombian law. See "Enforceability of Foreign Judgments."

The obligations under the notes and guarantees will be subordinated to certain statutory liabilities.

Under Colombian bankruptcy law, obligations under the notes and guarantees are subordinated to certain statutory preferences. In the event of liquidation, statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have priority over any other claims, including claims by holders of the notes.

Payment of judgments against GRUPOSURA in Colombia may be made in Colombian pesos, which may expose you to exchange rate risks.

Article 79 of Regulation 8 of the Central Bank (2000) provides that, in case of legal proceedings, the conversion of foreign currency-denominated obligations of Colombian residents, such as GRUPOSURA, would be made by using the foreign exchange rate prevailing on the payment date. Accordingly, in the event that proceedings are brought against GRUPOSURA, we may be required to discharge these obligations in Colombian pesos. As a result, investors may be exposed to exchange rate risks.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. These exemptions include offers and sales that occur outside the Unites States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of restrictions on resale and transfer of the notes, see "Transfer Restrictions."

Developments in other emerging markets may adversely affect the market value of the notes.

Emerging markets, such as Colombia, are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Colombia and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Colombia and adversely affect the Colombian economy in general, and the interest of investors in the notes in particular. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

Credit ratings for the notes may change from time to time. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of ratings may be obtained from the rating agencies. We cannot assure you that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of rating agencies, circumstances so warrant. Other rating agencies may change their methodology as well. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes.

Exchange Rates and Foreign Exchange Controls

Exchange Rates

The following table sets forth, for the periods and dates indicated, the period end and the Representative Market Exchange Rate (*Tasa Representativa del Mercado* or "TRM"), expressed in Colombian pesos per U.S.$1.00.

	Weighted Average Price			
	Bid	**Offer**	**Mid**	**Period End**
Year	*(Colombian pesos per U.S. dollar)*			
2001	2,864.07	2,865.51	2,864.79	2,864.79
2002	2,888.23	2,231.98	2,507.96	2,864.79
2003	2,777.34	2,779.08	2,778.21	2,778.21
2004	2,386.27	2,393.24	2,389.76	2,389.75
2005	2,283.75	2,284.70	2,284.23	2,284.22
2006	2,238.12	2,239.46	2,238.79	2,238.79
2007	2,013.72	2,015.81	2,014.77	2,014.76
2008	2,241.47	2,245.72	2,243.60	2,243.59
2009	2,042.91	2,045.55	2,042.91	2,044.23
2010	1,912.40	1,915.50	1,914.00	1,913.98
January 2011	1,857.42	1,858.59	1,860.47	1,857.98
February 2011	1,895.19	1,895.93	1,890.14	1,895.56
March 2011	1,878.99	1,879.96	1,856.16	1,879.47
April 2011	1,767.71	1,768.68	1,768.20	1,768.19

Source: Central Bank. www.banrep.gov.co

On December 31, 2010, the exchange rate certified by the SFC between the Colombian peso and the U.S. dollar was COP 1,913.98 per U.S.$1.00. On May 10, 2011, the exchange rate certified by the SFC between the Colombian peso and the U.S. dollar was COP 1,779.70 per U.S.$1.00.

Foreign Exchange Controls

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Central Bank to the spot foreign exchange market.

Resolution 8 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX Market (as defined in (ii) below) (the "Free Market"). The Free Market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market (the "FX Market"), which consists of (a) all foreign currencies originated in operations considered to be operations of the FX Market ("Controlled Operations"), which may only be transacted through foreign exchange intermediaries or through the registered compensation accounts mechanism ("Compensation Accounts"), or (b) foreign currencies, which although not required to be bought from a foreign exchange, including through the FX Market, are voluntarily channeled through such market. Compensation Accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank in order to channel foreign currency originated in controlled operations of the FX Market.

Under Colombian FX Regulations, foreign exchange intermediaries ("FX Intermediaries") are authorized to enter into foreign exchange transactions ("FX Transactions") to convert Colombian Pesos into foreign currencies or foreign currencies into Colombian Pesos. In addition, there are certain requirements and obligations established by law and by the Board of Directors of the Colombian Central Bank, in order to transfer currency into or out of Colombia. Colombian law allows the Colombian Central Bank to intervene in the foreign exchange market if the value of the Colombian peso is subject to significant volatility. The Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. See "Risk Factors—Risk Factors Relating to the Republic of Colombia—The Colombian government and the Central Bank exercise significant influence on the Colombian economy. Political and economic conditions may have an impact in our business."

In addition to its past interventions in the exchange rate market, the Colombian Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) to be deposited in Colombian pesos or foreign currency with the Central Bank in a non interest-bearing account for a fixed period of time (depósito por operaciones de endeudamiento externo). As a result of this deposit requirement, short-term capital flows fluctuate significantly from year to year. A debtor of foreign loans can early prepay or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or early redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Currently the deposit requirement is equal to zero of the disbursements made under the loan, so in practice, there is currently no deposit that has to be made with the Colombian Central Bank by the debtor of foreign loans. In addition to the deposit requirements, the Colombian Central Bank has prohibited Colombian financial institutions from funding foreign currency loans with borrowings having shorter maturities. The Colombian Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Fluctuation of the Colombian Peso against the U.S. Dollar and Measures Adopted by the Colombian government

During 2007, the peso appreciated against the U.S. dollar by 11.1%. As the peso appreciated against the U.S. dollar, the Central Bank intervened the foreign exchange markets to control currency fluctuation. During 2008 the peso depreciated by 11.4% and closed at an exchange rate of COP 2,243.59 per U.S.$1.00. During 2009 the peso appreciated against the U.S. dollar by 9.8%, and during 2010 the peso appreciated against the U.S. dollar by 6.4%.

The Colombian Central Bank and the Ministerio de Hacienda y Crédito Público (the "MHCP") have, in recent years, adopted a set of measures intended to tighten monetary policy and control the fluctuation of the peso against the U.S. dollar. Pursuant to Resolution 5 of 2008 and Resolution 11 of 2008 of the Colombian Central Bank, such measures include, among others: reserve requirements on private demand deposits, Government demand deposits, savings deposits and other deposits on liabilities currently set at 11.0%, reserves of 4.5% for deposits with maturities for less than 540 days and 0.0% for term deposits with maturities for more than 540 days; and the deposit requirements with respect to indebtedness in a foreign currency, currently set at 0.0%. During 2007 and 2008, both the MHCP and the Colombian Central Bank adopted several measures aimed at controlling the fluctuation of the Colombian peso against the U.S. dollar. These measures include, among others, the following:

- 50.0% non-interest bearing deposit requirement at the Colombian Central Bank, currently applicable to short-term portfolio investments in assets other than shares or convertible bonds or collective investment funds that only invest in shares or convertible bonds, for a period of six months, which was rescinded in 2008;

- a six-month 40.0% non-interest bearing deposit at the Colombian Central Bank applicable to corporate reorganization transactions, including mergers, acquisitions and spin-offs, if the successor thereof is a Colombian resident required to repay foreign indebtedness which would have otherwise been subject to the deposit requirement of Resolution No. 2 of May 6, 2007;

- exemptions to the 40.0% non-interest bearing deposit requirement applicable to foreign investment in local private equity funds and ADR and GDR programs of Colombian issuers;

- restrictions on the repatriation of foreign direct investments;

- increases to the reference rate (repo rate); and

- interest-free deposits with the Central Bank applicable to the proceeds resulting from imports financings.

On October 8, 2008 and October 9, 2008, through Decree 3,913 and Resolution 10, issued by the Colombian government and the Central Bank, respectively, the deposit requirement was set at 0.0% in connection with foreign portfolio investment and foreign indebtedness operations, including foreign loans, import financing and export financing. Additionally, on September 1, 2008 by means of Decree 3,264, the Colombian government eliminated restrictions on the repatriation of foreign direct investments.

On March 3, 2010, the Colombian Central Bank resumed intervention in the foreign exchange market, accumulating international reserves through daily purchases of U.S.$20.0 million in competitive auctions during the first half of 2010 in response to indications of an exchange rate misalignment. From March to June 2010, the Colombian Central Bank accumulated U.S.$1.6 billion. Recently, the Colombian Central Bank made public its decision to extend its intervention in the Colombian foreign exchange market until June 2011.

On November 5, 2010, the Colombian government issued Decree 4,145, pursuant to which, among other things, interest payments on foreign indebtedness by Colombian companies became subject to a 33.0% withholding tax rate. On December 29, 2010, the Colombian government enacted Law 1,430 of 2010, which among other things reduced the withholding tax rate on interest payments on foreign indebtedness of Colombian companies having a term of one year or more, to 14.0%.

The Colombian government has considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the Colombian peso and fostering domestic price stability. A prediction cannot be made on the policies that may be adopted by the Colombian government and whether those policies may negatively affect the Colombian economy or our business or financial performance. Furthermore, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future.

Use of Proceeds

The gross proceeds from our sale of the notes will be approximately U.S.$298,062,000, before deducting the fees, commissions and offering expenses payable by us. We intend to use the net proceeds for general corporate purposes, which may include acquisitions to enhance our strategic interests in our financial services sector.

Capitalization

The following tables should be read in conjunction with "Presentation of Financial and Other Information," "Selected Financial Information," "Management's Discussion and Analysis of Results of Operations and Financial Condition," "Use of Proceeds" and our financial statements and the related notes included in this offering memorandum.

The following table sets forth our total unconsolidated capitalization as of December 31, 2010 on an actual basis:

	As of December 31, 2010	
Unconsolidated	***(USD in millions)*[(1)]**	***(COP in millions)***
Short-term debt	165	315,490
Long-term debt	131	250,000
Other liabilities	22	41,929
Shareholders' equity	9,175	17,561,191
Total capitalization	9,493	18,168,610

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated from pesos at the exchange rate of COP 1,913.98 per U.S.$1.00 as of December 31, 2010, which was the official rate certified by the SFC on December 31, 2010. See "Exchange Rates and Foreign Exchange Controls" for additional information on the exchange rate.

The following table sets forth our total consolidated capitalization as of December 31, 2010 on an actual basis and as adjusted to give effect to this offering and the use of proceeds therefrom as if the offering had taken place on December 31, 2010:

	As of December 31, 2010			
Consolidated	**Actual**	**As Adjusted**	**Actual**	**As Adjusted**
	***(USD in millions)*[(1)]**		***(COP in millions)***	
Short-term debt	198	198	378,037	378,037
Long-term debt	136	136	260,364	260,364
5.70% Notes due 2021	–	300	–	574,194
Minority interest	119	119	227,258	227,258
Other liabilities	2,276	2,276	4,123,389	4,123,389
Shareholders' equity	9,361	9,361	17,916,799	17,916,799
Total capitalization	**12,090**	**12,390**	**22,905,847**	**23,480,041**

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated from pesos at the exchange rate of COP 1,913.98 per U.S.$1.00 as of December 31, 2010, which was the official rate certified by the SFC on December 31, 2010. See "Exchange Rates and Foreign Exchange Controls" for additional information on the exchange rate.

There has been no material change in our total unconsolidated or consolidated capitalization since December 31, 2010.

Selected Financial Information

The following tables set forth our selected unconsolidated financial information and the selected financial information of Bancolombia, Suramericana, Chocolates and Inversiones Argos. For additional information on our and our subsidiaries' and affiliates' financial statements, see "Presentation of Financial and Other Information."

GRUPOSURA's income statement data for the years ended December 31, 2010, 2009 and 2008 and balance sheet data as of December 31, 2010, 2009 and 2008 are derived from GRUPOSURA'S audited unconsolidated financial statements included in this offering memorandum. Bancolombia's income statement data for the years ended December 31, 2010, 2009 and 2008 and balance sheet data as of December 31, 2010, 2009 and 2008 are derived from Bancolombia's audited consolidated financial statements included in Bancolombia's 2010 Annual Report, which is incorporated by reference in this offering memorandum. The income statement data for the years ended December 31, 2010, 2009 and 2008 and balance sheet data as of December 31 2010, 2009 and 2008 of Suramericana are derived from its unconsolidated financial statements, which are not included in this offering memorandum. The income statement data for the years ended December 31 2010, 2009 and 2008 and balance sheet data as of December 31 2010, 2009 and 2008 of each of Chocolates and Inversiones Argos, are derived from such entities' consolidated financial statements, included in this offering memorandum.

Grupo de Inversiones Suramericana S.A.

	For the years ended December 31,			
	2010	**2010**	**2009**	**2008**
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Income Statement Data:				
Operating revenues:				
Dividends	73,616	140,898,673	139,300,331	114,590,028
Interests	7,543	14,436,438	5,478,464	4,549,390
Earnings from the equity method, net	296,273	567,060,204	333,642,816	152,177,661
Earnings from sale of investments, net	26,860	51,410,202	25,140,208	1,138,099
Unrealized gains on marketable securities, net	10,434	19,970,509	7,841,237	(13,217,508)
Derivatives operations	3,410	6,526,347	5,098,527	–
Reimbursement provision for investments	8	15,199	159,624	49,610,865
	418,144	800,317,572	516,661,207	308,848,535
Operating and administrative expenses:				
Provision for investments	75	143,752	31,664,556	2,386,593
Tax refund	(135)	(257,626)	(272,973)	–
Payroll expenses	2,586	4,948,753	3,784,221	3,322,319
Fees	959	1,834,995	2,595,056	1,513,091
Administrative expenses	3,280	6,277,023	8,867,602	4,468,978
Depreciation	41	77,755	82,625	82,624
	6,806	13,024,652	46,721,087	11,773,605
Operating income	411,338	787,292,920	469,940,120	297,074,930
Non-operating expenses (income):				
Foreign-exchange	4,099	7,845,047	7,049,865	5,236,788
Interests	23,961	45,860,672	10,711,366	12,204,922
Bank expenses – commissions	478	915,148	541,541	415,358
Extraordinary expenses	92	176,294	152,070	–
Amortized premium	2,912	5,574,245	–	–
ADR call option compensation	12,076	23,113,312	–	–
Miscellaneous	(30)	(57,704)	(3,568)	(175,826)
	43,588	83,427,014	18,451,274	17,681,242
Income before taxes	367,750	703,865,906	451,488,846	279,393,688
Income tax provision	(3,971)	(7,600,000)	(5,438,583)	(6,380,000)
Net income	363,779	696,265,906	446,050,263	273,013,688

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Balance Sheet Data:				
Cash	62	118,195	5,444,606	107,734
Short-term investments	42,842	81,998,970	161,390,128	79,998,099
Accounts receivable, net	40,405	77,334,851	42,217,934	38,680,008
Total current assets	83,404	159,634,007	209,225,993	118,959,166
Permanent investments	5,561,658	10,644,902,253	9,484,775,927	6,561,618,873
Valuations[(2)]	3,847,271	7,363,600,136	4,993,303,492	2,010,971,867
Total assets	9,492,581	18,168,609,567	14,695,316,243	8,702,243,396
Commercial paper	122,077	233,652,000	–	95,000,000
Total current liabilities	186,741	357,419,005	58,008,911	317,003,418
Ordinary bonds	130,618	250,000,000	250,000,000	–
Total liabilities	317,359	607,419,005	357,008,911	317,003,418
Shareholders' equity	9,175,222	17,561,190,562	14,338,307,332	8,385,239,978

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

(2) Non-controlling investments are accounted at cost. If the market value of these investments exceeds their book value at the end of the period, the excess is recorded as valuations.

	As of December 31,		
	2010	2009	2008
Other Financial Data:			
Leverage ratio[(1)]	3.1%	2.1%	3.1%

(1) Represents total indebtedness as a percentage of shareholders' equity.

Bancolombia S.A.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[(1)]		*(COP in millions)*	
Consolidated Income Statement Data:				
Interest income and expenses:				
Interest on loans	2,034	3,892,114	4,900,062	4,999,520
Interest on investment securities	231	442,413	728,558	431,589
Overnight funds and international loans	22	41,998	76,173	106,208
Financial leasings	299	572,160	722,905	776,426
Total interest income	2,586	4,948,685	6,427,698	6,313,743
Total interest expense	821	1,571,581	2,625,416	2,753,341
Net interest income	1,764	3,377,104	3,802,282	3,560,402
Total net provisions	(286)	(547,715)	(1,153,374)	(1,133,167)
Net interest income after provision for loans and accrued interest losses	1,478	2,829,389	2,648,908	2,427,235
Fees and other service income	904	1,729,594	1,649,424	1,448,581
Fees and other service expenses	(78)	(149,653)	(143,151)	(134,939)
Total other operating income	286	547,984	380,676	650,442
Total income	2,590	4,957,314	4,535,857	4,391,319
Operating expenses:				
Total operating expenses	1,590	3,042,513	2,825,914	2,566,848
Net operating income	1,000	1,914,801	1,709,943	1,824,471
Goodwill amortization	29	55,966	69,231	73,149

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[(1)]		*(COP in millions)*	
Non-operating income (expense):				
Total non-operating income	45	86,076	78,151	13,377
Income before income taxes	1,016	1,944,911	1,718,863	1,764,699
Income tax expense	(266)	(508,417)	(462,013)	(474,056)
Net income	750	1,436,494	1,256,850	1,290,643

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in millions)[(1)]		*(COP in millions)*	
Consolidated Balance Sheet Data:				
Total cash and equivalents	3,216	6,155,034	7,372,359	5,619,575
Debt securities	4,298	8,226,811	8,436,244	6,840,596
Equity securities	282	539,318	580,214	503,861
Net investment securities	4,533	8,675,762	8,914,913	7,278,276
Net total loans and financial leases	24,082	46,091,877	39,610,307	42,508,210
Net total interest accrued, net	166	317,532	338,605	505,658
Total assets	35,578	68,095,156	61,864,365	61,783,079
Total deposits	22,748	43,538,967	42,149,330	40,384,400
Total liabilities	31,426	60,148,016	54,831,536	55,666,234
Total shareholder's equity	4,152	7,947,140	7,032,829	6,116,845

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official certified by the SFC on December 31, 2010.

	As of December 31,		
	2010	2009	2008
Other Financial Data:[(1)]			
Profitability ratios:			
Net interest margin[(2)]	6.36%	7.22%	7.64%
Return on average total assets[(3)]	2.27%	2.01%	2.34%
Return on average shareholders' equity[(4)]	19.71%	19.59%	23.68%
Efficiency ratios:			
Operating expenses as a percentage of interest, fees, services and other operating income	56.3%	50.9%	47.8%
Capital ratios:			
Period-ended shareholders' equity as a percentage of period-end total assets	11.7%	11.4%	9.9%
Period-end regulatory capital as a percentage of period-end risk-weighted assets	14.7%	13.2%	11.2%
Operating Data:			
Branches	921	889	890
ATMs	2,945	2669	2387
Non-banking correspondents	742	540	342

(1) Ratios were calculated on the basis of monthly averages.
(2) Net interest income divided by average interest-earning assets.
(3) Net income divided by average total assets.
(4) Net income divided by average shareholders' equity.

Suramericana S.A.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Income Statement Data:				
Operating revenues:				
Dividends	–	–	–	779,545
Interest	88	167,516	59,601	114,177
Earnings from sale of investments, net	22	42,377	–	23,230,230
Earnings from the equity method, net	166,595	318,860,377	240,974,850	140,770,543
Related activities - income from use of the mark	–	–	–	18,546,581
	166,706	319,070,270	241,034,451	183,441,076
Operating and administrative expenses:				
Total operating and administrative expenses	3,098	5,927,127	13,788,114	44,412,658
Operating income	163,608	313,143,143	227,246,337	139,028,418
Non-operating income (expenses):				
Total non-operating income (expense)	(145)	(279,014)	(1,058,841)	831,345
Income before taxes	163,463	312,864,129	226,187,496	139,859,763
Income tax provision	(1,886)	(3,610,000)	(12,207,748)	(14,927,000)
Net income	161,577	309,254,129	213,979,748	124,932,763

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in thousands)*	
Unconsolidated Balance Sheet Data:				
Cash	1,703	3,259,909	608,735	274,458
Total current assets	9,331	17,859,718	15,373,348	14,195,156
Permanent investments	706,787	1,352,775,983	1,196,152,933	948,828,956
Total assets	716,057	1,370,519,260	1,211,309,359	973,488,226
Total liabilities	10,326	19,764,390	26,106,254	26,695,770
Net shareholders' equity	705,731	1,350,754,870	1,185,203,105	946,792,456

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[(1)]		*(COP in millions)*	
Consolidated Income Statement Data:				
Operating revenues	2,330	4,458,858	4,588,366	4,009,727
Cost of sales	1,416	2,709,521	2,818,189	2,384,094
Gross profit	914	1,749,337	1,770,177	1,625,633
Operating expenses				
Administrative expenses	111	212,941	218,875	183,777
Sales expenses	586	1,121,727	1,115,606	999,288
Operating income	217	414,669	435,696	442,568

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[1]		*(COP in millions)*	
Other (expenses) income, net				
Dividends received and financial income	42	81,216	149,522	124,919
Finance expenses	(79)	(150,930)	(284,522)	(236,923)
Other (expenses) income, net	(2)	(3,961)	(5,656)	41,998
Total other expenses, net	(39)	(73,675)	(140,656)	(70,006)
Net income before income tax and minority interest	178	340,994	295,040	372,562
Income tax				
Current	37	70,002	77,390	74,583
Deferred	4	6,991	3,919	(1,351)
Net income before minority interest	137	264,001	213,731	299,330
Minority interest	–	(762)	(457)	(279)
Net income	137	263,239	213,274	299,051

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in millions)[1]		*(COP in millions)*	
Consolidated Balance Sheet Data:				
Total current assets	683	1,306,826	1,211,426	1,388,271
Total non-current assets	3,541	6,777,865	5,717,700	3,948,282
Total assets	4,224	8,084,691	6,929,126	5,336,553
Total current liabilities	415	794,064	651,134	871,045
Total non-current liabilities	499	955,713	887,752	598,324
Total liabilities	914	1,749,777	1,538,886	1,469,369
Minority interest	6	11,268	3,611	2,751
Total shareholders' equity	3,304	6,323,646	5,386,629	3,864,433

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate published by the Central Bank on December 31, 2010.

	As of December 31,		
	2010	2009	2008
Operating Data:			
Number of brands	195	218	241

Inversiones Argos S.A.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[1]		*(COP in millions)*	
Consolidated Income Statement Data:				
Operating revenues	2,826	5,409,150	4,491,761	3,945,252
Cost of sales	1,903	3,642,454	2,812,055	3,132,091
Gross income	923	1,766,696	1,679,706	813,161
Operating expense:				
Administrative	241	460,797	340,559	297,425
Sales	67	127,327	133,896	125,121
Total operating expense	308	588,124	474,455	422,546
Operating income before asset impairment	616	1,178,572	1,205,251	390,615

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in millions)[1]		*(COP in millions)*	
Asset impairment	46	88,343	81,691	74,786
Other non-operating income (expense):				
Financial income	20	38,698	38,171	63,704
Dividends and investment income	104	199,051	69,957	83,363
Financial expense	(190)	(363,596)	(330,261)	(279,487)
Foreign Exchange difference	4	8,190	(51,436)	(207,111)
Other income	106	203,800	582,636	392,480
Other expense	(222)	(425,182)	(393,444)	(238,347)
Income before income tax and minority interest	**392**	**751,190**	**1,039,183**	**130,431**
Income tax expense	98	187,336	65,077	21,541
Income before minority interest	295	563,854	974,106	108,890
Minority interest share in subsidiary income	(92)	(175,521)	(67,586)	(17,685)
Net consolidated income	203	388,333	906,520	91,205

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,			
	2010	2010	2009	2008
	(USD in millions)[1]		*(COP in millions)*	
Consolidated Balance Sheet Data:				
Total current assets	1,242	2,376,902	1,877,938	2,783,663
Total non-current assets	11,453	21,921,374	16,305,952	10,614,791
Total assets	12,695	24,298,276	18,183,890	13,398,454
Total current liabilities	1,306	2,500,516	2,166,393	3,077,563
Total non-current liabilities	2,526	4,835,142	3,121,617	2,863,836
Total liabilities	3,833	7,335,658	5,288,010	5,941,399
Minority interest	3,439	6,581,704	3,641,163	2,023,262
Shareholders' equity	5,424	10,380,914	9,254,717	5,433,793

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

	As of December 31,		
	2010	2009	2008
Operating Data:			
Plants (Cementos Argos)	11	11	11
Plants (Colinversiones)	16	5	5
Installed capacity (Cementos Argos)[1]	13	9	9
Installed capacity (Colinversiones)[2]	1,878	630	630

(1) Measured in millions of tons per year.
(2) Measured in megawatts.

Pro Forma Financial Information

The following pro forma financial information of GRUPOSURA includes unaudited pro forma unconsolidated income statement data for the year ended December 31, 2010 and unaudited pro forma unconsolidated balance sheet data as of December 31, 2010. We derived the pro forma financial information by applying pro forma adjustments to GRUPOSURA's 2010 unconsolidated income statement data and balance sheet data appearing in this offering memorandum. The pro forma financial information for the period presented gives effect to the winding up of our wholly owned subsidiary, Portafolio en Liquidación, and the transfer of all of its assets and liabilities to GRUPOSURA as if the winding up had occurred on January 1, 2010.
The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable based on information currently available. We believe that the unaudited pro forma unconsolidated financial information is a significant indicator of our results of operations because Portafolio en Liquidación held significant ownership interests in the Group's principal companies, which have now been transferred to us. See "Presentation of Financial and Other Information – Accounting Methodology" in this offering memorandum for more information on the effect of the transfer of Portafolio en Liquidación's assets to us.

The pro forma financial information should not be considered indicative of actual results that would have been achieved for the period indicated had the winding up been consummated on January 1, 2010 and does not purport to indicate results of operations for any future period. The pro forma financial information should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and GRUPOSURA's audited unconsolidated financial statements and the related notes in this offering memorandum.

	For the year ended December 31, 2010		
	Actual	**Adjustments**	**Pro Forma**
		(COP in thousands)	
Pro Forma Income Statement Data:			
Operating revenues			
Dividends	140,898,673	112,239,751[(1)]	253,138,424
Interests	14,436,438	15,913,650	30,350,088
Earnings from the equity method, net	567,060,204	(284,155,964)[(2)]	282,904,240
Earnings from sale of investments, net	51,410,202	177,008,483[(3)]	228,418,685
Unrealized gains on marketable securities, net	19,970,509	1,915,690	21,886,199
Derivatives operations	6,526,347	–	6,526,347
Reimbursement provision for investments	15,199	3,820,744	3,835,943
	800,317,572	26,742,354	827,059,926
Operating and administrative expenses			
Provision for investments	143,752	11,109,448[(4)]	11,253,200
Tax refund	(257,626)	–	(257,626)
Payroll expenses	4,948,753	537,190	5,485,943
Fees	1,834,995	27,154	1,862,149
Administrative expenses	6,277,023	1,981,232	8,258,255
Depreciation	77,755	30,205	107,960
	13,024,652	13,685,229	26,709,881
Operating income	787,292,920	13,057,125	800,350,045
Non operating expenses (income)			
Foreign-exchange	7,845,047	12,216,126[(5)]	20,061,173
Interests	45,860,672	152,599	46,013,271
Bank expenses – commissions	915,148	843,373	1,758,521
Extraordinary expenses	176,294	45	176,339
Amortized premium	5,574,245	–	5,574,245
ADR call option compensation	23,113,312	–	23,113,312
Profits in sale of assets	–	(123,503)	(123,503)
Miscellaneous	(57,704)	(31,515)	(89,219)
	83,427,014	13,057,125	96,484,139

	For the year ended December 31, 2010		
	Actual	Adjustments	Pro Forma
		(COP in thousands)	
Income before taxes	703,865,906	—	703,865,906
Income tax provision	(7,600,000)	—	(7,600,000)
Net income	696,265,906	—	696,265,906

(1) Reflects dividends received by Portafolio en Liquidación from its ownership in less than majority-owned companies.

(2) Reflects the subtraction of earnings from the equity method from Portafolio en Liquidación, net of earnings from the equity method from its ownership in Suramericana and other majority-owned entities. The following table sets forth a breakdown of our pro forma earnings from the equity method.

	For the year ended December 31, 2010	
	Actual	Pro forma
	(COP in millions)	
Suramericana.	130,589	263,975
ICE	5,842	8,868
Portafolio en Liquidación	427,859	—
Gruposura Panamá	4,069	11,361
Enlace Operativo.	(1,299)	(1,299)
Total	**567,060**	**282,904**

(3) The main adjustment is the addition of Portafolio en Liquidación's COP 88,035 million gain on the sale of its 4.3% stake in Almacenes Éxito.

(4) The main adjustment is the addition of Portafolio en Liquidación's provision in respect of Confecciones Colombia in the amount of COP 9,699 million.

(5) Reflects the effect of the 6.4% appreciation of the Colombian peso against the U.S. dollar in 2010 on Portafolio en Liquidación's U.S. dollar-denominated assets.

	As of December 31, 2010		
	Actual	Adjustments	Pro Forma
		(COP in thousands)	
Pro Forma Balance Sheet Data:			
Assets			
Current assets:			
Cash	118,195	101,903	220,098
Short-term investments	81,998,970	635,271,779[(1)]	717,270,749
Accounts receivable, net	77,334,851	74,729,759[(2)]	152,064,610
Prepaid expenses and deferred charges	181,991	—	181,991
Total current assets	159,634,007	710,103,441	869,737,448
Permanent investments	10,644,902,253	(5,872,254,007)	4,772,648,246
Property, plant and equipment	390,885	47,888	438,773
Other assets	82,286	807,497	889,783
Valuations[(3)]	7,363,600,136	5,164,319,014[(4)]	12,527,919,150
Total assets	18,168,609,567	3,023,833,400	18,171,633,400
Liabilities and shareholders' equity			
Current liabilities:			
Financial obligations	81,837,896	—	81,837,896
Commercial paper	233,652,000	—	233,652,000
Accounts payable	23,804,421	29,119	23,833,540
Employee benefit liabilities	241,954	—	241,954
Unearned revenues	7,098,660	—	7,098,660
Estimated liabilities and provisions	10,784,074	2,994,712	13,778,786
Total current liabilities	357,419,005	3,023,831,400	360,442,836
Long term financial obligations:			
Ordinary bonds	250,000,000	—	250,000,000
Total liabilities	607,419,005	3,023,831,400	610,442,836
Shareholders' equity:			
Common stock	87,944,486	—	87,944,486
Additional paid-in capital	358,025,576	(24,061,016)	333,964,560
Legal reserve	138,795,051	—	138,795,051
Voluntary reserves	2,639,324,329	—	2,639,324,329
Equity revaluation	955,930,609	—	955,930,609
Surplus from the equity method	5,321,304,469	(5,140,257,996)[(5)]	181,046,473

	As of December 31, 2010		
	Actual	**Adjustments**	**Pro Forma**
		(COP in thousands)	
Valuations[3]	7,363,600,136	5,164,319,014	12,527,919,150
Net income	696,265,906	–	696,265,906
Shareholders' equity	17,561,190,562		17,561,190,564
Total liabilities and shareholders' equity	18,168,609,567	3,023,833,400	18,171,633,400
Contingent and memorandum accounts	13,143,608,682	6,744,469,091	19,888,077,773
Debtors	1,170,598,517	1,528,749,144	2,699,347,661
Creditors	11,973,010,165	5,215,719,947	17,188,730,112

(1) Reflects Portafolio en Liquidación's proceeds from the sale of investments invested in marketable securities.

(2) The main adjustment is the addition of Portafolio en Liquidación's dividends receivable and pre-paid tax.

(3) Non-controlling investments are accounted at cost. If the market value of these investments exceeds their book value at the end of the period, the excess is recorded as valuations.

(4) Reflects Portafolio en Liquidación's valuations on its permanent investments in less than majority-owned companies, which are also recognized in net shareholders's equity.

(5) Offsets the elimination of Portafolio en Liquidación as a permanent investment of GRUPOSURA.

Recent Developments

The following discussion is based on information contained in interim unaudited unconsolidated or consolidated, as the case may be, financial information of GRUPOSURA, Bancolombia, Suramericana, Chocolates and Inversiones Argos as of March 31, 2011 and December 31, 2010 and for the quarters ended March 31, 2011 and 2010 that are not included in this offering memorandum. This financial information has been prepared in accordance with Colombian GAAP, which differs in certain material aspects from U.S. GAAP and IFRS as adopted by the IASB. See Annex A "– Summary of Principal Differences Among Colombian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)" for a description of the principal differences among Colombian GAAP, U.S. GAAP and IFRS. The following discussion should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Condition" in this offering memorandum.

Grupo de Inversiones Suramericana S.A.

In March 2011, GRUPOSURA's wholly owned subsidiary Portafolio en Liquidación was wound up and all of its assets and liabilities were transferred to GRUPOSURA. See "Pro Forma Financial Information" in this offering memorandum. GRUPOSURA's results of operations for the first quarter of 2011 reflect this transfer and, therefore, are not necessarily comparable to GRUPOSURA's results of operations for the first quarter of 2010.

GRUPOSURA's unconsolidated net income in the first quarter of 2011 was COP 75,830 million, which represents a 75.1% decrease from the net income of COP 304,249 million recorded in the first quarter of 2010. This decrease reflected non-recurring positive events in the first quarter of 2010 in the following line items: (i) earnings from the equity method, net which, in turn, primarily reflected income received in March 2010 by Suramericana's subsidiaries, Seguros Generales and Seguros de Vida, respectively, in connection with reclassifications and sales to GRUPOSURA of their interests in Bancolombia, Chocolates, Inversiones Argos and Protección in the amounts of COP 100,873 million and COP 75,204 million, respectively and (ii) earnings from the sale of investments, which, in turn, primarily reflected COP 30,883 million in income received by GRUPOSURA in January 2010 in connection with the divestiture of its 1.6% equity interest in Almacenes Éxito. Earnings from the equity method, net decreased by 89.6% to COP 28,261 million, and earnings from the sale of investments decreased by 73.9% to COP 8,063 million, as a result of the absence of the non-recurring positive events described above. Dividends accrued from Group companies that are less than majority-owned increased by 144.2% to COP 57,638 million as a result of the accrual of dividends previously attributable to Portafolio en Liquidación's ownership interests mainly in Bancolombia, Chocolates and Inversiones Argos following its winding up and improved results of operations at these companies. Operating and administrative expenses increased by 194.8% to COP 8,048 million, mainly due to costs associated with GRUPOSURA's acquisition of the remaining 39.49% of Enlace Operativo to gain full ownership of this company and the winding up of Portafolio en Liquidación. GRUPOSURA's non-operating expenses decreased by 46.5% to COP 10,136 million, primarily as a result of a reversal in the adjustment for difference in foreign exchange from a loss to a gain due to its net asset position in U.S. dollars.

At the general shareholder's meeting held in March 2011, GRUPOSURA's shareholders approved a cash dividend of COP 136,021 million in respect of the year ended December 31, 2010.

Bancolombia S.A.

Bancolombia's loan portfolio at March 31, 2011 was larger than at March 31, 2010, primarily as a result of increased credit demand in Colombia. Bancolombia's consolidated net interest income for the first quarter or 2011 increased compared to the first quarter of 2010 as a result of lower funding costs, which offset the negative effects of lower interest rates on loans, as well as an improvement in the quality of the bank's loan portfolio, which, in turn, led to a decrease in provisions. Operating expenses increased as Bancolombia is currently undertaking a technical expansion plan to modernize its operations. In line with the continued improvement of economic conditions in Colombia, the past-due loan ratio and loan charge-offs decreased in the first quarter of 2011 compared to the first quarter of 2010. All of these factors contributed to a 2.67% increase in net income from COP 340,984 million in the first quarter of 2010 to COP 350,083 million in the first quarter of 2011.

At the general shareholder's meeting held in March 2011, Bancolombia's shareholders approved a cash dividend of COP 526,773 million in respect of the year ended December 31, 2010.

Suramericana S.A.

Suramericana's results of operations reflect the results of operations of its principal subsidiaries. In the P&C insurance business, Seguros Generales' technical results grew in the first quarter of 2011 compared to the first quarter of 2010, primarily as a result of an increase in premiums, which, in turn, reflected the strong performance of Seguros Generales' automobile and mandatory personal insurance products. In the life insurance business, Seguros de Vida's technical results decreased in the first quarter of 2011 compared to the first quarter of 2010 due to higher claims in the annuities line of business as a result of recent changes in claim policies mandated by the Colombian government, which was partially offset by an increase in premiums, particularly accidental death and dismemberment disability insurance. In the worker's compensation business, ARP Sura experienced a decrease in the first quarter of 2011 compared to the first quarter of 2010 in its technical results due to an increase in total reserves, as ARP Sura added to reserves at a time of increased activity as a precaution against a future economic downturn. In the mandatory health insurance business, EPS Sura's technical results increased significantly in the first quarter of 2011 compared to the first quarter of 2010 primarily as a result of growth in that company's premiums.

At the holding company level, Suramericana's unconsolidated net income in the first quarter of 2011 was COP 30,443 million, which represents a 84.0% decrease from the net income of COP 195,664 million recorded in the first quarter of 2010. This decrease reflected non-recurring positive events in the first quarter of 2010 reflected in Suramericana's earnings from the equity method, net line item as a result of an increase in income received by Suramericana from Seguros Generales and Seguros de Vida, which, in turn, primarily reflects income received by them in March 2010 in connection with reclassifications and sales to GRUPOSURA of their interests in Bancolombia, Chocolates, Inversiones Argos and Protección in the amounts of COP 100,873 million and COP 75,204 million, respectively, and the absence of such events in the first quarter of 2011. See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Suramericana" in this offering memorandum for a further discussion of these reclassifications and sales.

At the general shareholder's meeting held in March 2011, Suramericana's shareholders approved a cash dividend of COP 52,491 million in respect of the year ended December 31, 2010.

Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

Chocolates' consolidated operating revenues for the first quarter of 2011 increased compared to the first quarter of 2010 as a result of higher sales volume in Colombia. These sales particularly reflect the success of Comercial Nutresa S.A.S. (formerly known as Cordialsa Colombia S.A.S.)("Cordialsa Colombia"), Chocolates' new distribution company formed in 2010. Cordialsa Colombia will serve as the exclusive distributor of Chocolates' products in Colombia and has direct access to neighborhood stores, the principal distribution channel for Chocolates' products. Sales volume in Colombia was also positively affected by the strong performance of the country's economy in the first quarter of 2011, contributing to a higher purchasing power for Colombian consumers. Additionally, international sales volume improved throughout all of Chocolates' principal regions, especially the United States, Central America and Mexico. On the cost side, the aggregate price of raw materials continued to increase, although Chocolates was able to pass on some of these costs to consumers. Chocolates was negatively affected by changes in (i) the 0.4% financial transactions tax, which, although scheduled to be phased out beginning in 2014 to 0% in 2018, was expanded in scope for its remaining term and (ii) the introduction of a temporary tax on equity, known as the "net equity tax" (pursuant to which the tax rate for companies in which net equity is over COP 5,000 million, such as Chocolates, was set at 4.8% and is assessed at a rate of 1.2% in the first quarter of each year through 2014). These tax changes were principal contributors to the 17.1% decrease in Chocolates' net income from COP 69,504 million in the first quarter of 2010 to COP 57,645 million in the first quarter of 2011.

At the general shareholder's meeting held in March 2011, Chocolates' shareholders approved a cash dividend of COP 148,812 million in respect of the year ended December 31, 2010.

On April 1, 2011, Chocolates' shareholders approved, and Chocolates notified the SFC, of a possible future offering of up to 25 million of Chocolates' shares, or approximately 5.7% of the outstanding shares. The proceeds from the offering, if any, would be used by Chocolates to fund its international expansion.

Inversiones Argos S.A.

Inversiones Argos' consolidated operating revenues for the first quarter of 2011 increased compared to the first quarter of 2010. This increase primarily reflects (i) an increase in Cementos Argos' sales volume, particularly in Colombia and the Caribbean region, which reached historically high levels in the first quarter of 2011 and more than offset the slow recovery of the cement industry in the United States and (ii) the consolidation of Colinversiones' results of operations into Inversiones Argos' results of operations beginning in September 2010 (Colinversiones' results were positively affected by high hydro generation in the first quarter of 2011 compared to the first quarter of 2010 due to significant rainfall in Colombia during the first quarter of 2011, partially offset by the decrease in the price of electricity resulting from such high hydro generation). On the cost side, the increase in cost of goods sold reflected the consolidation of Colinversiones' results of operations into Inversiones Argos' results of operations beginning in September 2010. Non-operating expenses increased in the first quarter of 2011 compared to the first quarter of 2010 due to the consolidation of Colinversiones' non-operating results. As with Chocolates, the net equity tax was the principal driver of the 36.6% decrease in Inversiones Argos' net consolidated income from COP 90,915 million in the first quarter of 2010 to COP 57,669 million in the first quarter of 2011. Net income before provisions for income tax for the first quarter of 2011 was 44.4% higher than for the first quarter of 2010.

At the general shareholder's meeting held in March 2011, Inversiones Argos' shareholders approved a cash dividend of COP 129,080 million in respect of the year ended December 31, 2010.

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion should be read in conjunction with GRUPOSURA's audited unconsolidated financial statements and related notes, Bancolombia's audited consolidated financial statements and related notes, Chocolates' audited consolidated financial statements and related notes and Inversiones Argos' audited consolidated financial statements and related notes, in each case included, or incorporated by reference, in this offering memorandum as well as the financial information of Suramericana included in this offering memorandum. GRUPOSURA's financial statements are prepared in accordance with Colombian GAAP, which differs in significant respects from U.S. GAAP and IFRS. See "Presentation of Financial and Other Information" and "Annex A–Summary of Principal Differences among Colombian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)." We have not quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material. GRUPOSURA's financial statements have not been reconciled to U.S. GAAP or IFRS. Any such reconciliation could result in material differences.

Grupo de Inversiones Suramericana S.A.

Overview

GRUPOSURA is the principal shareholder of a group of leading companies operating primarily in Colombia in two key sectors: Financial Services, including commercial banking, insurance and pension funds, and Industrial, including processed foods and cement, ready mix, and energy. Our principal interests in the Financial Services sector include our ownership of 44.8% of the voting shares (equal to 29.0% of the capital stock) of Bancolombia, the largest bank in Colombia and in which we are the largest shareholder, and our 81.1% ownership of Suramericana, the holding company for the largest life and property and casualty insurance companies in Colombia. Our interest in the processed foods segment of the Industrial sector is held through our 37.7% ownership of Chocolates, the largest processed foods conglomerate in Colombia and in which we are also the largest shareholder. Our interest in the cement, ready mix and energy segment of the Industrial sector is comprised of our 36.0% ownership of Inversiones Argos, in which we are the largest shareholder. Inversiones Argos is the majority owner of Colombia's largest cement producer, Cementos Argos, and Colombia's fourth largest electric generation company, Colinversiones.

The following table sets forth a breakdown of certain key data of the Group's principal companies for the year ended December 31, 2010:

	Contribution to Group Cash Dividends[(1)]	Market Capitalization[(2)]	Net Income	Adjusted EBITDA
	(in millions of COP, except percentages)			
Bancolombia	49.0%	22,976,736	1,436,494	N/A[(3)]
Suramericana	13.1%	–	309,254	N/A[(3)]
Chocolates	17.6%	10,225,401	263,239	538,165[(4)]
Inversiones Argos	14.6%	12,133,520	388,333	1,625,627[(5)]

(1) Calculated as a percentage of the COP 287,194 million in cash dividends received by GRUPOSURA and Portafolio en Liquidación in 2010.
(2) Market capitalization is presented as of March 31, 2011. This measurement does not apply to Suramericana because it is not listed on any stock exchange.
(3) N.A. means "not applicable" as Bancolombia and Suramericana are in the Financial Services sector where EBITDA does not apply.
(4) For Chocolates, Adjusted EBITDA represents consolidated net income plus minority interest, plus tax expense, plus other income expenses, plus finance expenses, minus dividends received and finance income, plus amortization, plus depreciation.
(5) For Inversiones Argos, Adjusted EBITDA represents net income plus minority interest plus income tax expense minus financial income plus financial income minus dividends plus foreign exchange difference plus asset impairment minus other income plus other expenses plus depreciation plus amortization expense.

For more information about GRUPOSURA's interests in the Financial Services and Industrial sectors, see "Business—Grupo de Inversiones Suramericana S.A."

Accounting Methodology

The discussion on GRUPOSURA's results of operations is presented on an unconsolidated basis because (i) GRUPOSURA does not have any substantial assets other than equity interests in its subsidiaries and affiliates and

(ii) of the principal companies comprising the Group, only Suramericana's results of operations are consolidated into GRUPOSURA's results of operations, as Bancolombia, Chocolates and Inversiones Argos are not majority-owned by us directly or indirectly.

The primary components of GRUPOSURA's unconsolidated income statement are dividends and earnings from the equity method. In the dividends line item, GRUPOSURA accrues dividends only from its direct ownership interests in less than majority-owned companies, such as Bancolombia, Chocolates and Inversiones Argos. As of December 31, 2010, GRUPOSURA directly owned 13.9% of Bancolombia, 30.2% of Chocolates and 23.4% of Inversiones Argos. GRUPOSURA also holds interests in these same companies indirectly through wholly owned subsidiaries, which are not included in the dividends line item. The earnings from the equity method line item represents the earnings received by GRUPOSURA from its direct ownership of companies in which it, directly or indirectly, owns more than 50% of the total shares outstanding and that appear in the Medellin Chamber of Commerce as under GRUPOSURA's control. As of December 31, 2010, these companies were Suramericana, in which GRUPOSURA had a 40.1% direct ownership interest, and GRUPOSURA's wholly owned subsidiaries. As of December 31, 2010, GRUPOSURA's wholly owned subsidiaries owned 15.1% of Bancolombia, 41.0% of Suramericana, 7.5% of Chocolates and 12.6% of Inversiones Argos. All of GRUPOSURA's wholly owned subsidiaries are holding companies without any operations of their own and GRUPOSURA manages all of their income, expenses and cash.

As of December 31, 2010, our wholly owned subsidiary Portafolio en Liquidación owned the following portion of the interests held collectively by GRUPOSURA and its wholly owned subsidiaries in the Group's principal companies: Bancolombia (14.7% out of the 29.0% ownership interest), Suramericana (41.0% out of the 81.1% ownership interest), Chocolates (7.5% out of the 37.7% ownership interest) and Inversiones Argos (12.6% out of the 36.0% ownership interest). As a result of its winding up on March 31, 2011, Portafolio en Liquidación's ownership interests were transferred to GRUPOSURA and in the future (i) the dividends attributable to its ownership interests in Bancolombia, Chocolates and Inversiones Argos will appear in GRUPOSURA's dividends line item rather than GRUPOSURA's earnings from the equity method line item and (ii) the earnings attributable to its ownership interest in Suramericana will appear in the Suramericana sub-line item of GRUPOSURA's earnings from the equity method rather than the Portafolio en Liquidación sub-line item. See "Pro Forma Financial Information" in this offering memorandum.

Given the importance of earnings received from its principal subsidiaries and affiliates, GRUPOSURA's results of operation are, to a large extent, driven by the trends affecting these companies.

Macroeconomic Trends affecting the Group's Business

General Economic Conditions in Colombia

The following table presents a percentage breakdown of the operating revenues of the Group's principal companies allocated between Colombia and international for the year ended December 31, 2010:

	Operating Revenues(1)	Colombia	International
Bancolombia	7,226,263	86.0%	14.0%
Suramericana	3,816,610(2)	98.0%	2.0%
Chocolates	4,458,858	79.0%	21.0%
Inversiones Argos	5,409,150	75.0%	25.0%

(1) Calculated in millions of COP.

(2) Represents the combined operating revenues of Suramericana's operating subsidiaries, including Generales, Vida, ARP Sura and EPS Sura, among others.

As shown in the table above, the Group derives a substantial portion of its revenues from its operations in Colombia. As a result, the revenues generated by companies in the industries in which the Group operates are largely correlated to Colombia's macroeconomic performance.

The following table shows the historical and projected evolution of Colombia's principal macroeconomic indicators:

	2006	2007	2008	2009	2010	2011	2012
GDP growth	6.7%	6.9%	3.5%	1.5%	4.3%	4.5%	4.3%
Inflation(1)	4.5%	5.7%	7.7%	2.0%	3.2%	3.8%	4.0%
Unemployment rate	11.8%	9.9%	10.6%	11.3%	11.1%	11.2%	10.8%

Sources: Historical data provided by the DANE; forecasts provided by the ANIF.
(1) As measured by the Colombian Consumer Price Index ("IPC").

As the revenues generated by companies in the industries in which the Group operates are largely correlated with GDP growth, these industries have grown, and are expected to continue to grow, in line with Colombian GDP growth.

In terms of inflation, the primary inflation effects of companies in the industries in which the Group operates are labor costs and property values. Inflation rates have been uneven in Colombia during the last five years, but are projected to remain at or under 4.0% in 2011 and 2012.

As a developing economy, companies in the industries in which the Group operates are highly dependent on Colombia's employment rate. For example, in the Financial Services sector, savings accounts and insurance and pension plans are products that are principally used, or generate fees, when the customer has a steady stream of income. The processed food and cement, ready mix and energy segments of the Industrial sector are also affected by shifts in the level of income of their customers. Even though Colombia's unemployment rate has been and is expected to remain high, total employment in Colombia is increasing and is expected to remain on an upward trend through 2012 according to the ANIF.

The Group's companies receive most of their income in Colombian pesos. A significant percentage of the debt held by the Group's companies is denominated in currencies other than the peso, principally U.S. dollars. For this reason a devaluation of the Colombian peso in respect to the dollar could negatively affect the Group's financial condition. However, the Group's companies manage their foreign currency risk position and have entered into hedging transactions in respect of short-term and long-term foreign currency exchange risk.

Key Trends Affecting the Financial Services Sector

Banking Industry

The banking industry in Colombia is driven primarily by changes in loan growth, non-performing loan levels and interest margins.

Loan Growth

Bancolombia is affected by the level of lending activity and the demand for credit in Colombia. As lending activity and the demand for credit increases, Bancolombia's results of operations tend to increase. Despite the global economic slowdown in 2008 and 2009, lending activity in Colombia increased, primarily reflecting higher financing needs by local companies. Additionally, despite an economic contraction during the first quarter of 2010, lending in Colombia grew at a moderate level in 2010. This performance was primarily driven by higher-than-anticipated economic activity. Recent data and leading indicators signal continued economic growth in Colombia. As a result, a continued increase in credit demand is expected for 2011 and 2012, which has led Bancolombia's management to forecast a 15% increase in its loan portfolio in 2011 and a 10% increase in 2012.

Non-Performing Loans

Bancolombia defines non-performing loans as microcredit loans that are 30 days or more past due, mortgage and consumer loans that are 60 days or more past due and commercial loans that are 90 days or more past due. Bancolombia's rate of non-performing loans is affected by the ability of borrower's to repay their obligations, which, in turn, is driven by the general economic environment in Colombia, in particular, the unemployment rate. As the unemployment rate increased in 2008 and 2009, Bancolombia's non-performing loan rate increased to 3.6% in 2008 and to 3.9% in 2009. However, in 2010, Bancolombia's non-performing loan rate decreased to 2.9%, primarily as a result of the 4.3% increase in Colombia's GDP and the decrease in the unemployment rate. Based primarily on the forecasted stability of Colombian GDP growth and employment market, Bancolombia's non-performing loan rate is expected to remain in the 2.9% - 3.0% range in both 2011 and 2012.

Interest Margins

Bancolombia is affected by fluctuations in interest rates. An increase in interest rates may, among other things, reduce the demand for loans and bank's ability to originate loans. A decrease in the general level of interest rates may, among other things, increase loan prepayments and lead to increased competition for deposits. Many factors impact interest rates, including governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and international disorder and instability in domestic and foreign markets. The Central Bank's interest rate was 9.5%, 3.5% and 3.0% for 2008, 2009 and 2010, respectively. According to Bancolombia's management, the Central Bank's interest rate is expected to increase to 4.75% and 5.5% in 2011 and 2012, respectively, in order to combat inflationary pressures affecting the Colombian economy. These interest rate estimates have led Bancolombia's management team to forecast a net interest margin of 6.0% for 2011 and 6.12% for 2012.

Insurance Industry

The insurance industry in Colombia is driven primarily by changes in Colombia's GDP and the frequency of catastrophic events.

Colombian GDP Growth

Suramericana's operating subsidiaries are affected by Colombia's economic performance. In particular, an increase in Colombia's GDP may, among other things, lead to an increase in demand for insurance products and stronger returns on their investment portfolios.

Catastrophic Events

Catastrophic events, such as natural disasters, earthquakes, tropical storms, floods, fires, acts of terrorism and other natural and man-made disasters, typically increase the frequency and severity of insurance claims. Major catastrophic events in 2008 to 2010 that have affected Suramericana's operating subsidiaries include constant rains that resulted in massive flooding in Colombia during the last months of 2010. No estimates can be made of future catastrophes because catastrophic loss events are by their nature unpredictable.

Key Trends Affecting the Industrial Sector

Processed Foods Segment

The processed foods industry in Colombia is driven primarily by changes in Colombia's GDP and commodity prices and price, volatility.

Colombian GDP Growth

Chocolates is affected by Colombia's economic performance. In particular, as Colombia's GDP increases, demand for processed food tends to increase as higher GDP per capita and the creation of new jobs lead to higher purchasing power for Colombian consumers.

Commodity Prices

Chocolates is a major purchaser of a variety of commodities, including coffee, wheat, oils, meat products, cocoa, sugar, plastic, glass and cardboard. The prices and price volatility of these commodities has increased significantly in 2008, 2009 and 2010 due to conditions outside of Chocolates' control, including recent economic conditions, currency fluctuations, availability of supply, weather, consumer demand and changes in governmental agricultural programs. In 2011, the high prices of commodities and a resulting increase in the price of processed foods are expected to challenge Chocolates. For example, the costs for cocoa beans, cocoa butter and sugar were higher in 2010 and are expected to continue their upward trend in 2011. World coffee prices are at record levels and are expected to remain high in 2011 given increased demand, especially in Asian countries. Costs of grain have suffered significant levels of volatility as a result of higher demand for food, livestock feed and bio-fuels, such as ethanol and biodiesel. In addition, an increase in international oil prices is expected to be detrimental to the supply and demand of processed foods during the year and into 2012.

Price Elasticity

Price elasticity refers to the ability of companies to pass on certain cost increases to their consumers. As its cost of goods sold increases due to commodity price increases, Chocolates may find it difficult to pass on some of these costs to its consumers, which may, in turn, negatively affect its profit margins. In the 2008-2010 period, Chocolates faced a significant decrease in its profit margins because it was not able to transfer the increase it faced in the prices of its raw materials entirely to consumers. In 2011, Chocolates forecasts a 15% aggregate increase in the price of its raw materials and a transfer of 5% of this increase to its consumers. However, the 10% difference is not expected to have a significant effect on profit margins due to Chocolates cost reduction program. A similar trend is expected through 2012.

Cement, Ready Mix and Energy Segment

Construction Industry in Colombia

The construction industry in Colombia is driven primarily by growth in large infrastructure projects, growth in the housing market and interest rates.

Infrastructure Plans

Infrastructure projects are a leading driver in the growth of the Colombian construction industry, which, in turn, has a direct correlation with Cementos Argos' results of operations. In 2008, the Colombian construction industry was heavily affected by the global economic crisis. In particular, the infrastructure investment indicator (defined as the sum of all payments made by public entities (as set forth in public budgets) and private companies (as set forth in their financial reports) to construction companies) decreased by an estimated 11.8% primarily due to a decrease in highway and bridge construction. However, 2009 witnessed a strong rebound and the infrastructure investment indicator increased by an estimated 37.6% primarily due to an increase in highway and road construction as the government attempted to propel the Colombian economy. In 2010, the infrastructure investment indicator increased at an estimated rate of 7.3% mainly due to increases in mining and dam construction, which, in turn, grew at a rate of 24.5%. Highway and bridge construction also increased by 5.7%. In terms of future performance, the *Cámara Columbiana de la Construction* (Colombian Chamber of Construction or "CAMACOL") estimates that during 2011 approximately COP 4,000 million will be invested in the Colombian construction industry. The leading driver of this growth will continue to be infrastructure projects. The mining and hydroelectric power energy sectors are expected to lead to the continued increase in infrastructure growth, as these two sectors are expected to undertake large infrastructure projects to support their growing operations. In addition, infrastructure spending by the Colombian government is expected to continue to increase during the coming years, as the Colombian government has announced an ambitious program of airport, port and toll road construction, among other projects, for the 2010-2014 period.

Housing Market

The housing market is also a major driver in the growth in the Colombian construction industry, which, in turn, has a direct correlation with Cementos' Argos' results of operations. In 2008, the housing sector in Colombia grew by 18.7% as a result of the boom in housing credit activity. However, in 2009 the housing sector was heavily affected by the global economic crisis which lead to a contraction in this sector of 12.4%. In 2010, the housing sector contracted by 3.3%. Even so, approved construction licenses increased 60% and, given the six-month lag between licensing and construction, the performance of this leading indicator points toward a recovery and a positive performance of this segment in 2011 and 2012.

Construction Industry in the United States

As it has significant operations in the United States, Cementos Argos' results of operations are also impacted by trends affecting the construction industry in that country. In 2008 and 2009, the U.S. construction industry was negatively impacted by significant decreases in housing developments, which resulted from the general economic slowdown in the country. Towards the end of 2010, the housing market in the United States began a slow recovery. According to the Portland Cement Association, the U.S. cement market is expected to stabilize in 2011 and grow gradually beginning in 2012 and not reach 2007 levels until 2015.

Energy Industry

The energy industry in Colombia is driven primarily by changes in Colombia's GDP, weather conditions and oil and gas prices.

Colombian GDP Growth

Colinversiones is affected by Colombia's economic performance. In particular, as Colombia's GDP increases, there is an increase in energy consumption, which can lead to increases in Colinversiones' future revenues, earnings and growth.

Weather Conditions

Colinversiones' generation business is seasonal and weather patterns can have a material impact on its operating performance. The spot price of electricity is typically lower in the rainy season as hydro generation production increases and is less expensive due to high levels of water storage. On the other hand, the spot price of electricity is typically higher in the dry season as low levels of water storage make hydro generation production more expensive and hydro thermal generation more attractive. Colinversiones counters these weather effects by maintaining its generation sources well-balanced between hydro and thermal energy, which were at 51% and 49%, respectively, during 2010. However, Colinversiones' results of operations may be materially affected when weather conditions are either below or above their norm in each of the rainy and dry season. During 2009, the energy market in Colombia was affected by abnormal weather conditions that led to above average hydro generation levels. During 2010, the energy market in Colombia was also strongly affected by extreme climate conditions. In particular, during the first five months of the year, extreme dry conditions caused droughts and lower levels of water storage in dams, which, in turn, led to a historically high thermal generation level of 53%. By contrast, significant rainfall in Colombia during the last months of the year led to a historically high hydro generation level of 80%. No estimates can be made of future weather conditions because abnormal weather is by its nature unpredictable.

Natural Gas Prices

Colinversiones depends on natural gas for its generation activities and is, therefore, affected by changes in the supply and price of natural gas. The price of natural gas in Colombia is regulated and indexed to the Platts Gulf Coast Residual Fuel No. 6 1.0% sulfur fuel oil. Both the index price and the local price of natural gas were very volatile in the 2008-2010 period and are expected to increase in 2011 and 2012.

GRUPOSURA's results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth the principal components of GRUPOSURA's unconsolidated income statement for the years ended December 31, 2010 and 2009:

	For the years ended December 31,			
	2010	2009	Change	
	(COP in thousands)			%
Operating revenues:				
Dividends	140,898,673	139,300,331	1,598,342	1.2%
Interests	14,436,438	5,478,464	8,957,974	163.5%
Earnings from the equity method, net	567,060,204	333,642,816	233,417,388	70.0%
Earnings from sale of investments, net	51,410,202	25,140,208	26,269,994	104.5%
Unrealized gains on marketable securities, net	19,970,509	7,841,237	12,129,272	154.7%
Derivatives operations	6,526,347	5,098,527	1,427,820	28.0%
Reimbursement provision for investments	15,199	159,624	(144,425)	(90.5)%
	800,317,572	516,661,207	283,656,365	54.9%
Operating and administrative expenses:				
Provision for investments	143,752	31,664,556	(31,520,804)	(99.6)%
Tax refund	(257,626)	(272,973)	15,347	5.6%

	For the years ended December 31,			
	2010	2009	Change	
	(COP in thousands)			%
Payroll expenses	4,948,753	3,784,221	1,164,532	30.8%
Fees	1,834,995	2,595,056	(760,061)	(29.3)%
Administrative expenses	6,277,023	8,867,602	(2,590,579)	(29.2)%
Depreciation	77,755	82,625	(4,870)	(5.9)%
	13,024,652	46,721,087	(33,696,435)	(72.1)%
Operating income	787,292,920	469,940,120	317,352,800	67.5%
Non-operating expenses:				
Foreign-exchange	7,845,047	7,049,865	795,182	11.3%
Interests	45,860,672	10,711,366	35,149,306	328.2%
Bank expenses – commissions	915,148	541,541	373,607	69.0%
Extraordinary expenses	176,294	152,070	24,224	15.9%
Amortized premium	5,574,245	—	5,574,245	—
ADR call option compensation	23,113,312	—	23,113,312	—
Miscellaneous	(57,704)	(3,568)	(54,136)	(1517.3)%
	83,427,014	18,451,274	64,975,740	352.2%
Income before taxes	703,865,906	451,488,846	252,377,060	55.9%
Income tax provision	(7,600,000)	(5,438,583)	(2,161,417)	(39.7)%
Net income	**696,265,906**	**446,050,263**	**250,215,643**	**56.1%**

Overview

GRUPOSURA's net income increased by COP 250,215 million, or 56.1%, in 2010 as compared to 2009. The increase in net income was primarily driven by (i) an increase in earnings received by GRUPOSURA from its subsidiaries accounted for under the equity method, which, in turn, increased primarily as a result of the earnings of COP 100,873 million and COP 75,204 million recorded by Suramericana's subsidiaries Generales and Vida, respectively, in the reclassifications and sales of their interests in Bancolombia, Chocolates, Inversiones Argos and Protección to GRUPOSURA in March 2010 and (ii) an increase in earnings from the sale of investments, which, in turn, increased primarily as a result of profits from non-recurring events, including, in particular, GRUPOSURA's divestiture in January 2010 of its 1.6% equity interest in Almacenes Éxito, the largest retail chain in Colombia. The Almacenes Éxito sale reflected GRUPOSURA's strategy of disposing its interests in companies as to which it has no strategic focus.

Operating Revenues

Dividends

The following table sets forth dividends accrued directly by GRUPOSURA during the years ended December 31, 2010 and 2009:

	For the years ended December 31,		
	2010	2009	Change
	(COP in millions)		%
Bancolombia	62,140	56,550	9.9%
Inversiones Argos	25,956	23,228	11.7%
Chocolates.	39,257	35,221	11.5%
Other	13,546	24,302	(44.3)%
Total	**140,899**	**139,301**	**1.1%**

The increase in dividends was primarily due to improved results of operations achieved by the companies listed in the table above, which resulted in higher dividends in 2010 as compared to 2009. See "– Bancolombia S.A.," "– Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)" and "–Inversiones Argos S.A." below. This increase was partially offset by the 44.3% decrease in dividends received from other affiliates - in particular, (i) Almacenes Éxito following GRUPOSURA's sale of its 1.6% interest in that company and (ii) Protección, which paid one-half of its dividends in stock that was recorded only on GRUPOSURA's balance sheet and not its income statement.

As noted above, as a result of the winding up of Portafolio en Liquidación, its ownership interests in Group companies were transferred to GRUPOSURA and in the future dividends attributable to its ownership of Bancolombia, Chocolates and Inversiones Argos will appear in the dividends line item rather than the earnings from the equity method line item. See "Pro Forma Financial Information" in this offering memorandum.

The following table sets forth dividends accrued directly by GRUPOSURA during the year ended December 31, 2010 as if the winding up of Portafiolio en Liquidación had occurred on January 1, 2010:

	For the years ended December 31, 2010	
	Actual	**Pro forma**
	(COP in millions)	
Bancolombia	62,140	144,269
Inversiones Argos	25,956	42,767
Chocolates	39,257	52,143
Other	13,546	13,960
Total	**140,899**	**253,138**

See "—Liquidity and Capital Resources" below for a discussion of cash dividends received by GRUPOSURA, directly and indirectly through Portafolio en Liquidación.

Interest income

Interest income reflects earnings in fixed income instruments in which we invest excess cash. The increase in interest income was primarily due to an increase in earnings from certain negotiable investments, such as repurchase agreements, trust funds, certificates of deposits and mutual funds, which resulted from investing a larger percentage of our excess cash in such instruments in 2010 as compared to 2009.

Earnings (loss) from the equity method, net

The following table sets forth a breakdown of GRUPOSURA's earnings from the equity method, net for the years ended December 31, 2010 and 2009:

	For the years ended December 31,		
	2010	**2009**	**Change**
	(COP in millions)		**%**
Suramericana	130,589	82,703	57.9%
ICE [(1)]	5,842	7,218	(19.1)%
Portafolio en Liquidación [(2)]	427,859	244,765	74.8%
Gruposura Panamá [(3)]	4,069	(142)	N/A
Enlace Operativo	(1,299)	(900)	44.3%
Total	**567,060**	**333,643**	**70.0%**

(1) ICE is a holding company without any operations. It has minor ownership interests in Bancolombia, Chocolates and Inversiones Argos.

(2) Portafolio en Liquidación was a holding company without any operations. Until it was wound up on March 31, 2011, it had ownership interests in Bancolombia, Suramericana, Chocolates and Inversiones Argos. All of its assets and liabilities were transferred to GRUPOSURA.

(3) Gruposura Panamá S.A. is a holding company without any operations. It has minor ownership interests in La Positiva Seguro y Reaseguro S.A., an insurance company in Peru and Alianza Compañía de Seguros y Reaseguros S.A and Alianza Vida Seguros y Reaseguros S.A., both insurance companies in Bolivia, among others.

The increase in 2010 in earnings from the equity method, net reflected two primary components: the earnings from Suramericana and its subsidiaries; and the earnings from Portafolio en Liquidación, which held interests in certain Group companies.

The increase in earnings from Suramericana was due primarily to earnings of COP 100,873 million and COP 75,204 million recorded by Suramericana's subsidiaries Generales and Vida, respectively, in the reclassifications and sales of their interests in Bancolombia, Chocolates, Inversiones Argos and Protección to GRUPOSURA in March 2010. See "– Suramericana S.A." below. Suramericana's earnings from the equity method decreased 27.1% net of the Generales' and Vida's reclassifications and sales of their interests in these Group companies to GRUPOSURA.

The earnings in Portafolio en Liquidación primarily reflected the (i) dividends received by it from its ownership of Group companies that are not majority-owned (i.e., Bancolombia, Chocolates and Inversiones Argos), (ii) earnings from the equity method received by it attributable to its indirect 41.0% ownership interest in Suramericana and (iii) COP 88,035 million received from the divestiture of its 4.3% stake in Almacenes Éxito in January 2010.

As noted above, as a result of Portafolio en Liquidación's winding up, its ownership interests in Group companies were transferred to GRUPOSURA and in the future the earnings attributable to its ownership interest in Suramericana will appear in the Suramericana sub-line item of GRUPOSURA's earnings from the equity method line item rather than the Portafolio en Liquidación sub-line item. See "Pro Forma Financial Information" in this offering memorandum.

The following table sets forth a breakdown of GRUPOSURA's earnings from the equity method, net for the year ended December 31, 2010 as if the winding up of Portafiolio en Liquidación had occurred on January 1, 2010:

	For the year ended December 31, 2010	
	Actual	**Pro forma**
	(COP in millions)	
Suramericana	130,589	263,975
ICE	5,842	8,868
Portafolio de Liquidación	427,859	–
Grupo Panamá.	4,069	11,361
Enlace Operativo	(1,299)	(1,299)
Total	**567,060**	**282,904**

Earnings from sale of investments, net

GRUPOSURA has been in the process of disposing of interests in companies in which it has no strategic focus. In 2010, earnings from sale of investments, net reflected a gain of COP 30,883 million from the divestiture of our 1.6% stake in Almacenes Éxito in January 2010. In addition, if Portafolio en Liquidación had been wound up on January 1, 2010, the gain would have been COP 118,918 million as Portafolio en Liquidación also sold its 4.3% stake in Almacenes Éxito. In 2009, we disposed of our interest in PA ASIP S.A., an autonomous trust, for a gain of COP 15,437 million.

Unrealized gain on marketable securities, net

We mark to market our investment portfolio and recognize the unrealized gain or loss in our income statement. The amounts in 2010 reflect the positive performance of the stock market in Colombia.

Derivatives operations

We engage in certain currency derivative hedging transactions. This line item reflects the marking to market of these transactions.

Operating and Administrative Expenses

Provision for investments

The key item driving our provision for investments was the need to establish a provision in respect of our investment in Enka de Colombia S.A. ("Enka"), a polymer, polyamide and polyester synthetic fiber producer, in 2009 of COP 27,129 million that did not reoccur in 2010. Since our investment in Enka is marked to market, we were required to take a provision in 2009 because the market price of Enka shares decreased significantly.

Payroll expenses

The increase in our payroll expenses was primarily a result of GRUPOSURA's assumption of Portafolio en Liquidación's payroll as part of its winding up process, an increase in salaries and wages slightly above the inflation rate and increases in special bonus paid to officers and employees due to better than expected results of operations.

Fees

We accrue professional fees, including legal and banking, in this line item. Fees in 2009 reflected investment banking and other fees in connection with our local bond offering in November 2009.

Administrative expenses

The administrative expenses line item includes contributions to guilds and professional associations, municipal taxes, legal expenses, travel expenses and insurance. The decrease in administrative expenses was primarily due to GRUPOSURA's focus on efficiency and cost management and a decrease in municipal taxes and contributions.

Non-Operating Expenses (Income)

Foreign-exchange

Expenses relating to adjustment for difference in foreign exchange reflect the effect of the revaluation of the Colombian peso against the U.S. dollar in 2010 on GRUPOSURA's U.S. dollar-denominated assets. These assets primarily consist of forward contracts and interest rate swap contracts.

Interest expense

The increase in interest expense is related to the issuance of our local bonds in November 2009, as interest on the bonds accrued for only one month in 2009 compared to a full twelve months in 2010.

Amortized bond premium

We accrued amortized premium in respect of our local bond issuance in November 2009.

ADR call option compensation

In connection with a syndicated loan entered into in 2007, a portion of the interest payable on the loan was tied to the performance of Bancolombia's preferred shares in the form of American depositary receipts ("ADRs"). In connection with covering our risk associated with that transaction, we wrote call options over 470,601 of Bancolombia's ADRs to J.P. Morgan Securities LLC and Credit Suisse Securities LLC with different maturity dates up to July 2012. As the call options were in the money in 2010 because Bancolombia's ADRs appreciated faster than the call options, we made payments to these counterparties, totaling approximately COP 23,113 million.

Income Tax Provision

As of December 31, 2010, the applicable corporate tax rate was 33% of taxable base (defined as the higher of (i) net income before taxes, excluding capital gains on the sale of listed shares, dividends received that have already been taxed, and non-fiscal expenses, or (ii) 3% of net shareholder's equity held as of December 31 of the previous fiscal year), which led to a tax liability of COP 7,600 million in 2010. This higher tax liability represents a 39.7% increase from 2009 which resulted from the increase in GRUPOSURA's taxable base.

GRUPOSURA's results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2008

The following table sets forth the principal components of GRUPOSURA's unconsolidated income statement for the years ended December 31, 2009 and 2008:

	For the years ended December 31,			
	2009	2008	Change	
	(COP in thousands)			%
Operating revenues:				
Dividends	139,300,331	114,590,028	24,710,303	21.6%
Interests	5,478,464	4,549,390	929,074	20.4%
Earnings from the equity method, net	333,642,816	152,177,661	181,465,155	119.3%

	For the years ended December 31,			
	2009	2008	Change	
	(COP in thousands)			%
Earnings from sale of investments, net	25,140,208	1,138,099	24,002,109	2,109.0%
Unrealized gains on marketable securities, net	7,841,237	(13,217,508)	21,058,745	
Derivatives operations	5,098,527	–	5,098,527	
Reimbursement provision for investments	159,624	49,610,865	(49,451,241)	(99.7)%
	516,661,207	308,848,535	207,812,672	67.3%
Operating and administrative expenses:				
Provision for investments	31,664,556	2,386,593	29,277,963	1,226.8%
Tax refund	(272,973)	–	(272,973)	–
Payroll expenses	3,784,221	3,322,319	461,902	13.9%
Fees	2,595,056	1,513,091	1,081,965	71.5%
Administrative expenses	8,867,602	4,468,978	4,398,624	98.4%
Depreciation	82,625	82,624	1	–
	46,721,087	11,773,605	34,947,482	296.8%
Operating income	469,940,120	297,074,930	172,865,190	58.2%
Non operating expenses (income):				
Foreign-exchange	7,049,865	5,236,788	1,813,077	34.6%
Interests	10,711,366	12,204,922	(1,493,556)	(12.2)%
Bank expenses – commissions	541,541	415,358	126,183	30.4%
Extraordinary expenses	152,070	–	152,070	–
Miscellaneous	(3,568)	(175,826)	172,258	98.0%
	18,451,274	17,681,242	770,032	4.4%
Income before taxes	451,488,846	279,393,688	172,095,158	61.6%
Income tax provision	(5,438,583)	(6,380,000)	941,417	14.8%
Net income	**$ 446,050,263**	**273,013,688**	**173,036,575**	**63.4%**

Overview

GRUPOSURA's net income increased by COP 173,037 million, or 63.4%, in 2009 as compared to 2008. The increase in net income was primarily driven by (i) an increase in earnings received by GRUPOSURA from its subsidiaries accounted for under the equity method, which, in turn, increased primarily as a result of an increase in written premiums at Suramericana's subsidiaries operating in the insurance sector, (ii) an increase in dividends received by GRUPOSURA from its direct ownership of less than majority-owned companies, (iii) earnings from unrealized gain on marketable securities which reflected a mark-to-market gain as opposed to a loss in 2008 primarily as a result of the reclassification of certain negotiable investments to permanent investments in order to minimize income statement fluctuations and (iv) an increase in earnings from the sale of investments as GRUPOSURA disposed of interests in companies where it has no strategic focus.

Operating Revenues

Dividends

The following table sets forth dividends received solely by GRUPOSURA for the years ended December 31, 2009 and 2008:

	For the years ended December 31,		
	2009	2008	Change
	(COP in millions)		%
Bancolombia	56,550	51,779	9.2%
Inversiones Argos	23,228	20,763	11.9%
Chocolates	35,221	30,108	17.0%
Other	24,302	11,940	103.5%
Total	**139,300**	**114,590**	**21.6%**

The increase in dividends was primarily due to improved results of operations achieved by the companies listed in the table above, which resulted in higher dividends in 2009 as compared to 2008. See "– Bancolombia S.A.," "– Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A." and "–Inversiones Argos S.A." below. In addition, GRUPOSURA made an accounting reclassification of its investment in Inversiones

Otrabanda S.A. from controlling to negotiable, which resulted in an increase of COP 9,851 million in reported dividends in 2009.

See "—Liquidity and Capital Resources" below for a discussion of dividends received by GRUPOSURA directly and indirectly through Portafolio en Liquidación.

Interest income

Interest income reflects earnings in fixed income instruments in which we invest excess cash. The increase in interest income was primarily due to (i) an increase in earnings from certain negotiable investments, in particular mutual funds, which resulted from our investing a larger percentage of our excess cash in such instruments in 2009 as compared to 2008, (ii) an increase in interest earned from cash held in bank accounts and (iii) an increase in interest earned on intercompany loans made to certain of our subsidiaries, such as Portafolio en Liquidación, in 2009.

Earnings (loss) from the equity method, net

The following table sets forth a breakdown of GRUPOSURA's earnings from the equity method, net for the years ended December 31, 2009 and 2008:

	For the years ended December 31,		
	2009	**2008**	**Change**
	(COP in millions)		**%**
Suramericana	82,703	38,175	116.6%
ICE [(1)]	7,218	567	1,173.1%
Portafolio en Liquidación [(2)]	244,765	113,822	115.0%
Gruposura Panamá [(3)]	(142)	(458)	(68.9)%
Enlace Operativo	(900)	72	N/A
Total	**333,643**	**152,178**	**119.2%**

(1) ICE is a holding company without any operations. It has minor ownership interests in Bancolombia, Chocolates and Inversiones Argos.
(2) Portafolio en Liquidación was a holding company without any operations. Until it was wound up on March 31, 2011, it had ownership interests in Bancolombia, Suramericana, Chocolates and Inversiones Argos. All of its assets and liabilities were transferred to GRUPOSURA.
(3) Gruposura Panamá S.A. is a holding company without any operations. It has minor ownership interests in La Positiva Seguro y Reaseguro S.A., an insurance company in Peru, and Alianza Compañía de Seguros y Reaseguros S.A and Alianza Vida Seguros y Reaseguros S.A., both insurance companies in Bolivia, among others.

The increase in 2009 in earnings, from the equity method, net reflected two primary components: the earnings from Suramericana and its subsidiaries and the earnings from Portafolio en Liquidación, which held interests in certain Group companies.

The increase in earnings from Suramericana was due primarily to earnings recorded by Suramericana's subsidiaries as a result of an increase in written premiums, a general improvement of the Colombian economy and better financial results due to (i) decreasing interest rates that increased the value of their fixed income portfolio and (ii) a rising stock market in Colombia.

The earnings in Portafolio en Liquidación reflect the (i) dividends received by it from its ownership of Group companies that are not majority-owned (i.e., Bancolombia, Chocolates and Inversiones Argos), (ii) earnings from the equity method received by it from its 41.0% ownership interest in Suramericana and (iii) COP 24,905 million in dividends received by it from its ownership of Inversiones Otrabanda S.A.

Earnings from sale of investments, net

As noted above, GRUPOSURA has been in the process of disposing of interests in companies in which it has no strategic focus. In 2009, earnings from sale of investments, net reflected gains of (i) COP 15,437 million from the divestiture of our stake in PA ASIP S.A., an autonomous trust, in June 2009 and (ii) COP 2,167 million from the divestiture of our stake in Fabricato S.A. ("Fabricato"), a textiles producer, in December 2009. In April 2008, we disposed of our interest in Vidrio Andino S.A., a tempered glass products producer, for a gain of COP 6,163 million.

Unrealized gain on marketable securities, net

We mark to market our investment portfolio and recognize the unrealized gain in our income statement. The gain in 2009 as compared to the loss in 2008 reflects (i) the positive performance of the stock market in Colombia, (ii) our reclassification of certain negotiable investments to permanent investments in order to minimize income statement fluctuations and (iii) our sale of our interest in Colinversiones to Inversiones Argos.

Derivatives operations

We engage in currency derivative hedging transactions. This line item reflects the marking to market of these transactions.

Operating and Administrative Expenses

Provision for investments

The key item driving our provision for investments was the need to establish a provision in respect of our investment in Enka in 2009 of COP 27,129 million. Since our investment in Enka is marked to market, we had to take a provision in 2009 because the market price of Enka shares decreased significantly.

Payroll expenses

The increase in our payroll expenses was primarily as a result of our hiring two additional employees in 2009.

Fees

We accrue professional fees, including legal and banking, in this line item. Fees in 2009 reflected investment banking and other fees in connection with our local bond offering in November 2009.

Administrative expenses

The administrative expenses line item includes contributions to guilds and professional associations, municipal taxes, professional fees, legal expenses, travel expenses and insurance. The increase in administrative expenses was primarily due to increases in municipal taxes and legal and travel expenses due to our increased activity levels in 2009 and our local bond offering in November 2009.

Non-Operating Expenses (Income)

Foreign-exchange

Expenses relating to adjustment for difference in foreign-exchange reflect the effect of the revaluation of the Colombian peso against the U.S. dollar in 2009 on our U.S. dollar denominated assets.

Interest expense

The decrease in interest expenses was primarily due to a decrease in our overall level of indebtedness and decreasing interest rates in 2009 as compared to 2008. We issued local bonds in November 2009 for which we incurred one month of interest expense in 2009.

Income Tax Provision

As of December 31, 2009, the applicable corporate tax rate was 33% of taxable base (defined as the higher of (i) net income before taxes, excluding capital gains on the sale of listed shares, dividends received that have already been taxed, and non-fiscal expenses, or (ii) 3% of net shareholder's equity held as of December 31 of the previous fiscal year), which led to a tax liability of COP 5,439 million in 2009. This lower tax liability represents a 14.8% decrease from 2008 which resulted from lower shareholder's equity as of December 31, 2008.

Bancolombia S.A.

Bancolombia is Colombia's leading financial institution, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other countries such as El Salvador, Panama, the United States, Puerto Rico and Peru. For more information about Bancolombia's business, see "Business—Bancolombia S.A."

For a discussion of Bancolombia's results of operations for the years ended December 31, 2010, 2009 and 2008, see "Item 5 - Operating and Financial Review and Prospects" in Bancolombia's 2010 Annual Report, which is incorporated by reference into this offering memorandum.

Suramericana S.A.

Suramericana is the holding company for a group of companies providing a full range of insurance products and services to customers in Colombia and elsewhere in Latin America. For more information about the Suramericana, see "Business—Suramericana S.A."

Suramericana does not issue consolidated financial statements. Therefore, the following discussion is based on Suramericana's unconsolidated results of operations.

Suramericana's results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth the principal components of Suramericana's unconsolidated income statement for the years ended December 31, 2010 and 2009:

	For the years ended December 31,			
	2010	2009	Change	
		(COP in thousands)		*%*
Operating revenues:				
Interest	167,516	59,601	107,915	181.1%
Earnings from sale of investments, net	42,377	–	42,377	–
Earnings from the equity method, net	318,860,377	240,974,850	77,885,527	32.3%
	319,070,270	241,034,451	78,035,819	32.4%
Operating and administrative expenses:				
Payroll expenses	2,084,019	1,300,016	784,003	60.3%
Fees	824,806	761,559	63,247	8.3%
Taxes	746,041	582,797	163,244	28.0%
Contributions	291,919	271,369	20,550	7.6%
Legal expenses	1,606	5,880	(4,274)	(72.7)%
Travel expenses	331,119	27,347	303,772	1110.8%
Insurance	1,503,947	173,022	1,330,925	769.2%
Amortization – goodwill	–	10,464,114	(10,464,114)	(100.0)%
Miscellaneous	143,670	202,010	(58,340)	(28.9)%
	5,927,127	13,788,114	(7,860,987)	(57.0)%
Operating income	313,143,143	227,246,337	85,896,806	37.8%
Non-operating income (expenses):				
Credit balances	4,809	14,310	(9,501)	(66.4)%
Commissions	(13,656)	(1,971)	(11,685)	592.8%
Foreign-exchange	(111,091)	(7,272)	(103,819)	1427.7%
Provision tax refund	628,735	8,262	620,473	7510.0%
Refunded costs and expenses	7,507	2,577	4,930	191.3%
Donations	(500,000)	–	(500,000)	–
Miscellaneous - interest obligation	(288,440)	(1,072,205)	783,765	(73.1)%
Miscellaneous	(6,878)	(2,542)	(4,336)	170.6%
	(279,014)	(1,058,841)	779,827	(73.6)%
Income before taxes	312,864,129	226,187,496	86,676,633	38.3%
Income tax provision	(3,610,000)	(12,207,748)	8,597,748	(70.4)%
Net income	**309,254,129**	**213,979,748**	**95,274,381**	**44.5%**

Suramericana's net income increased by COP 95,274 million, or 44.5%, in 2010 as compared to 2009. The increase in net income was primarily driven by a 32.3% increase in earnings received by Suramericana from its subsidiaries accounted for under the equity method.

The following table sets forth a breakdown of Suramericana's earnings from the equity method, net for the years ended December 31, 2010 and 2009:

	For the years ended December 31,		
	2010	2009	Change
	(COP in millions)		%
Seguros Generales (*P&C insurance*)	148,014	51,646	186.6%
Seguros de Vida (*life insurance*)	116,913	137,296	(14.8)%
ARP Sura (*worker's compensation*)	52,264	58,407	(10.5)%
EPS Sura (*mandatory health insurance*)	7,012	2,477	183.1%
Other subsidiaries	(5,343)	(8,853)	(39.6)%
Total	**318,860**	**240,975**	**32.3%**

Following is a brief summary of the results of operations of Suramericana's principal subsidiaries:

Seguros Generales' net income in 2010 was COP 148,315 million, which represents a year-over-year increase of 265.9%. The increase in net income was primarily driven by a 13.0% increase in premiums (which totaled COP 1,013,670 million in 2010), a 145.5% increase in investment results and efficiency gains from an active cost management program in 2010. This increase in net income was partially offset by the 16.1% increase in claims (which totaled COP 445,094 million in 2010). Seguros Generales' premium growth was mainly driven by the strong performance of its automobile, mandatory personal and fire insurance products, fueled by new car sales in Colombia, which increased by approximately 253,869 units, or 37.1%, in 2010. The company's increase in claims resulted from the heavy rainfall and resulting floods that affected the entire country in late 2010, which caused property losses of approximately COP 22,000 million to Seguros Generales' clients. The increase in investment results primarily reflects a gain of COP 100,873 million resulting from the reclassification and sale by Seguros Generales to GRUPOSURA of its interests in Bancolombia, Chocolates, Inversiones Argos and Protección. Net income increased by 17.0%, net of Seguros Generales' reclassification and sale of its interests in Group companies to GRUPOSURA.

Seguros de Vida's net income in 2010 was COP 116,276 million, representing a year-over-year decrease of 12.2%. This decrease in net income was primarily driven by a 26.1% increase in claims (which totaled COP 819,399 million in 2010). This decrease in net income was partially offset by a 19.1% increase in premiums (which totaled COP 1,320,160 million in 2010) and a 3.4% increase in investment results, which, in turn, primarily reflects gains from the reclassification and sale of certain investments to GRUPOSURA. Seguros de Vida's premiums growth was mainly due to volume increases in life insurance coupled with mortgage loans and an increase in Colombian companies' contribution to the insurance of their employees. The company's increase in claims resulted from increases in claims related to social security insurance products. The increase in investment results reflects a gain of COP 75,204 million resulting from the reclassification and sale by Seguros de Vida to GRUPOSURA of its interests in Bancolombia, Chocolates, Inversiones Argos and Protección. Net income decreased 69.0%, net of Seguros de Vida's reclassification and sale of its interests in Group companies to GRUPOSURA.

ARP Sura's net income in 2010 was COP 55,360 million, representing a year-over-year decrease of 9.8%. This decrease in net income was primarily driven by a 19.9% decrease in investment results reflecting a decline in interest rates, which lowered earnings on ARP Sura's fixed income portfolio, and a 14.4% increase in claims (which totaled COP 144,284 million in 2010). This decrease in net income was partially offset by a 17.6% increase in premiums (which totaled COP 402,419 million in 2010). ARP Sura's premiums and claims growth was mainly due to the increase in the number of workers at companies subscribed to ARP Sura.

EPS Sura's net income in 2010 was COP 7,493 million, representing a year-over-year increase of 183%. This increase in net income was primarily driven by a 13.7% increase in premiums (which totaled COP 733,354 million in 2010), partially offset by a 14.0% increase in claims (which totaled COP 656,857 in 2010). EPS Sura's premiums and claims growth was mainly due to the increase in the number of EPS Sura's clients.

Suramericana's results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2008

The following table sets forth the principal components of Suramericana's unconsolidated income statement for the years ended December 31, 2009 and 2008:

	For the years ended December 31,			
	2009	2008	Change	
		(COP in thousands)		*%*
Operating revenues:				
Dividends	–	779,545	(779,545)	(100.0)%
Interest	59,601	114,177	(54,576)	(47.8)%
Earnings from sale of investments, net	–	23,230,230	(23,230,230)	(100.0)%
Earnings from the equity method, net	240,974,850	140,770,543	100,204,307	71.2%
Related activities - income from use of the mark	–	18,546,581	(18,546,581)	(100.0)%
	241,034,451	183,441,076	57,593,375	31.4%
Operating and administrative expenses:				
Payroll expenses	1,300,016	1,074,319	225,697	21.0%
Fees	761,559	699,510	62,049	8.9%
Taxes	582,797	509,588	73,209	14.4%
Contributions	271,369	271,936	(567)	(0.2)%
Legal expenses	5,880	177	5,703	3222.0%
Travel expenses	27,347	3,369	23,978	711.7%
Insurance	173,022	55,165	117,857	213.6%
Amortization – goodwill	10,464,114	41,776,581	(31,312,467)	(75.0)%
Fuels and lubricants	–	3,545	(3,545)	(100.0)%
Miscellaneous	202,010	18,468	183,542	993.8%
	13,788,114	44,412,658	(30,624,544)	(69.0)%
Operating income	227,246,337	139,028,418	88,217,919	63.5%
Non-operating income (expenses):				
Credit balances	14,310	6,709	7,601	113.3%
Commissions	(1,971)	(1,293)	(678)	52.4%
Foreign-exchange	(7,272)	(64,551)	57,279	(88.7)%
Provision tax refund	8,262	4,753,739	(4,745,477)	(99.8)%
Refunded costs and expenses	2,577	–	2,577	–
Provision other taxes refund	–	14,763	(14,763)	(100.0)%
Fines and penalties	–	(7,920)	7,920	(100.0)%
Donations	–	(33,761)	33,761	(100.0)%
Miscellaneous – interest obligation	(1,072,205)	(3,810,056)	2,737,851	(71.9)%
Miscellaneous	(2,542)	(26,285)	23,743	(90.3)%
	(1,058,841)	831,345	(1,890,186)	(227.4)%
Income before taxes	226,187,496	139,859,763	86,327,733	61.7%
Income tax provision	(12,207,748)	(14,927,000)	2,719,252	(18.2)%
Net income	**213,979,748**	**124,932,763**	**89,046,985**	**71.3%**

Suramericana's net income increased by COP 89,047 million, or 71.3%, in 2009 as compared to 2008. The increase in net income was primarily driven by a 71.2% increase in earnings received by Suramericana from its subsidiaries accounted for under the equity method. The following table sets forth a breakdown of Suramericana's earning from the equity method, net for the years ended December 31, 2009 and 2008:

	For the years ended December 31,		
	2009	2008	% Change
	(COP in millions)		
Seguros Generales (*P&C insurance*)	51,646	5,592	823.4%
Seguros de Vida (*life insurance*)	137,296	93,286	47.2%
ARP Sura (*worker's compensation*)	58,407	50,785	15.0%
EPS Sura *(mandatory health insurance)*	2,477	(5,591)	(144.3)%
Other Subsidiaries	(8,851)	(3,302)	168.1%
Total	240,975	140,770	71.2%

Below is a summary of the results of operations of Suramericana's principal subsidiaries:

Seguros Generales' net income in 2009 was COP 40,535 million, representing a year-over-year increase of 646.8%. The increase in net income was primarily driven by a 1,209.3% increase in investment results due to a rising stock market in Colombia and decreasing interest rates that increased the value of Seguros Generales' fixed income portfolio, a 10.3% increase in premiums (which totaled COP 896,682 million in 2009) and a 4.8% decrease in claims (which totaled COP 383,239 million in 2009).

Seguros de Vida's net income in 2009 was COP 132,507 million, representing a year-over-year increase of 35.4%. The increase in net income was primarily driven by a 58.5% increase in investment results due to a rising stock market in Colombia and decreasing interest rates that increased the value of Seguros de Vida's fixed income portfolio. This increase was partially offset by a 4.7% decrease in premiums (which totaled COP 1,108,618 million in 2009) and a 10.7% increase in claims (which totaled COP 649,817 million in 2009).

ARP Sura's net income in 2009 was COP 61,361 million, representing a year-over-year increase of 14.7%. The increase in net income was primarily driven by a 39.9% increase in investment results and a 7.3% increase in premiums (which totaled COP 342,180 million in 2009). This increase was partially offset by a 12.2% increase in claims (which totaled COP 126,107 million in 2009).

EPS Sura's net income in 2009 was COP 2,647 million, compared to a loss incurred in 2008. This reversal in results was primarily driven by the company's active cost management program in 2009 and a 10.2% increase in premiums (which totaled COP 644,909 million in 2009). This reversal was partially offset by a 10.8% increase in claims (which totaled COP 576,335 million in 2009). The increase in the company's claims resulted from a broader coverage of high cost illnesses which are not included in mandatory health insurance.

Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

Chocolates operates the largest processed foods conglomerate in Colombia as measured by market share in the segments of the markets that it serves. Chocolates also has a significant presence in Venezuela, Central America, the United States, Peru, Mexico, Ecuador and the Caribbean. For more information about Chocolates' business, see "Business—Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)."

Chocolates' results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth the principal components of Chocolates' consolidated income statement for the years ended December 31, 2010 and 2009:

	For the years ended December 31,			
	2010	2009	Change	
		(COP in millions)		*%*
Operating revenues	4,458,858	4,588,366	(129,508)	(2.8)%
Cost of sales	2,709,521	2,818,189	(108,668)	(3.9)%
Gross profit	1,749,337	1,770,177	(20,840)	(1.2)%
Operating expense:				
Administrative expenses	212,941	218,875	(5,934)	(2.7)%
Sales expenses	1,121,727	1,115,606	6,121	0.5%
Operating income	414,669	435,696	(21,027)	(4.8)%
Other (expense) income, net:				
Dividends received and financial income	81,216	149,522	(68,306)	(45.7)%
Finance expense	(150,930)	(284,522)	133,592	47.0%
Other (expenses) income, net	(3,961)	(5,656)	1,695	30.0%
Total other expenses, net	(73,675)	(140,656)	66,981	(47.6)%
Net income before income tax and minority interest	340,994	295,040	45,954	15.6%
Income tax	76,993	81,309	(4,316)	(5.3)%
Net income before minority interest	264,001	213,731	50,270	23.5%
Minority interest	(762)	(457)	(305)	(66.7)%
Net income	**263,239**	**213,274**	**49,965**	**23.4%**

Chocolates' net income increased COP 49,965 million, or 23.4% in 2010 as compared to 2009. The increase in net income was primarily the result of a 47.6% decrease in non-operating expenses, partially offset by a 4.8% decrease in operating income.

Chocolates' operating revenue decreased by 2.8% in 2010 as compared to 2009 primarily due to a decrease of COP 313,701 million, or 47.5%, in sales in Venezuela, which, in turn, primarily resulted from a 53.2% devaluation of the Venezuelan Bolivar against the Colombian peso. This decrease was partially offset by an increase of COP 140,594 million, or 4.6%, in sales in Colombia, particularly of coffee products. Operating revenue increased 4.7% when excluding Venezuelan sales.

In terms of operating costs and expenses, the 3.9% decrease in Chocolates' cost of sales in 2010 as compared to 2009 is primarily the result of the positive effect of the 6.4% appreciation of the Colombian peso against the U.S. dollar as most raw materials are priced in U.S. dollars. The benefit of the appreciation of the Colombian peso was partially offset by an increase in the supply and costs of all of Chocolates' principal raw materials. Chocolates general expenses were largely unchanged year-over-year.

The primary driver of Chocolates' results of operations in 2010 was the 47.6% decrease in non-operating expenses, resulting primarily from a 47.0% decrease in financial expenses and a 30.0% decrease in other expenses, partially offset by a 45.7% decrease in financial and dividend income. The decrease in financial expenses was primarily due to (i) lower losses on valuation of derivatives as a result of a decrease in Chocolates' derivative transactions, (ii) the decrease in interest rates and (iii) a loss on a bond swap in 2009 in Venezuela incurred to pay obligations from imported products in U.S. dollars, which did not reoccur 2010. The decrease in financial and dividend income was primarily due to lower income received on the (i) valuation of derivatives as a result of a decrease in Chocolates' derivative transactions and (ii) exchange differential as a result of the negative effect of the 6.4% revaluation of the Colombian peso against the U.S. dollar in 2010.

Chocolates' results of operations for the year ended December 31, 2009 as compared to the year ended December 31, 2008

The following table sets forth the principal components of Chocolates' consolidated income statement for the years ended December 31, 2009 and 2008:

	For the years ended December 31,			
	2009	2008	Change	
		(COP in millions)		%
Operating revenues	$ 4,588,366	$ 4,009,727	$ 578,639	14.4%
Cost of sales	2,818,189	2,384,094	434,095	18.2%
Gross profit	1,770,177	1,625,633	144,544	8.9%
Operating expenses				
Administrative expenses	218,875	183,777	35,098	19.1%
Sales expenses	1,115,606	999,288	116,318	11.6%
Operating income	435,696	442,568	(6,872)	(1.6)%
Other (expenses) income, net:				
Dividends received and financial income	149,522	124,919	24,603	19.7%
Finance expenses	(284,522)	(236,923)	(47,599)	(20.1)%
Other (expenses) income, net	(5,656)	41,998	(47,654)	(113.5)%
Total other expenses, net	(140,656)	(70,006)	(70,650)	100.9%
Net income before provision for income tax and minority interest	295,040	372,562	(77,522)	(20.8)%
Income tax	81,309	73,232	8,077	11.0%
Net income before minority interest	213,731	299,330	(85,599)	(28.6)%
Minority interest	(457)	(279)	(178)	(63.8)%
Net income	**213,274**	**299,051**	**(85,777)**	**(28.7)%**

Chocolates' net income decreased by COP 85,777 million, or 28.7%, in 2009 as compared to 2008. The decrease in net income was primarily the result of a 100.9% increase in non-operating expenses, partially offset by a 8.9% increase in gross profits.

Chocolates' operating revenues increased by 14.4% in 2009 as compared to 2008 primarily due to an increase of COP 662,140 million, or 24.5%, in sales in Colombia and an increase of COP 83,097 million, or 14.4%, in sales in Venezuela. Leading this growth both domestically and internationally were a 20.1% increase in cold cut sales and a 28.1% increase in coffee sales, both of which resulted from the introduction of new products and a more efficient distribution network. The increase in operating revenues was partially offset by a decrease of COP 176,610 million, or 95.8%, in sales in the United States, which, in turn, resulted from the economic slowdown in the United

States and the 8.9% appreciation of the Colombian peso against the U.S. dollar which affected the Colombian peso value of exports.

In terms of operating costs and expenses, the 18.2% increase in Chocolates' costs of sales in 2009 as compared to 2008 primarily reflects higher costs of imported raw materials, especially those required in the cold cuts (such as grains to feed livestock) and coffee segments. The 19.1% increase in Chocolates' administrative expenses was primarily due to (i) higher payroll expenses resulting from an increase in staff and (ii) higher legal fees and travel expenses resulting from Chocolates' international expansion operations, such as its acquisition of Nutresa S.A. de C.V. ("Nutresa Mexico), a Mexican chocolate company, in 2009. The 11.6% increase in sales expenses was primarily due to the strengthening and expansion of Chocolates' marketing efforts, which entailed higher advertising, tasting and promotion expenses.

The primary driver of Chocolates' results of operations in 2009 was the 100.9% increase in non-operating expenses resulting primarily from a 20.1% increase in financial expenses and a 113.5% increase in other expenses, partially offset by a 19.7% increase in financial and dividend income. The increase in financial expenses was primarily due to an increase in indebtedness in 2009 to fund Chocolates' acquisition of Nutresa Mexico. The increase in other expenses was primarily due to expenses incurred in setting up the new Enterprise Resource Planning (ERP) system. The increase in financial and dividend income was primarily due to (i) an increase in income from exchange differentials as a result of positive currency fluctuation effects and (ii) an increase in earnings from dividends received by Chocolates and its subsidiaries, resulting from a general improvement in the results of operations in companies in which they have equity stakes.

Inversiones Argos S.A.

Inversiones Argos is the holding company for a group of companies operating mainly in the cement, ready mix and energy sector in Colombia. Inversiones Argos' main subsidiaries include the cement company Cementos Argos and the energy company Colinversiones. For more information about Inversiones Argos' businesses, see "Business— Inversiones Argos S.A."

Inversiones Argos' results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth the principal components of Inversiones Argos' consolidated income statement for the years ended December 31, 2010 and 2009.

	For the years ended December 31,			
	2010	2009	Change	
		(COP in millions)		%
Operating revenues	5,409,150	4,491,761	917,389	20.4%
Cost of sales	3,642,454	2,812,055	830,399	29.5%
Gross income	1,766,696	1,679,706	86,990	5.2%
Operating expense:				
Administrative	460,797	340,559	120,238	35.3%
Sales	127,327	133,896	(6,569)	(4.9%)
Total operating expense	588,124	474,455	113,669	24.0%
Operating income before asset impairment	1,178,572	1,205,251	(26,679)	(2.2)%
Asset impairment	88,343	81,691	6,652	8.1%
Operating income after asset impairment	1,090,229	1,123,560	(33,331)	(3.0)%
Other non-operating income (expense):				
Financial income	38,698	38,171	527	1.4%
Dividends and investment income	199,051	69,957	129,094	184.5%
Financial expense	(363,596)	(330,261)	(33,335)	10.1%
Foreign exchange difference	8,190	(51,436)	59,626	(115.9)%
Other income	203,800	582,636	378,836	(65)%
Other expense	(425,182)	(393,444)	(31,738)	8.1%
Net income before income tax and minority interest	751,190	1,039,183	(287,993)	(27.7)%
Income tax expense	187,336	65,077	122,259	187.9%

	For the years ended December 31,			
	2010	2009	Change	
		(COP in millions)		%
Minority interest share in subsidiary income	(175,521)	(67,586)	(107,935)	159.7%
Net consolidated income	388,333	906,520	(518,187)	(57.2)%

Inversiones Argos' net consolidated income decreased by COP 518,187 million, or 57.2%, in 2010 as compared to 2009. The decrease in net consolidated income was primarily due to a three-fold increase in non-operating expenses, partially offset by a 20.4% increase in operating revenues.

The 20.4% increase in Inversiones Argos' operating revenues in 2010 as compared to 2009 primarily reflects the consolidation of Colinversiones' results of operations for the first time into Inversiones Argos' results of operations, which led to an increase of COP 1,803,940 million in operating revenue. This increase was partially offset by (i) a 11.6% decrease in revenues originating from cement and ready mix sales, which, in turn, resulted from the negative effect of the 6.4% appreciation of the Colombian peso against the U.S. dollar in 2010 on sales originated in the United States and negative market conditions in the United States generally and (ii) a 45.5% decrease in revenues from the financial activity that Inversiones Argos undertakes in its capacity as holding company, which, in turn, resulted from income received in 2009 from its sale of 88,695,775 shares of Cementos Argos on the Colombian Stock Exchange (which proceeds were used to fund the acquisition of Colinversiones and EPSA) and no similar activities in 2010.

In terms of operating costs and expenses, the 29.5% increase in cost of goods sold in 2010 as compared to 2009 was primarily driven by the consolidation of Colinversiones' results of operations for the first time into Inversiones Argos' results of operations, which led to an increase of COP 1,083,789 million in costs of goods sold, partially offset by a decrease of COP 269,602 million in cost of goods sold attributable to Cementos Argos as a result of lower business activity in the United States and the Caribbean. The 35.3% increase in administrative expenses was primarily due to an increase in personnel expenses of COP 32,275 million and a COP 63,868 million increase in a provision relating to Colinversiones' consolidation of EPSA into its results of operations for the first time, which, in turn, resulted from the difference between the higher acquisition cost Colinversiones paid for EPSA and EPSA's lower book value. On the other hand, the 4.9% decrease in sales expenses primarily reflects a decrease in Inversiones Argos' activities, particularly cement and ready mix activities, which led to a corresponding decrease in sales expenses.

In terms of non-operating activities, the 301.8% increase in non-operating expenses in 2010 as compared to 2009 primarily reflects the following: (i) a 65.0% decrease in other income primarily due to decreases in earnings from divestments of COP 353,466 million as a result of Cementos Argos' sale of some of its coal assets to Vale Do Rio Doce in 2009; whereas Cementos Argos' did not engage in similar sales in 2010, (ii) a 8.1% increase in other expenses primarily due to write-offs at Cementos Argos' Betania, Barranquilla and Nare production facilities due to the obsolescence of certain assets and (iii) a 10.1% increase in financial expenses primarily due to an increase in consolidated debt of COP 1,240,211 caused by the consolidation of Colinversiones' results of operations for the first time into Inversiones Argos' results of operations, which more than offset the positive effect of lower interest rates, partially offset by (i) a 184.5% increase dividends and equity stakes received as a result of the consolidation of dividends and equity stakes received by Colinversiones into this line item for the first time and (ii) a reversal in Inversiones Argos' exchange difference results primarily due to positive exchange rate fluctuations as a result of the revaluation of the Colombian peso against various currencies in 2010.

Inversiones Argos' results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2008

The following table sets forth the principal components of Inversiones Argos' consolidated income statement for the years ended December 31, 2009 and 2008:

	For the years ended December 31,			
	2009	2008	Change	
		(COP in millions)		%
Operating revenues	4,491,761	3,945,252	546,509	13.9%
Cost of sales	2,812,055	3,132,091	(320,036)	(10.2)%
Gross earnings	1,679,706	813,161	866,545	106.6%

	For the years ended December 31,			
	2009	2008	Change	
		(COP in millions)		%
Operating expense:				
Administrative expenses	340,559	297,425	43,134	14.5%
Sales	133,896	125,121	8,775	7.0%
Total operating expense	474,455	422,546	51,909	12.3%
Operating earnings before asset impairment	1,205,251	390,615	814,636	208.6%
Asset impairment	81,691	74,786	6,905	9.2%
Operating earnings after asset impairment	1,123,560	315,829	807,731	255.7%
Other non-operating income (expense):				
Financial income	38,171	63,704	(25,533)	(40.1%)
Dividends and participations	69,957	83,363	(13,406)	(16.1)%
Financial expense	(330,261)	(279,487)	(50,774)	18.2%
Exchange difference	(51,436)	(207,111)	155,675	(75.2)%
Other income	582,636	392,480	190,156	48.4%
Other expense	(393,444)	(238,347)	(155,097)	65.1%
Earnings before income tax and minority interest	1,039,183	130,431	908,752	696.7%
Provision for income tax	65,077	21,541	43,536	202.1%
Minority interest share in subsidiary profits	(67,586)	(17,685)	(49,901)	282.2%
Net consolidated profits	**906,520**	**91,205**	**815,315**	**893.9%**

Inversiones Argos' net consolidated income increased by COP 815,315 million, or 893.9%, in 2009 as compared to 2008. The increase in net consolidated income was primarily due to a 54.5% decrease in non-operating expenses and a 13.9% increase in operating revenue.

The 13.9% increase in operating revenue in 2009 as compared to 2008 was primarily due to a substantial increase in revenues at the holding company level from the sale of 88,695,775 shares of Cementos Argos on the Colombian Stock Exchange that more than offset a 9.7% decrease in domestic and international sales of cement and ready mix, which, in turn, resulted principally from the negative effects of the declining U.S. housing and construction sectors on sales of cement and ready mix in the United Sates.

In terms of operating costs and expenses, the 10.2% decrease in cost of goods sold in 2009 as compared to 2008 was primarily due to a 33.0% decrease in sale activity in the United States, which led to a similar decrease in U.S. cost of sales, partially offset by a 17.0% increase in cement and ready mix sales in the Caribbean region, which led to a subsequent increase in the cost of sales in that region. The 14.5% increase in administrative expenses was primarily due to brokerage fees of COP 9,472 million in connection the sale of Cementos Argos shares and provisions of COP 31,137 million primarily to cover Inversiones Argos' investment in the Caricement group, the owner of various ports and packaging facilities in the Caribbean, following the acquisition by Cementos Argos of Holcim's stake in said company. Additionally, the 7.0% increase in sales expenses was primarily due to an increase in the amortization of a prepaid expense to COP 18,060 million in 2009 from COP 8,291 million in 2008.

In terms of non-operating activities, the 54.5% decrease in non-operating expenses in 2009 as compared to 2008 primarily reflects the following: (i) a 75.2% decrease in losses from exchange difference primarily due to a lower net currency position in 2009 as compared to 2008 that resulted in a smaller impact from currency fluctuations on Inversiones Argos' results of operations and (ii) a 48.4% increase in other income primarily due to an increase of COP 228,575 million in earnings from the sales of Inversiones Argos' stake in Fenoco S.A., Diamond Coal S.A., and Sociedad Portuaria Río Córdoba S.A. and Cementos Argos' sale of some of its coal assets to Vale Do Rio Doce, partially offset by (i) a 65.1% increase in other expenses primarily due to an increase of COP 150,852 million in write offs taken in connection with the sale of coal assets by Cementos Argos to Vale Do Rio Doce, (ii) a 40.1% decrease in financial income primarily due to a reduction in cash positions and non-permanent investments, which, in turn, resulted from the partial liquidation of Inversiones Argos' interest in the PA ASIP autonomous trust**,** (iii) a 18.2% increase in financial expenses primarily due to expenses incurred in connection with the local issuance of COP 640,000 million in bonds in April 2009 and (iv) a 16.1% decrease in dividends and equity stakes received primarily due to a reclassification of dividends received from certain subsidiaries from cash method to accrual method.

Liquidity and Capital Resources

GRUPOSURA measures its cash position through its combined net cash receipts, which are the net cash receipts of GRUPOSURA and its wholly owned subsidiaries.

The following table sets forth GRUPOSURA's combined net cash receipts for the years ended December 31, 2010, 2009 and 2008 taking into account solely the net cash receipts of GRUPOSURA and its wholly owned subsidiary Portafolio en Liquidación. The two other wholly owned subsidiaries, ICE and Gruposura Panamá, have been excluded from the presentation below, however GRUPOSURA's management considers the impact of their exclusion to be immaterial. The purpose of this table is to provide information regarding GRUPOSURA's ability to service its debt and to make dividend payments.

	For the years ended December 31,			
	2010	2010	2009	2008
	(USD in thousands)[(1)]		*(COP in millions)*	
Cash receipts				
Cash dividends received	150,051	287,194	264,420	222,352
Interest received	28,892	55,298	15,751	8,505
Sales of investments	315,555	603,966	85,797	79,160
Other receipts	31	60	10,271	17,154
Total cash receipts	494,529	946,518	376,239	327,170
Cash expenditures				
Payroll and related	2,654	5,080	4,359	3,783
Administrative expenses	10,839	20,746	15,883	8,729
Investments in related companies and trading	154,233	295,199	115,380	61,475
Interests paid	37,385	71,555	20,989	41,972
Cash dividends paid	77,809	148,925	115,995	104,457
Other expenses	18,693	35,778	12,615	6,060
Total cash expenditures	301,614	577,283	285,220	226,475
Net cash receipts	192,915	369,235	91,018	100,694
Increase (decrease) in net debt	98,133	187,824	53,023	(119,227)
Cash at the beginning of period	78,176	149,627	5,585	24,118
Cash at the End of Period	**369,223**	**706,686**	**149,627**	**5,585**

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

Our total debt to dividends ratio (including Portafolio en Liquidación) was 2.0x in 2010, 1.1x in 2009 and 1.2x in 2008. Our dividend income to interest expense ratio was 4.0x in 2010, 12.6x in 2009 and 5.3x in 2008.

Our main source of combined cash receipts consists of dividends received from our subsidiaries and affiliates and sales of non-strategic investments, including Almacenes Éxito in 2010 and Fabricato in 2009. The main uses of funds are the payment of dividends and debt service as well as the additional purchases of shares of our affiliates Bancolombia, Chocolates and Inversiones Argos held by Suramericana's insurance subsidiaries, Seguros Generales and Seguros de Vida.

Cash dividends received

The following table sets forth the cash dividends received by GRUPOSURA and Portafolio en Liquidación from the following subsidiaries and affiliates for the years ended December 31, 2010, 2009 and 2008.

	For the years ended December 31,				% Change	
	2010	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
	(USD in thousands)[(1)]		*(COP in millions)*			
Bancolombia	73,458	140,596	134,158	114,104	4.8%	17.6%
Suramericana	19,643	37,597	33,038	30,482	13.8%	8.4%
Chocolates.	26,344	50,422	45,002	37,757	12.0%	19.2%

	For the years ended December 31,				% Change	
	2010	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
	(USD in thousands)[(1)]	*(COP in millions)*				
Inversiones Argos	21,891	41,899	37,675	29,459	11.2%	27.9%
Others	8,715	16,681	14,547	10,550	14.7%	37.9%
Total	150,051	287,194	264,420	222,352	8.6%	18.9%

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

Bancolombia has been the largest source of recurring cash dividends for GRUPOSURA. However, most of GRUPOSURA's subsidiaries and affiliates are also sources of cash dividends.

The following table sets forth net income and dividend payout ratios for each of the companies indicated for the years ended December 31, 2010, 2009 and 2008.

	For the years ended December 31,				% Change	
	2010	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
	(USD in thousands) [(1)]	*(COP in millions)*				
Bancolombia						
Dividends declared [(2)]	262,118	501,688	491,604	447,486	2.1%	9.9%
Net income[(3)]	522,554	1,000,157	1,043,669	804,261	(4.2)%	29.8%
Ratio	50.2%	50.2%	47.1%	55.6%	—	—
Suramericana						
Dividends declared and paid [(2)]	26,119	49,992	41,495	37,706	20.5%	10.0%
Net income [(3)]	111,798	213,980	124,933	96,862	71.3%	29.0%
Ratio	23.4%	23.4%	33.2%	38.9%	—	—
Chocolates						
Dividends declared [(2)]	73,658	140,980	135,759	120,094	3.8%	13.0%
Net income [(3)]	117,815	225,496	291,006	244,292	(22.5)%	19.1%
Ratio	62.5%	62.5%	46.7%	49.2%	—	—
Inversiones Argos						
Dividends declared [(2)]	62,046	118,754	111,654	103,264	6.4%	8.1%
Net income [(3)]	473,631	906,520	91,205	173,626	893.9%	(47.5)%
Ratio	13.1%	13.1%	122.4%	59.5%	—	—

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.
(2) Dividends are declared in March of each year based on the net income of the previous year.
(3) Net income reflected is for the previous year and is presented on an unconsolidated basis.

Cash dividends paid

Overview

Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, companies must distribute to their shareholders at least 50% of their annual net income or 70% of their annual net income if the total amount of reserves exceeds their outstanding capital. Such dividend distribution must be made to all shareholders, in cash or issued stock, as may be determined by the shareholders, within a year from the date of the ordinary general shareholders' meeting in which the dividend was declared. According to Colombian law, the minimum dividend per share may be waived by an affirmative vote of the holders of 78% of the shares present at the company's ordinary general shareholders' meeting.

During 2008, 2009 and 2010, GRUPOSURA, Bancolombia, Suramericana, Chocolates and Inversiones Argos raised dividends by at least the rate of inflation as measured by the IPC. Nevertheless, we cannot assure you that these companies will be able to continue to do so in the future.

Grupo de Inversiones Suramericana S.A.

The annual net income of GRUPOSURA must be applied as follows: (i) first, an amount equal to 10% of GRUPOSURA's net income to a legal reserve until such reserve is equal to at least 50% of GRUPOSURA's paid-in capital; and (ii) second, as may be determined in the ordinary general shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote and present at the meeting, which may include a dividend distribution as described above.

GRUPOSURA (i) declared in 2010 COP 125,702 million in dividends corresponding to the year ended December 31, 2009, (ii) declared in 2009 COP 118,197 million in dividends corresponding to the year ended December 31, 2008 and (iii) declared in 2008 COP 106,116 million in dividends corresponding to year ended December 31, 2007. GRUPOSURA generally pays out dividends in quarterly installments. The 2008, 2009 and 2010 dividends have all been paid out.

Bancolombia S.A.

According to the bylaws (*estatutos*) of Bancolombia, the annual net income of Bancolombia is to be applied as follows: (i) first, an amount equal to 10% of Bancolombia's net income to a legal reserve until such reserve is equal to at least 50% of the Bancolombia's paid-in capital; (ii) second, to the payment of the minimum dividend on Bancolombia's preferred shares (holders of Bancolombia's preferred shares are entitled to receive a minimum dividend based on the profits of the preceding fiscal year, after deducting losses affecting the capital and once the amount legally set apart for the legal reserve has been deducted, but before creating or accruing for any other reserve, of a minimum preferred dividend equal to one per cent (1%) yearly of the subscription price of the preferred share; provided this dividend is higher than the dividend assigned to common shares; if this is not the case, the dividend shall be increased to an amount that is equal to the per share dividend on the common shares); and (iii) third, as may be determined in the ordinary general shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote and present at the meeting, which may include a dividend distribution as described above.

Bancolombia (i) declared in 2010 COP 501,688 million in dividends corresponding to the year ended December 31, 2009, (ii) declared in 2009 COP 491,604 million in dividends corresponding to the year December 31, 2008 and (iii) declared in 2008 COP 447,486 million in dividends corresponding to the year ended December 31, 2007. Bancolombia generally pays out dividends in quarterly installments. The 2008, 2009 and 2010 dividends have all been paid out.

Suramericana S.A.

According to the bylaws (*estatutos*) of Suramericana, the annual net income of Suramericana is to be applied as follows: (i) first, an amount equal to 10% of Suramericana's net income to a legal reserve until such reserve is equal to at least 50% of Suramericana's paid-in capital; and (ii) second, as may be determined in the ordinary general shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote and present at the meeting, which may include a dividend distribution as described above.

Suramericana (i) declared in 2010 COP 49,992 million in dividends corresponding to the year ended December 31, 2009, (ii) declared in 2009 COP 41,495 million in dividends corresponding to the year ended December 31, 2009 and (iii) declared in 2008 COP 37,706 million in dividends corresponding to the year ended December 31, 2007. Suramericana generally pays out dividends in one yearly installment. The 2008, 2009 and 2010 dividends have all been paid out.

Grupo Nutresa S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

According to the bylaws (*estatutos*) of Chocolates, the annual net income of Chocolates is to be applied as follows: (i) first, an amount equal to 10% of Chocolates' net income to a legal reserve until such reserve is equal to at least 50% of Chocolates' paid-in capital; and (ii) second, as may be determined in the ordinary general shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote and present at the meeting, which may include a dividend distribution as described above.

Chocolates (i) declared in 2010 COP 140,980 million in dividends corresponding to the year ended December 31, 2009, (ii) declared in 2009 COP 135,759 million in dividends corresponding to the fiscal year ended December 31, 2008 and (iii) declared in 2008 COP 120,094 million in dividends corresponding to the year ended December 31, 2007. Chocolates generally pays dividends in monthly installments. The 2008, 2009 and 2010 dividends have all been paid out.

Inversiones Argos S.A.

According to the bylaws (*estatutos*) of Inversiones Argos, the annual net income of Inversiones Argos is to be applied as follows: (i) first, an amount equal to 10% of Inversiones Argos' net income to a legal reserve until such reserve is equal to at least 50% of Inversiones Argos' paid-in capital; and (ii) second, as may be determined in the ordinary general shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote and present at the meeting, which may include a dividend distribution as described above.

Inversiones Argos (i) declared in 2010 COP 118,754 million in dividends corresponding to the year ended December 31, 2009, (ii) declared in 2009 COP 111,654 million in dividends corresponding to the year ended December 31, 2008 and (iii) declared in 2008 COP 103,264 million in dividends corresponding to the year ended December 31, 2007. Inversiones Argos generally pays dividends in quarterly installments. The 2008, 2009 and 2010 dividends have all been paid out.

Investments

The key cash receipts under the sales of investments line item were the sales in 2010 of Almacenes Éxito, which generated COP 439,056 million in proceeds, and Fabricato, which generated COP 11,571 million in proceeds.

The key cash expenditures under the investments in related companies and trading line item consisted of our purchases of additional shares of Bancolombia, Inversiones Argos and Chocolates from Suramericana's subsidiaries Generales and Vida. In turn, Suramericana and its subsidiaries have used and will continue to use these funds to increase their presence in the insurance sector. We expect our interests in the Financial Services sector to be the main recipient of our combined investments in the near future. Additionally, we do not expect our interests in the Industrial sector, including our interests in processed foods and cement, ready mix, and energy, to be recipients of our combined investments in the future nor do we expect to participate in any of their future rights issues or equity offerings.

Description of Other Indebtedness and Potential Sources of Liquidity

Grupo Suramericana de Inversiones S.A.

Total Indebtedness

As of December 31, 2010, GRUPOSURA had total unconsolidated indebtedness of COP 565,490 million (approximately U.S. $301.6 million).

Lines of Credit

The following table sets forth a summary of GRUPOSURA's uncommitted lines of credit as of December 31, 2010.

Lender	Authorized Amount	Available Amount
	(in millions)	
HSBC Colombia S.A.	U.S.$300	U.S.$300
Bancolombia	COP 415,000	COP 415,000
Banco Bilbao Vizcaya Argentaria Colombia S.A.	COP 300,000	COP 300,000
Banco de Bogotá S.A.[1]	COP 226,000	COP 187,720
Banco Davivienda S.A.	COP 100,000	COP 100,000
Banco Popular S.A.	COP 20,000	COP 20,000

(1) As of December 31, 2010, COP 38,280 million (U.S.$20 million) is outstanding on the line of credit with Banco de Bogotá S.A. The COP 38,280 million drawdown accrues interest at a rate of 1.85% and principal and interest is due on May 20, 2011 and is secured by all accounts held by GRUPOSURA at Banco de Bogotá S.A.

Under each line of credit, interest rates, maturity dates and other terms are determined at the time of any drawdown.

Repurchase Agreements

The following table sets forth a summary of GRUPOSURA's repurchase agreements as of December 31, 2010.

Administrator	Authorized Amount	Available Amount
	(in millions)	
Valores Bancolombia S.A. [(1)]	COP 35,000	COP 8,285
Corredores Asociados S.A.	COP 15,000	COP 15,000
Compañia de Profesionales de Bolsa S.A.	COP 10,000	COP 10,000
Serfinco S.A.	COP 10,000	COP 10,000

(1) Pursuant this agreement, Valores Bancolombia S.A. has entered into repurchases of COP 26,734 million at a repurchase rate of 5.44% and a maturity date of April 15, 2011.

In addition to the repurchase agreement set forth above, GRUPOSURA has an additional repurchase agreement with Valores Bancolombia S.A. in respect of fixed income securities up to an unlimited amount. Pursuant thereto, the parties have entered into repurchases of COP 16,824 million at a repurchase rate of 3.61% and maturity dates of January 21, 2011 and April 15, 2011.

All of GRUPOSURA's repurchase agreements cover up to a one-year period. At expiration, the parties may extend the agreement for another term of up to one-year.

Commercial Paper Program

GRUPOSURA has had a commercial paper program since 2004. The SFC granted GRUPOSURA approval to issue up to an aggregate principal amount of COP 250,000 million in commercial paper on the *Bolsa de Valores de Colombia* (the "Colombian Stock Exchange"). Pursuant to this authorization, on March 10, 2010, GRUPOSURA placed an aggregate principal amount of COP 233,652 million in commercial paper on the Colombian Stock Exchange at an interest rate of 4.64%, which matured on March 8, 2011 and was paid in full using cash on hand.

IPC-linked Senior Notes due 2019, 2029 and 2049

On November 25, 2009, GRUPOSURA issued in the local markets an aggregate principle amount of COP 250,000 million of its IPC-linked senior notes in three tranches: (i) a 10-year tranche in the aggregate principal amount of COP 54,500 million and an interest rate of IPC + 4.40%, (ii) a 20-year tranche in the aggregate principal amount of COP 98,000 million and an interest rate of IPC + 5.90% and (iii) a 40-year tranche in the aggregate principal amount of COP 97,500 million and an interest rate of IPC + 6.98%.

Bancolombia S.A.

For a description of Bancolombia's indebtedness and potential sources of liquidity, see Item 5.B – "Operating and Financial Review and Prospects – Liquidity and Capital Resources" in Bancolombia's 2010 Annual Report, which is incorporated by reference into this offering memorandum.

Suramericana S.A.

Total Indebtedness

As of December 31, 2010, Suramericana had total unconsolidated indebtedness of COP 7,000 million (approximately U.S.$3.7 million).

Lines of Credit

The following table sets forth a summary of Suramericana's uncommitted lines of credit as of December 31, 2010.

Lender	Authorized Amount	Available Amount
	(COP in millions)	
Banco de Bogotá S.A.[(1)]	179,000	179,000
Banco Popular S.A. [(2)]	60,000	53,000
Bancolombia S.A. [(3)]	35,000	35,000

(1) Authorized amount represents the uncommitted line of credit granted by Banco de Bogotá S.A. to Suramericana and its subsidiaries as a whole.
(2) Authorized amount represents the uncommitted line of credit granted by Banco Popular S.A. to Suramericana and its subsidiaries as a whole. As of December 31, 2010, COP 7,000 million was outstanding on this line of credit. The COP 7,000 million drawdown accrued interest at a rate of 3.95% and principal and interest were due and fully repaid on March 14, 2011.
(3) Authorized amount represents the uncommitted line of credit granted by Bancolombia S.A. solely to Suramericana.

Under each line of credit, interest rates, maturity dates and other terms are determined at the time of any drawdown.

Grupo Nutresa S.A. (formerly known as Group Nacional de Chocolates S.A.)

Total Indebtedness

As of December 31, 2010, Chocolates had total consolidated indebtedness of COP 1,126,326 million (U.S.$588.5 million).

Loan Agreements

The following table sets forth a summary of Chocolates' loan obligations by creditor as of December 31, 2010:

Creditor	Outstanding Amount	Maturity Dates	Interest rates [(1)]
	(COP in millions)		
Local Banks			
Bancolombia	197,638	Various [(2)]	IPC+4.80%; DTF+0.50% – 1.90%; LIBOR+1.45%
Banco Bilbao Vizcaya Argentaria Colombia	73,557	Various [(3)]	IPC+4.80%; LIBOR+0.30% – 1.20%
Leasing Bancolombia.	10,412	N/A	DTF+4.50 – 5.00%
International Banks			
Development Corporation of Abilene	2,301	2012	0.00%
Scotiabank Pozuelo	21,532	2013	LIBOR+1.375%
Banco de Crédito Perú	25,208	2014	4.43% – 6.78%
Bank of Nova Scotia	103,422	Various [(4)]	LIBOR+0.85% – 0.95%
Leasing Banco de Crédito Perú	1,603	N/A	6.69% – 7.72%
Banco Bilbao Vizcaya Argentaria NY	45,936	2015	LIBOR+2.40%
Banco Bilbao Vizcaya Argentaria Perú	4,398	2011	4.55%
Leasing Banco Bilbao Vizcaya Argentaria	778	N/A	2.37% – 7.49%
Leasing HSBC	55	N/A	9.00% – 9.25%
Helm Bank Panamá	42,483	2011	LIBOR+4.00%; 1.80% – 2.00%

(1) "IPC" refers to the Colombian Consumer Price Index as calculated and measured by the DANE. "DTF" refers to the floating interest rate announced on a weekly basis by the Central Bank, based on the weighted average of 90 day rates on certificates of deposit offered by banks and other financial institutions in the Colombian market. "LIBOR" refers to the London Interbank Offered Rate, the daily reference rate at which banks can borrow unsecured funds from other banks in the London interbank lending market.
(2) Seven of the loan agreements with Bancolombia S.A. mature in 2011, one matures in 2013 and three mature in 2015.
(3) Four of the loan agreements with Banco Bilbao Vizcaya Argentaria Colombia S.A. mature in 2011 and two mature in 2017.
(4) One of the loan agreements with Bank of Nova Scotia matures in 2013 and two mature in 2014.

All of the loan obligations listed above are unsecured, except the outstanding loan agreements with Bancolombia which are secured with 13,500,000 of Chocolates' shares in GRUPOSURA.

Lines of Credit

As of December 31, 2010, Chocolates had COP 2,200,000 million in uncommitted and unused lines of credit with local banks in Colombia.

Other Indebtedness

On July 4, 2008, Compañía Nacional de Chocolates S.A., the predecessor of Chocolates, issued in Peru an aggregate principal amount of USD40 million of its floating rate notes due 2018. These notes accrue interest at a floating rate per annum, reset quarterly, equal to six-month USD LIBOR plus 1.80%.

On August 20, 2009, Fideicomiso Grupo Nacional de Chocolates S.A., a subsidiary of Chocolates, issued in the local markets an aggregate principal amount of COP 500,000 million of its IPC-linked senior notes in four tranches: (i) a 5-year tranche in the aggregate principal amount of COP 98,541 million and an interest rate of IPC + 4.19%, (ii) a 7-year tranche in the aggregate principal amount of COP 131,815 million and an interest rate of IPC + 4.96%, (iii) a 10-year tranche in the aggregate principal amount of COP 135,482 million and an interest rate of IPC + 5.33% and (iv) a 12-year tranche in the aggregate principal amount of COP 134,162 million and an interest rate of IPC + 5.59%.

As of December 31, 2010, Chocolates owed COP 8,528 million on its derivative financial instruments, which consist of forward and swap contracts used by Chocolates to hedge its foreign exchange market risk.

Under a joint venture agreement between Chocolates and Alpina S.A. relating to La Recetta Soluciones Gastronómicas Integradas S.A.S., Chocolates owed COP 1,511 to Alpina S.A as of December 31, 2010. This amount accrues interest at a rate of 4.11% and does not have a maturity date.

As of December 31, 2010, Chocolates owed COP 445 million to Predios del Sur S.A., a construction company which is being wound up.

Inversiones Argos S.A.

Total Indebtedness

As of December 31, 2010, Inversiones Argos had total indebtedness of COP 5,219,057 million (approximately U.S.$2,726.8 million).

Lines of Credit

The following table sets forth a summary of Inversiones Argos' uncommitted lines of credit as of December 31, 2010.

Lender	Authorized Amount	Available Amount
	(COP in millions)	
HSBC Colombia S.A.[1]	42,000	—
Bancolombia[2]	343,059	200,000
Banco Bilbao Vizcaya Argentaria Colombia S.A.[3]	158,873	—
Banco de Bogotá S.A.[4]	600,000	500,000
Banco Davivienda S.A.	110,000	110,000
Banco Santander Colombia S.A.[5]	30,000	8,741
Banco AV Villas S.A.[6]	30,000	23,430
Banco Citibank Colombia S.A.	50,000	50,000
Banco Occidente S.A.	10,000	10,000
Helm Bank S.A. [7]	150,000	100,000
Banco Popular S.A.	50,000	50,000

(1) As of December 31, 2010, COP 42,000 million is outstanding on the line of credit with HSBC Colombia S.A. The COP 42,000 million drawdown accrues interest at a rate of DTF+2.7% and principal and interest is due on Dec 29, 2012.

(2) As of December 31, 2010, COP 143,059 million is outstanding on the line of credit with Bancolombia S.A. The COP 143,059 million drawdown accrues interest at a rate of DTF+1.95% and principal and interest is due on Dec 29, 2012. "DTF" refers to the floating interest rate announced on a weekly basis by the Central Bank, based on the weighted average of 90 day rates on certificates of deposit offered by

banks and other financial institutions in the Colombian market. Under each line of credit, interest rates, maturity dates and other terms are determined at the time of any drawdown.

(3) As of December 31, 2010, COP 158,873 million is outstanding on the line of credit with Banco de Bilbao Vizcaya Argentaria Colombia S.A. as follows: (i) a COP 116,000 million drawdown accrues interest at a rate of DTF+1.95% and principal and interest is due on Dec 11, 2012; and (ii) a COP 42,873 million drawdown accrues interest at a rate of 3.75% and principal and interest is due on March 28, 2011.

(4) As of December 31, 2010, COP 100,000 million is outstanding on the line of credit with Banco de Bogotá S.A. The COP 100,000 million drawdown accrues interest at a rate of DTF+1.95% and principal and interest is due on Dec 11, 2012.Contractual Obligations and Commitments

(5) As of December 31, 2010, COP 21,259 million is outstanding on the line of credit with Banco Santander Colombia S.A. The COP 21,589 million drawdown accrues interest at a rate of 4.07% and principal and interest is due on Mar 25, 2011.

(6) As of December 31, 2010, COP 727 million is outstanding on the line of credit with Banco AV Villas S.A. The COP 727 million drawdown accrues interest at a rate of 3.94% and principal and interest is due on Mar 29, 2011.

(7) As of December 31, 2010, COP 50,000 million is outstanding on the line of credit with Helm Bank S.A. The COP 50,000 million drawdown accrues interest at a rate of DTF+1.85% and principal and interest is due on Dec 27, 2012.

The following table sets forth GRUPOSURA's unconsolidated contractual obligations and commercial commitments, excluding interest payments, by time remaining to maturity as of December 31, 2010.

	Payments due in period				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			(COP in millions)		
Obligation					
Long-term debt obligations					
IPC-linked Senior Bonds due 2019	–	–	–	54,500	54,500
IPC-linked Senior Bonds due 2029	–	–	–	98,000	98,000
IPC-linked Senior Bonds due 2049	–	–	–	97,500	97,500
Total long-term debt obligations	**–**	**–**	**–**	**250,000**	**250,000**
Short-term debt obligations					
Commercial Paper due March 8, 2011	233,652	–	–	–	233,652
Credit line from Banco de Bogotá due May 20, 2011	38,280	–	–	–	38,280
Valores Bancolombia Repurchase Operations due January 21, 2011 and April 15, 2011	43,558	–	–	–	43,558
Total short-term debt obligations	**315,490**	**–**	**–**	**–**	**315,490**
Total cash obligations	**315,490**	–	–	**250,000**	**315,490**

The following table sets forth GRUPOSURA's consolidated contractual obligations and commercial commitments, excluding interest payments, as of December 31, 2010.

	Payments due in period				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			(COP in millions)		
Obligation					
Long-term debt obligations					
Credit line from Leasing Bancolombia due September 2018	–	–	–	10,364	10,364
IPC-linked Senior Bonds due 2019.....................	–	–	–	54,500	54,500
IPC-linked Senior Bonds due 2029.....................	–	–	–	98,000	98,000
IPC-linked Senior Bonds due 2049.....................	–	–	–	97,500	97,500
Total long-term debt obligations	**–**	**–**	**–**	**260,364**	**260,364**
Short-term debt obligations					
Commercial Paper due March 8, 2011	233,652	–	–	–	233,652
Credit line from Banco de Bogotá due May 20, 2011...	38,280	–	–	–	38,280
Valores Bancolombia Repurchase Operations due January 21, 2011 and April 15, 2011.......	43,558	–	–	–	43,558
Credit line from Banco Popular due March 14, 2011	7,000	–	–	–	7,000
Overdraft from Banco de Occidente	9	–	–	–	9
Overdraft from Bancolombia	2,141	–	–	–	2,141
Credit line from Bancolombia due February, 2011...	28,105	–	–	–	28,105
Overdraft from Bancolombia due January, 2011...	427	–	–	–	427
Credit line from Bancolombia due February,	9,519	–	–	–	9,519

	Payments due in period				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			(COP in millions)		
2011					
Checking account overdrafts	86	–	–	–	86
Lease obligations	6,945	–	–	–	6,945
Other entities	8,315	–	–	–	8,315
Total short-term debt obligations	**378,037**	**–**	**–**	**–**	**378,037**
Total cash obligations	**378,037**	**–**	**–**	**–**	**638,401**

The following tables have not been adjusted to give effect to this offering and to the use of proceeds therefrom.

Off-Balance Sheet Arrangements

In connection with a syndicated loan entered into in 2007, a portion of the interest payable on the loan was tied to the performance of Bancolombia's preferred shares in the form of American depositary receipts ("ADRs"). In connection with covering our risk associated with that transaction, we wrote call options over 470,601 of Bancolombia's ADRs to J.P. Morgan Securities LLC and Credit Suisse Securities LLC with different maturity dates up to July 2012. As the call options were in the money in 2010 because Bancolombia's ADRs appreciated faster than the call options, we made payments to these counterparties, which is reflected in our income statement for 2010. Depending on the performance of the call options, we may be required to make additional payments to these counterparties in 2011 and 2012.

Regulatory Capital Requirements

In connection with GRUPOSURA's interests in the financial services sector, Bancolombia and Suramericana's subsidiaries Generales, Vida and ARP Sura are regulated and subject to minimum capital requirements by the SFC. See "Banking and Insurance Regulation" in this offering memorandum for more information on these regulations.

Critical Accounting Policies and Estimates

In connection with GRUPOSURA's audited unconsolidated financial statements and Bancolombia's audited consolidated financial statements included, or incorporated by reference, in this offering memorandum, below is a discussion of the critical accounting policies of GRUPOSURA and Bancolombia.

Grupo de Inversiones Suramericana S.A.

The following discussion addresses GRUPOSURA's critical accounting policies. Critical accounting policies are those policies that require GRUPOSURA to exercise the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect its financial condition and results of operations. The accounting estimates GRUPOSURA makes in these contexts requires it to calculate variables and make assumptions about matters that are highly uncertain. In each case, if GRUPOSURA had made other estimates, or if changes in the estimates occur from period to period, its financial condition and results of operations could be materially affected. This information should be read together with Note 2 to GRUPOSURA's 2010 and 2009 unconsolidated financial statements for a summary of the principal accounting policies and practices. There are many other areas in which GRUPOSURA uses estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to its financial presentation.

Investments

For valuation purposes, GRUPOSURA classifies investments according to the following criteria:

- **Intent and purpose**: negotiable or permanent.
- **Corresponding yield**: fixed, variable or a combination of the two.
- **Control held over the issuer**: controlling or non-controlling interest.
- **Reason for the investment**: voluntary or mandatory.

- **Rights granted by the security**: participating or non-participating.

Investments are appraised and posted as:

- **Negotiable investments:** These investments are posted at market value. All variations in regard to their latest value are posted in books in which the income accounts are recorded alongside each investment.
- **Permanent (controlling) investments:** These are companies in which GRUPOSURA, directly or indirectly, owns more than 50% of the total shares outstanding and that appear in the Medellin Chamber of Commerce as under GRUPOSURA's control. Depending upon any change in the subsidiary's equity subsequent to our acquisition of the subsidiary, GRUPOSURA records the value of its permanent (controlling) investments as either increased or decreased. This calculation is based upon the percentage held by GRUPOSURA. Adjustments are recorded in the income statement in the capital surplus account. For accounting purposes, GRUPOSURA use the equity method to account for its permanent (controlling investments) as set forth in Joint Circular No. 11 issued by the Colombian Superintendence of Companies and the Colombian Superintendence of Securities (now the SFC) on August 18, 2005. GRUPOSURA posts and calculates the value of permanent (controlling) investments on a quarterly basis. The difference between the book value of GRUPOSURA's permanent (controlling) investments and their intrinsic value is posted as either a gain or a provision (which is charged to the income accounts).
- **Permanent (non-controlling) investments**: These investments are posted at market value. All variations in regard to their latest value are posted in the valuation offset accounts (as a valuation against valuation surplus) of GRUPOSURA's balance sheet.

In terms of sales of its permanent (non-controlling) investments, if the value of the investments sold off is higher than the book cost, the difference represents an increase in their value for the period and is posted in the valuation offset accounts (as a valuation against valuation surplus). If the value for which such investments are sold off becomes lower than their book cost, the difference is charged first to the valuation account and then to the valuation surplus account, up to the total value of any surplus gained. If the difference surpasses the surplus obtained, this qualifies as a loss in the value of the investment and GRUPOSURA charges this to the aforementioned accounts as a lower value, regardless of whether net balance is the opposite.

GRUPOSURA implements an investment provision policy similar to that of insurance companies. Investments rated lower than a "BBB" are posted at values not exceeding the following percentages:

Long Term	Maximum Value (%)	Short Term	Maximum Value (%)
BB+, BB, BB-	80	3	80
B+, B, B-	60	4	50
CCC	40	5 and 6	0
DD, EE	0	–	–

If investments are not rated by outside rating agencies, they are internally rated according to their inherent risk. They are then posted at a percentage of their commercial value, as shown below:

A:	Normal Risk:	100%
B:	Acceptable Risk:	80%
C:	Appreciable Risk:	60%
D:	Significant Risk:	40%
E:	Unrecoverable Investment:	0%

Derivatives

The Derivatives account shows the value of all financial arrangements used by GRUPOSURA to counter liability and market risk. The types of derivatives GRUPOSURA uses relate to foreign currencies, shares, futures governing exchange and interest rates, and stock indexes or any other agreed upon underlying asset. These arrangements are settled at a future date agreed upon between the parties.

GRUPOSURA enters into hedging arrangements in order to protect itself from exchange rate fluctuations. Hedging is not used for speculative purposes and the arrangements are conducted with banks and other counterparties.

In Colombia, derivative transactions are not governed by any general accounting rules and regulations.

Recognition of revenues and expenses

GRUPOSURA recognizes operational revenues and expenses on an accrual basis.

Transactions and balances in foreign currencies

Transactions conducted in foreign currencies are posted by applying the exchange rate applicable on the date of the transaction. Asset and liability balances stated in US dollars are converted to Colombian pesos using the market exchange rate, as certified by the SFC. The SFC-certified exchange rate was COP 1,913.98 per U.S.$1.00 on December 31, 2010 and COP 2,044.23 per U.S.$1.00 on December 31, 2009. The exchange difference is either capitalized or is posted on the income accounts depending upon how the transaction occurred.

According to Decree No. 4918 issued by the SFC on December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the SFC, or any other authority that may replace the SFC. GRUPOSURA posts the difference between the book value of assets held in foreign subsidiaries and their restated value as an increase in the value of GRUPOSURA's equity. GRUPOSURA records the change in the account where equity variances are recorded. When the investments in question are sold off, any adjustments relating to the exchange difference are recorded in the equity account, which may affect the corresponding period's results.

Valuations

See "– Investments" above for a description of the valuation methods GRUPOSURA utilizes in respect of its negotiable, permanent (non-controlling) and permanent (controlling) investments.

Trust valuations are posted according to the difference between their statement value and their book cost.

Related parties

GRUPOSURA's related parties are companies under GRUPOSURA's direct or indirect control, as well as GRUPOSURA's directors and senior management.

Estimated liabilities and provisions

The preparation of financial statements according to Colombian GAAP requires that GRUPOSURA's management record estimates and provisions that, on the date on which the financial statements are issued, affect the reported values of GRUPOSURA's assets and liabilities as well as reveal assets and liabilities of a contingent nature. Therefore, real results could differ from the estimated figures.

Bancolombia S.A.

For a discussion of the critical accounting policies and estimates of Bancolombia, see "Item 5.G - Operating and Financial Review and Prospects – Critical Accounting Policies and Estimates" in Bancolombia's 2010 Annual Report, which is incorporated by reference into this offering memorandum.

Qualitative and Quantitative Disclosure about Market Risks

We are exposed to risks in the ordinary course of business. We regularly assess and manage our exposures to these risks through our operating and financing activities and, when appropriate, by (i) taking advantage of naturally offsetting exposures within GRUPOSURA, (ii) purchasing insurance from commercial carriers or (iii) utilizing derivative financial instruments. Some of our potential risks are discussed below. However, the discussion does not include an analysis of the market risks of our subsidiaries and affiliates.

Interest rate risks

We limit the risk of interest rate fluctuations by managing our IPC-linked and variable interest rate debt. In addition, we may use derivative financial instruments to manage our interest rate risk. Since all of our short-term borrowings, which averaged approximately USD157 million during 2010, have fixed interest rates, our interest rate exposure relates to our IPC-linked long-term debt. With respect to this IPC-linked long-term debt, interest rate exposure is confined to changes in this index. In addition, any change in interest rates would also affect interest income earned on our cash equivalents.

Foreign currency exchange rate risks

We have assets and liabilities denominated in U.S. dollars, such as our Bancolombia ADR call options. Therefore, we are subject to foreign currency fluctuations in respect of the U.S. dollar/Colombian peso exchange rate. We monitor our net foreign currency market exposures and enter into derivative foreign currency contracts to hedge a significant portion of such exposures. Use of these financial instruments allow us to reduce the overall exposure to risks from exchange rate fluctuations on our cash flows and earnings, since gains and losses on these contracts will offset losses and gains on the cash flows or transactions being hedged. For cash flow hedging contracts outstanding at the end of 2010, if there were a hypothetical change in the U.S. dollar/Colombian peso exchange rate of 10% compared with rates at the end of 2010, it would result in a change in fair value of those contracts of approximately U.S.$11 million. However, any change in the fair value of the hedging contracts would result in an offsetting change in the fair value of the underlying balance sheet positions impacted by the currency rate changes.

Counterparty risks

We are exposed to credit-related losses in the event of nonperformance by counterparties to derivative hedging instruments. To manage this risk, we have established counterparty credit guidelines and entered into derivative transactions only with top financial institutions. We continually monitor the credit rating of, and our hedging positions with, each counterparty. Additionally, we utilize a portfolio of financial institutions to minimize our exposure to potential counterparty defaults and will adjust our positions if necessary.

Group risks

We actively participate in the risk management activities of all the Group companies through our participation on the boards of directors of these companies. Our goal is to align the risk management practices of all the Group companies and ensure that best practices are adopted throughout the Group.

Business

Grupo de Inversiones Suramericana S.A.

GRUPOSURA is the principal shareholder of a group of leading companies operating primarily in Colombia in two key sectors: Financial Services, including commercial banking, insurance and pension funds; and Industrial, including processed foods and cement, ready mix and energy. We estimate that the Group in aggregate represented nearly 6.4% of Colombia's GDP, in 2010. In recent years, the Group has expanded to other countries and regions in the Western Hemisphere, including Central America, the Caribbean, the United States, Peru and Mexico.

Our interests in the Financial Services sector include our ownership of 44.8% of the voting shares (equal to 29.0% of the capital stock) of Bancolombia, the largest bank in Colombia, in which we are the largest shareholder, and our 81.1% ownership of Suramericana, the holding company for the largest life and property and casualty insurance companies in Colombia. The remaining 18.9% of Suramericana is owned by the Munich Re. In addition, we have a 48.2% ownership interest of Protección, the second largest private pension fund administrator in Colombia, in which we are the largest shareholder. Our interest in the processed food segment of the Industrial sector is held through our 37.7% ownership of Chocolates, the largest processed food congolomerate in Colombia, in which we are also the largest shareholder. Our interest in the cement, ready mix and energy segment of the Industrial sector is comprised of our 36.0% ownership of Inversiones Argos, in which we are the largest shareholder. Inversiones Argos is the majority owner of Colombia's largest cement producer, Cementos Argos and Colombia's fourth largest electric generation company, Colinversiones.

Many of these companies also have cross holdings in the Group, which as of December 31, 2010 were as set forth below:

- Bancolombia had a 23.4% ownership interest in Protección;
- Chocolates had a 12.7% ownership interest in GRUPOSURA and a 12.4% ownership interest in Inversiones Argos; and
- Inversiones Argos and its subsidiaries had a 37.6% ownership interest in GRUPOSURA, a 6.2% ownership interest in Bancolombia and a 10.4% ownership interest in Chocolates.

The following table sets forth the cash dividends received by GRUPOSURA (including by its wholly owned subsidiary Portafolio en Liquidación) from other Group companies in 2010, 2009 and 2008.

	For the years ended December 31,			
	2010	**2010**	**2009**	**2008**
	(USD in thousands)[(1)]		***(COP in millions)***	
Bancolombia	73,458	140,596	134,158	114,104
Suramericana	19,643	37,597	33,038	30,482
Chocolates.	26,344	50,422	45,002	37,757
Inversiones Argos	21,891	41,899	37,675	29,459
Others	8,715	16,681	14,547	10,550
Total	**150,051**	**287,194**	**264,420**	**222,352**

(1) Solely for the convenience of the reader, amounts stated in U.S. dollars have been translated at the exchange rate of COP 1,913.98 per U.S.$1.00, which was the official rate certified by the SFC on December 31, 2010.

Of the COP 287,194 million in cash dividends received by GRUPOSURA and Portafolio en Liquidación from other Group companies in 2010, 49.0% came from Bancolombia, 17.6% from Chocolates, 14.6% from Inversiones Argos and 13.1% from Suramericana.

As of March 31, 2011, GRUPOSURA had a market capitalization of COP 17,438,805 million. As of December 31, 2010, its shareholders' equity was COP 17,561,190 million, the second largest of all companies in Colombia.

As of December 31, 2010, we had a total of unconsolidated assets of COP 18,200 million, of which 36.9% is attributable to our holdings in Bancolombia, 6.3% is attributable to our holdings in Suramericana S.A., 24.0% is attributable to our holdings in Grupo Nacional de Chocolates S.A. and 26.4% is attributable to our holdings in Inversiones Argos S.A.

Our common shares are traded on the BVC under the symbol "GRUPOSURA", and our ADRs are traded on the OTC Market in the United States under the symbol "GIVSY." We are also listed on LATIBEX under the symbol "XGSUR."

Our principal executive offices are located at Carrera 64B # 49A – 30, Medellín, Colombia.

The Group's Performance in 2010

The following table sets forth key statistics relating to GRUPOSURA's subsidiaries and affiliates as of December 31, 2010:

	Bancolombia	Suramericana	Chocolates	Inversiones Argos
% Ownership(1)	44.8%(4)	81.1%	37.7%	36.0%
Ratings (Moody's/Fitch)	Baa3(5)/BBB-	Baa3(6)/NR	NR/AAAcol	NR/AA+col(9)
% of Dividends Received by GRUPOSURA(2)	49.0%	13.1%	17.6%	14.6%
Market Share in Colombia	21.7%	29.9%/16.7%/ 27.9%(7)	61.1%	51.0%(9)
Market Position in Colombia	1	1/1/1(7)	1	1(9)
Operating Revenues (COP in millions)	7,226,263	3,816,610(8)	4,458,858	5,409,150
Market Capitalization (COP in millions)(3)	22,976,736	N/A	10,225,401	12,133,520
Net Income (COP in millions)	1,436,494	309,254	263,239	388,333

(1) Ownership of GRUPOSURA directly or indirectly through its wholly owned subsidiaries.
(2) Cash dividends received by GRUPOSURA (including its wholly-owned subsidiary Portafolio en Liquidación).
(3) Presented as of March 31, 2011. This measurement does not apply to Suramericana because it is not listed on any stock exchange.
(4) Represents percentage of voting stock owned, which was 29.0% of the total share capital..
(5) Subordinated debt rating.
(6) Insurance financial strength rating of Suramericana's subsidiaries Seguros de Vida Suramericana S.A. and Seguros Generales Suramericana S.A.
(7) Represents the market shares and market position data of Suramericana's subsidiaries Seguros de Vida Suramericana S.A., Seguros Generales Suramericana S.A., and Seguros de Riesgos Profesionales Suramericana S.A., respectively.
(8) Represents the sum of operating revenues from Suramericana's subsidiaries, without adjustment in consolidation.
(9) Rating, market share, market share position and market capitalization data corresponds to Cementos Argos only.

Our Strengths

Principal shareholder in a diversified group of leading companies in Colombia. We hold interests in well-established companies that are market leaders in Colombia across such diversified industries as financial services, insurance, food processing, cement and ready mix production and energy generation, among others. As the principal shareholder in all the Group companies, we have been able to elect a majority of each of their boards of directors. In the past, we have elected four directors to the board of Bancolombia, five directors to the board of Protección, four directors to the board of Chocolates and four directors to the board of Inversiones Argos.

Strong, diversified and growing cash flows from the Group's companies. GRUPOSURA derives most of its cash flows from dividends paid by a diversified group of companies operating across various industries. In recent years, these companies have consistently paid dividends, which have been increasing by at least the rate of inflation as measured by the IPC.

Strong balance sheet that supports our businesses. As of December 31, 2010, GRUPOSURA's shareholders' equity was COP 17,561,190 million, the second largest in Colombia, and its total debt-to-shareholders' equity ratio was 3.1%. GRUPOSURA has historically financed its expansion primarily through operating cash flow and the sale of its non-strategic assets.

Multi-product and multi-channel business model. We have increased our market share in our financial services sector by developing an integrated business model, which permits us to exploit synergies between our different banking, insurance and pension fund administration businesses while accessing a wider customer base and creating enhanced customer loyalty. We believe that our integrated business model allows us significant room for margin improvements as we seek to improve revenue synergies from our distribution, operational and administrative structure and identify promising brands and products that complement our existing brands and products. This integrated business model enables us to benefit from an extensive distribution network in Colombia that provides the Group's principal companies with a competitive advantage and creates high entry barriers that protect our businesses from competition.

Commitment to best practices, corporate governance and sustainable development. We established a Corporate Governance Code in 2002 and have been publishing annual reports on corporate governance since 2005. The guiding principle behind our corporate governance policies is to champion a business policy governed by principles of fairness, respect, responsibility and transparency and a firm commitment to Colombia and its people. Our Corporate Governance Code follows international standards regarding relationships with regulatory entities, independent board members, board of directors' roles, board of directors' committees, control and disclosure of information. In addition, as part of our emphasis on social responsibility and good corporate citizenship, we, our subsidiaries and affiliates take part in projects that help improve the quality of life for more vulnerable communities, by means of institutional contributions and our own group of volunteers, all of which is channeled through our Suramericana Foundation. In 2010, the Suramericana Foundation invested a total of COP 9,355 million in 16 departments in Colombia.

Experienced management team. We benefit from an experienced and talented management team. Most of the members of our senior management have held executive positions across various industries in Colombia and elsewhere in Latin America.

Our Strategy

Our business strategy is to expand and develop our businesses through strong and sustainable growth by identifying synergies and pursuing business creation and growth opportunities among the companies that belong to the Group. We plan to pursue our business strategy by focusing on the following:

Maintaining leadership in local markets. All of our significant subsidiaries and affiliates are market leaders in Colombia. Bancolombia is the leading financial institution in the country; Suramericana is the leading holding company for the largest insurance companies; Chocolates is the largest food processing conglomerate; and Inversiones Argos is the holding company for the largest producer in the cement and ready mix industries. We plan to maintain our leadership in these markets by employing highly skilled and trained individuals, offering superior products and solutions to our customers, investing in research and development for innovation, fostering customer loyalty by providing a combination of personalized service and high-quality products and services at competitive prices and ensuring that our businesses continue to carry out their operations through our guiding principles of fairness, respect, responsibility and transparency.

Expanding into selected international markets in our core financial services business, and supporting the growth of Group companies in the industrial sector. We have recently increased and will continue to increase our market share in Latin America by actively seeking opportunities to acquire market leading companies in the financial services sector, particularly in El Salvador, Costa Rica, Panama, the Dominican Republic, Peru and Chile. When determining to expand our interests in the financial services sector abroad, we apply the following key criteria: (i) political, social and macroeconomic country stability; (ii) growth potential; (iii) market leadership; (iv) controlling stakes; (v) positive economic, environmental and social performance; (vi) good corporate governance; and (vii) solid corporate reputation. The application of this criteria has led us to acquire, through Protección, companies such as Administradora de Fondos de Pensiones Crecer, the largest pension fund administration company in El Salvador. We have also acquired, through Suramericana, Asesuisa and Proseguros, market leading insurance companies in El Salvador and the Dominican Republic, respectively. These acquisitions are pending regulatory approval from their home countries. We are aiming to replicate acquisitions such as these in our other target countries in the near future. In the industrial sector, while we will not finance the future expansion of Chocolates and Inversiones Argos, we actively manage and support these companies through our participation on their boards of directors.

Promoting synergies among the Group. Within our financial services business, we seek to achieve synergies among our businesses through our common knowledge, information technology and human resources systems as well as the implementation of a multi-product and multi-channel business model through which we offer products and services across different industries. For example, Bancolombia and Suramericana have developed the

Bancassurance joint venture through which Suramericana's subsidiaries offer general insurance products and services at 673 of Bancolombia's branches throughout Colombia. Suramericana and Protección are also offering and marketing each others' products in order to increase cross-selling opportunities between their wide range of clients. We intend to continue promoting similar arrangements across all of our strategic interests in the near future.

Maintaining and enhancing our strong, diversified and growing cash flows. By expanding our presence in the financial services sector and supporting the growth of our interests in the industrial sector, we seek to maintain and enhance the financial strength of Group companies. In doing so, we aim to ensure that our dividend flow continues to be well diversified across various industries and grows at similar or faster rates than in recent years. In addition, to assure that our growth will not hamper our strong credit position, we intend to continue with our long-term policy of maintaining conservative leverage levels.

Corporate Structure

Compañía Nacional de Chocolates S.A., Compañía de Cemento Argos S.A., Suramericana de Seguros S.A. and Banco Industrial Colombiano S.A, which were the predecessor companies of Chocolates, Inversiones Argos, Suramericana and Bancolombia, respectively, were incorporated in 1912, 1934, 1944 and 1945, respectively. These companies operated largely as independent, operating companies until the 1970s when, as a result of an alliance among the Medellin business community (formerly known as the Sindicato Antioqueño), Compañía Nacional de Chocolates S.A., Compañía de Cementos Argos S.A. and Suramericana de Seguros S.A. entered into an equity swap as an anti-takeover measure, thereby becoming the three head companies of the so-called Grupo Empresarial Antioqueño. The Grupo Empresarial Antioqueño also gained ownership interests in Bancolombia as a result of Suramericana de Seguros S.A.'s then-ownership of Banco Industrial Colombiano S.A.

As a result of organic growth and the simplification of our shareholder structure, we now have the corporate structure set forth on the inside front cover of this offering memorandum.

Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse effect on GRUPOSURA's operations or financial condition.

Our Interests in the Financial Services Sector

Bancolombia S.A.

Bancolombia is Colombia's leading financial institution, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other countries including El Salvador, Panama, the United States, Puerto Rico and Peru. Bancolombia is the largest bank in Colombia as measured by total loans and deposits, accounting for 21.2% and 19.0%, respectively, of the Colombian market at December 31, 2010. In 2010, Bancolombia's non-performing loans as a percentage of total loans was 2.9%.

Bancolombia was founded in 1945 and has grown substantially over the years, through organic growth as well as through acquisitions. Bancolombia's distribution network in Colombia includes 921 branches, 2,945 ATMs and additional channels that contribute to its nationwide presence. Bancolombia serves approximately 6.0 million clients in Colombia and 1.0 million clients in El Salvador. As of December 31, 2010, Bancolombia had, on a consolidated basis:

- COP 68,095,156 million in total assets;
- COP 46,091,877 million in total net loans and financial leases;
- COP 43,538,967 million in total deposits; and
- COP 7,947,140 million in stockholders' equity.

Bancolombia's consolidated net income for 2010 was COP 1,436,494 million, representing an average return on equity of 19.7% and an average return on assets of 2.3%.

Bancolombia's common and preferred shares are traded on the BVC under the symbols "BCOLOMBIA" and "PFBCOLOM", respectively. Its ADRs, each representing four preferred shares, are traded on the NYSE under the symbol "CIB".

The business description of Bancolombia is included in "Item 4 – Information on The Company" in Bancolombia's 2010 Annual Report, which is incorporated by reference in this offering memorandum.

Suramericana S.A.

Overview

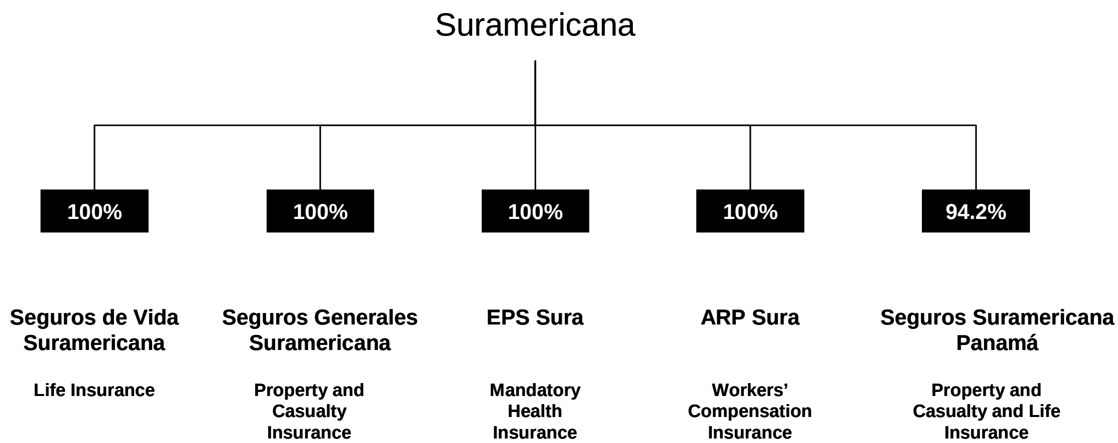
Suramericana is the holding company for a group of companies providing a full range of insurance products and related services, including social security-related services, to customers in Colombia and elsewhere in Latin America. Suramericana's principal insurance subsidiaries are as follows:

- *Seguros de Vida*, which provides life insurance services, including health, life, collective life, pension and other life insurance products. Life insurance products accounted for 34.6% of Suramericana's business by written premiums in 2010;
- *Seguros Generales*, which provides P&C insurance services, including vehicle, fire, theft, transport and other liabilities. P&C insurance products accounted for 26.6% of Suramericana's business by written premiums in 2010;
- *EPS Sura*, which provides health insurance services, including mandatory health plans and complementary health plans. Health insurance products accounted for 19.2% of Suramericana's business by written premiums in 2010;
- *ARP Sura*, which provides mandatory workers' compensation insurance, including professional risk. Workers' compensation products accounted for 10.5% of Suramericana's business by written premiums in 2010; and
- *Seguros Panama*, which provides P&C and life insurance services in Panama.

Suramericana's subsidiaries are the largest insurance companies in Colombia, as measured by premiums. In 2010, Suramericana's subsidiaries Seguros de Vida, Seguros Generales and ARP Sura were Colombia's largest insurance companies in their respective categories with 29.9%, 16.7% and 27.9% market shares based on written premiums, respectively. Suramericana's subsidiaries also offer P&C and life insurance products in Panama through Seguros Panama and will offer P&C and life insurance products in the Dominican Republic through Proseguros, and in El Salvador, through Asesuisa, once these recent acquisitions receive the requisite regulatory approvals from local authorities. In 2010, Suramericana had total operating revenues of COP 319,707 million, of which 99.9% consisted of earnings under the equity method, which represents earnings from Suramericana's principal insurance subsidiaries Seguros de Vida, Seguros Generales, EPS Sura, ARP Sura and Seguros Panama.

Corporate Structure

The following chart presents Suramericana's ownership in its material subsidiaries as of the date of this offering memorandum:



Mandatory Insurance Coverage in Colombia

Colombian law requires that employers provide mandatory coverage of professional risk and workers' compensation insurance. Professional risk insurance consists of public and private policies which aim to prevent or provide care for workers that are affected by occupational hazard, injury or illness arising from their professional activity. Professional risk insurance coverage and workers' compensation are offered in Colombia by public entities and private life insurers that have obtained previous authorization from the SFC. The authorized providers of professional risk and workers' compensation products are called *Administradora de Riesgos Profesionales* (Professional Risk Administrator, or "ARP"). ARP Sura is a legally established ARP pursuant to Colombian regulations.

This system offers comprehensive coverage that ensures the prevention of risk and recognizes and pays for both health services and economic benefits, while at the same time mitigating possible occupational health claims. The employer is exclusively responsible for paying into the system.

Colombian law also requires mandatory social security coverage. The social security health scheme is administered through entities designated as *Entidades Promotoras de Salud* (Health Care Promoting Entity, or "EPS"). By law, social security includes the coverage of health care insurance and the recognition and payment of disability and maternity leaves. The social security system is controlled and monitored by the Colombian government, and financed through contributions made by employers, workers and independent contractors. EPS Sura is a legally established EPS pursuant to Colombian regulations.

Mandatory health insurance coverage in Colombia is provided pursuant to the *Plan Obligatorio de Salud* (Mandatory Health Plan), which details the procedures, supplies and medicines to which the public has the right of access. Minimum health benefits are provided to the Colombian public, regardless of the economic status of the insured or their ability to pay insurance premiums.

Colombian law also regulates a mandatory pension scheme, which is administered by public or private AFPs. The pension scheme provides old age, invalid and survivors' pensions for those covered through the system. Coverage related to invalids and survivors is implemented through the mandatory pension scheme if originated in nonprofessional accidents or through sickness. Professional risk insurance covers labor accidents and diseases contracted during employment of invalids and for survivors. Affiliation is mandatory for all Colombians who earn at least a minimum wage. The pension scheme is controlled and monitored by the Colombian government, and financed through contributions made by employers, workers and independent contractors.

Sales and Marketing

The following table sets forth total premiums recorded by business line in 2010, 2009, and 2008:

	Premiums by Business Line For the years ended December 31,		
	2010	**2009**	**2008**
		(COP in millions)	
Life Insurance	1,320,159	1,108,618	1,163,782
P&C Insurance	1,013,669	896,682	812,623
Health Insurance	733,354	644,909	585,425
Workers' Compensation	402,419	342,180	318,781
Other	347,007	347,328	278,085
Total	**3,816,608**	**3,339,717**	**3,158,696**

In the case of the life insurance business of Suramericana's subsidiaries, the following table sets forth a breakdown of premiums recorded by Seguros de Vida in 2010:

	Premiums
	(COP in millions)
Individual life	360,873
Health	346,279
Group life insurance	211,650
Social security insurance	192,363
Annuities and pensions	148,659
Other life insurance	60,335
Total	**1,320,159**

In the case of the P&C insurance business of Suramericana's subsidiaries, the following table sets forth a breakdown of premiums recorded by Seguros Generales in 2010:

	Premiums
	(COP in millions)
Automobile	440,211
Mandatory personal insurance	191,251
Other P&C	140,591
Compliance	139,880
Third party liabilities	46,435
Transportation	36,210
Theft	19,091
Total	**1,013,669**

Internationally, Suramericana sells P&C insurance in Panama through Seguros Panamá. Additionally, after it receives the requisite regulatory approvals in the Dominican Republic, Suramericana will sell insurance in the Dominican Republic through Proseguros Compañia de Seguros S.A., which offers a wide array of insurance products including, life, family, vehicle, health and valuable asset insurance. In El Salvador, after it receives the requisite regulatory approvals in that country, Suramericana will sell insurance through Asesuisa, which offers a number of different insurance products, including car, health, home, serious accident, family, and life insurance.

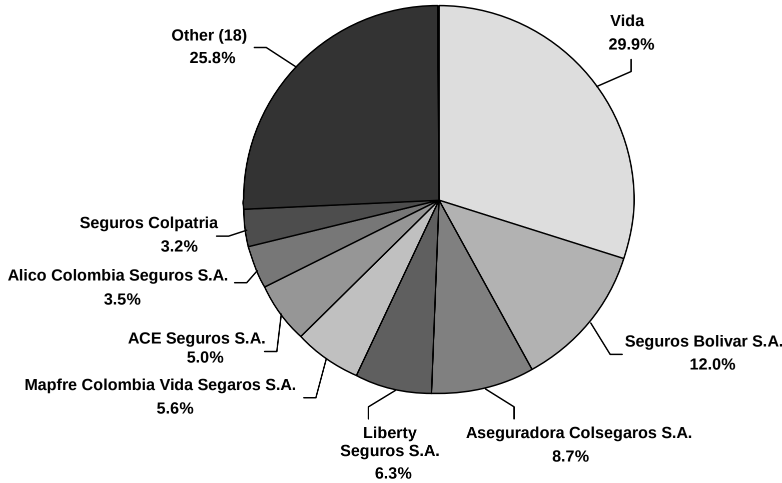
In addition, Suramericana has recently formed an alliance with Caja de Compensación Familiar de Antioquia S.A. ("COMFAMA") to sell life and workers compensation insurance. COMFAMA is a privately-run association which is supervised by the Colombian government. It serves over 1.5 million people in Antioquia and provides educational, health, lending, housing, recreational and cultural services.

In 2010, Suramericana's subsidiaries primarily marketed their services through a distribution network of 4,720 insurance agents operating through 73 of their own branches, 52 selling stations through Suramericana's joint venture with Almacenes Éxito, the largest retail company in Colombia, and the Bancassurance joint venture with Bancolombia that provides access to 673 of Bancolombia's branches. Suramericana's subsidiaries service more than 3.5 million clients in Colombia.

Competition

Life Insurance

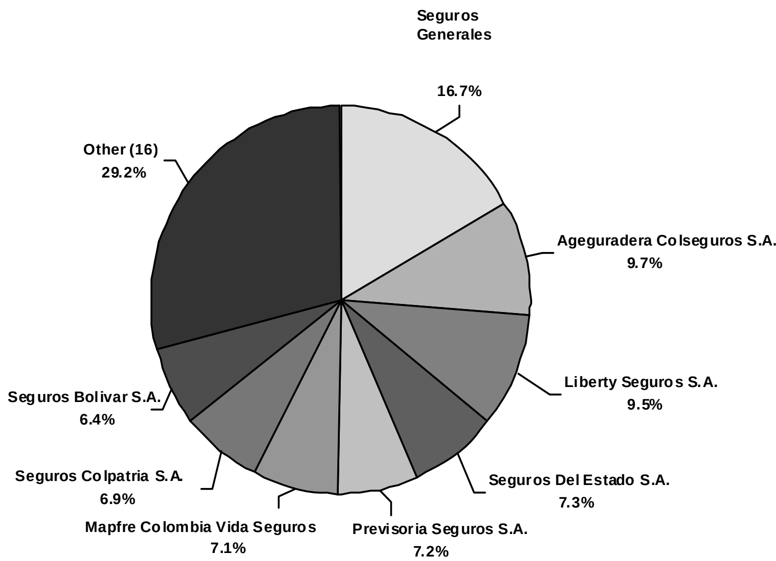
Seguros de Vida is Colombia's largest life insurance insurer, with a 29.9% market share based on written premiums in 2010. Through a Bancassurance agreement with Bancolombia, Seguros de Vida also shares access to more than 673 branches of Bancolombia. As of December 31, 2010, Seguros de Vida's three biggest competitors in the Colombian life insurance market were Seguros Bolivar S.A. ("Bolivar"), Aseguradora Colseguros S.A. ("Colseguros") and Liberty Seguros S.A. ("Liberty") with 12.0%, 8.7% and 6.3% market shares by written premiums, respectively.



Source: FASECOLDA.

Property and Casualty Insurance

Seguros Generales is Colombia's largest P&C insurer, with a 16.7% market share based on written premiums in 2010. As of December 31, 2010, Seguros Generales' three biggest competitors in the Colombian P&C insurance market were Colseguros, Liberty and Seguros Del Estado S.A. with 9.7%, 9.5% and 7.3% market shares based on written premiums in 2010, respectively.



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Source: FASECOLDA.

Workers Compensation' Insurance

ARP Sura is Colombia's largest provider of workers' compensation products with a 27.9% market share based on written premiums in 2010. As of December 31, 2010, ARP Sura's three biggest competitors in Colombia were Positiva, Colmena and Colpatria with 22.7%, 16.4% and 13.9% market shares by written premiums, respectively.

Health Insurance

EPS Sura is Colombia's fourth largest provider of health insurance products with a 8.0% market share based on written premiums in 2010. As of December 31, 2010, EPS Sura's three biggest competitors in Colombia were Saludcoop, Coomeva and Salud Total with 33.4%, 17.6% and 10.4% market shares by written premiums, respectively.

Intellectual Property

Suramericana has an intellectual property portfolio, including trademarks, which are used as a strategic tool in the protection of its business activities. Suramericana seeks to protect its intellectual property by establishing its title through trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement by a third party. In June 2009, Suramericana modified the trade name of all of the subsidiaries so that they all carry the term "SURA" in order to integrate and consolidate its market presence. Suramericana's subsidiaries now provide their services under the trade name SURA and sub-brands Seguros SURA, ARP SURA, EPS SURA, Salud SURA and Autos SURA, among others.

Employees

Suramericana and its subsidiaries had approximately 6,364 employees as of December 31, 2010. 84 employees and 494 insurance agents employed by Suramericana and its Colombian subsidiaries were unionized.

Legal Proceedings

Suramericana and its subsidiaries are involved in various claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse effect on Suramericana's results of operations or financial condition.

Protección S.A.

Protección is the second largest private pension fund administrator in Colombia. In 2010, Protección had COP 29,649,821 million in assets under management, representing a market share of 25.9%. Protección has 3.1 million clients. In 2010, Protección's consolidated net income was COP 85,716 million.

Protección's common shares are traded on the BVC under the symbol "PROTECCION".

Our Interests in the Industrial Sector

Our Processed Foods Business

Grupo Nutresa, S.A. (formerly known as Grupo Nacional de Chocolates S.A.)

Overview

Chocolates operates the largest food processing group in Colombia as measured by market share in the majority of the business lines that it serves. Chocolates also has a significant presence in Venezuela, Central America, the United States, Peru, Mexico, Ecuador and the Caribbean.

Chocolates' origins can be traced to 1912 when Fábrica de Galletas y Confites, a company making cookies and confectionery, was incorporated in Medellin, Colombia. Through the years Chocolates has grown organically and through acquisitions. Its principal acquisitions include, among others, the following: the acquisition of Pastas Comarrico S.A. ("Comarrico") in 2005; the acquisition of 94.0% of Setas Colombianas S.A.("Setas"), a Colombian company dedicated to the production and distribution of mushrooms, in 2005; and the acquisition of Meals de Colombia S.A.S., the leading ice cream company in Colombia, in 2006.

Chocolates has continued to expand internationally. Significant acquisitions in 2006 included the acquisition of Nestle's cookie and chocolate plants in Costa Rica in 2004; Compañia de Galletas Pozuelo DCR, S.A., a cookie company with a significant presence in Central America and the Caribbean; and Blue Ribbon Products S.A., a cold cut processing company in Panama. In 2007, Chocolates entered the Peruvian market through its acquisition of Good Foods S.A., a chocolate, cookie and candy company. In 2009, it acquired Nutresa S.A. de C.V., a chocolate company in Mexico.

In 2010, Chocolates acquired Fehr Holdings LLC, which manufactures and markets cookies through two production facilities in Texas and Oklahoma. In 2011, Chocolates signed an agreement with the shareholders of Helados BON S.A. to acquire a 73.1% stake in the Helados BON ice cream manufacturer in the Dominican Republic, which controls almost 80.0% of the market share in that country.

Chocolates' principal activities involve producing, distributing and selling cold cuts, cookies, chocolates, roasted and milled coffee, ice cream and pasta. Chocolates' other activities include its interests in the packaging industry. Chocolates' cold cuts, cookies, chocolates, coffee, ice cream, and pasta businesses offer a competitive group of products which have helped Chocolates capture a majority of the market in its respective business lines in Colombia. Chocolates has an extensive distribution network in 12 countries, owns operating facilities in eight countries, and benefits from broad international distribution of its products, which are exported to 74 countries.

In 2010, Chocolates had consolidated operating revenues of COP 4,458,858 million, of which 32.7% is attributable to the cold cuts segment, 19.6% to cookies, 19.4% to chocolates, 15.8% to coffee, 5.9% to ice cream, 4.2% to pasta and 2.4% to others. Chocolates' consolidated net income in 2010 was COP 263,239 million.

Chocolates' common shares are traded on the BVC under the symbol "CHOCOLATES," and its Level 1 ADRs are traded on the OTC Market in the United States under the symbol "GCHOY."

Corporate Structure

Chocolates currently has 41 subsidiaries across its multiple business lines. Of these subsidiaries, 38 are wholly owned by Chocolates. The remaining three are La Recetta Soluciones Gastronómicas Integradas S.A.S., a food distribution company in which Chocolates has a 70.0% ownership interest, Setas, a company dedicated to the production and distribution of mushrooms in which Chocolates has a 94.8% ownership interest and Industrias Aliadas S.A., a coffee processing company in which Chocolates has a 83.3% ownership interest.

Products

Chocolates' cold cuts, cookies, chocolates, coffee, ice cream and pasta businesses offer a competitive group of products which have helped Chocolates capture a majority or near majority of the market in all of its segments in Colombia, based on information published by Nielsen Colombia.

Cold Cuts

The cold cuts division has 73.0% of the market share in Colombia, as measured by sales volume in 2010. The division's strong performance is attributable to products such as Sandwich Pack (pre-packaged ham and cheese), Pietran's Turkey Ham, Salchicha Ranchera (barbecue sausage) and Pietran's Pork Ham, among others.

Cookies

The cookies division has 56.9% of the market share in Colombia, as measured by sales volume in 2010. Key market-leading products include Saltín Noel (saltine crackers), Maizeritas Crackers (corn crackers), Tosh Wafer Yoghurt Coconut Lemon (yogurt-filled wafer with a coconut lemon flavor), Tosh Avena Chocolate (chocolate oatmeal cookies), Festival Mix and Festival Chococream (cookie semi-covered with chocolate and with a strawberry or vanilla filing), Ham Flavored Club Extra (ham flavored cookies), Chicky Chips, (vanilla-filled cookie, semi-covered with chocolate and chocolate sprinkles), among others.

Chocolates

The chocolate division has 63.2% of the market share in Colombia, as measured by sales volume in 2010. Popular brands in this segment include Jet, Jumbo Crock Bar (chocolate-covered caramel bar with peanuts), Frunas Cubo (strawberry, lemon and fruit flavored candies), Maní con sal bajo en sodio (peanuts low in sodium), and Jet in Costa Rica (chocolate bar).

Coffee

The coffee division has 50.9% of the market share in Colombia, as measured by sales volume in 2010. Chocolates has two primary brands in this segment, including Matiz (a premium brand of ground roasted coffee) and Colcafé (instant coffee in 14 different flavors), among others

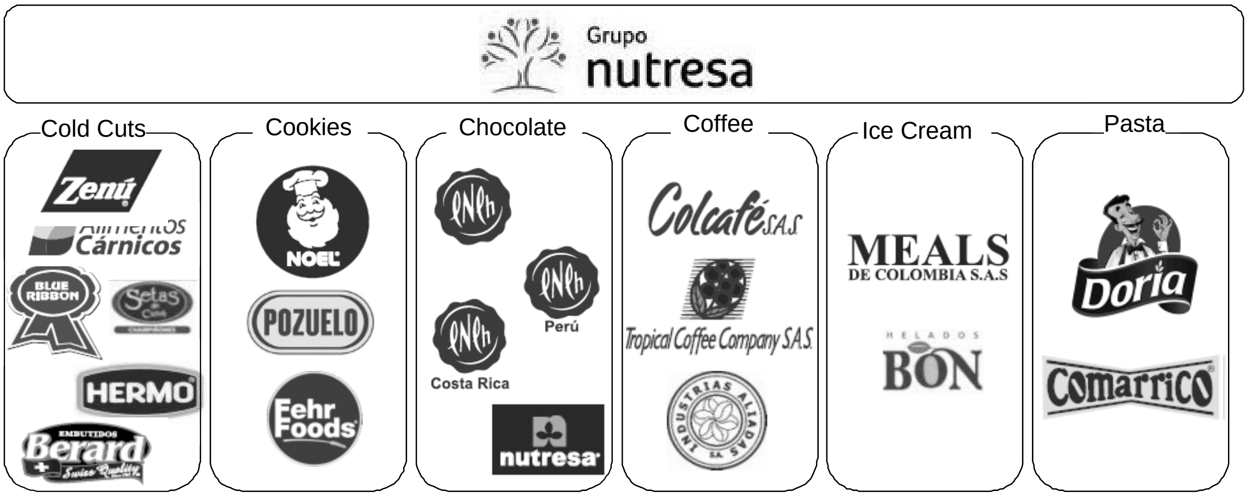
Ice Cream

The ice cream division has 80.0% of the market share in Colombia, as measured by sales volume in 2010. The market-dominating performance is attributable to such products as Sinfonía (premium ice cream), Polet Tentaciones (flavored ice creams), Pasión Por el Yogurt (frozen yogurt), and Casero Especial (traditional "home-made" ice cream at affordable prices), among others.

Pasta

The pasta division has 48.9% of the market share in Colombia, as measured by sales volume in 2010. Key products include Monticello Bronze Process, Risoni, Monticello Capellini, Granitas de Pasta Doria (rice-sized pieces of pasta), and Del Menú instant flavors (instant pasta).

The following table sets forth the trademarks under which Chocolates operates by business line:



Advertising

Chocolates' primary advertising campaigns include television and radio commercials, product tastings, and promotions in retail stores and small neighborhood stores. In 2010, Chocolates' advertising expenses totaled COP 36,582 million. In 2011, Chocolates expects to devote substantial resources to promoting and enhancing the image of the Nutresa brand as a result of the name change to Grupo Nutresa.

Sales and Marketing

The following table sets forth Chocolates' sales levels for the last three years by business line for the periods indicated:

	Sales by Business Line For the years Ended December 31,		
	2010	2009	2008
		(COP in millions)	
Cold cuts	1,457,415	1,589,155	1,323,482
Cookies	874,603	907,865	859,152
Chocolates	864,590	873,909	795,408
Coffee	706,204	642,818	501,638
Ice cream	262,733	289,065	282,843
Pasta	187,962	189,991	182,159
Others	105,351	95,563	65,044
Total	**4,458,858**	**4,588,366**	**4,009,727**

The following table sets forth Chocolates' sales by region for the periods indicated:

	Sales by Region For the years Ended December 31,		
	2010	2009	2008
		(COP in millions)	
Colombia	3,234,989	3,093,962	2,906,178
Venezuela	345,364	661,069	458,337
Central America	311,948	329,458	299,001
Mexico	97,211	68,906	–
Peru	84,870	77,520	100,323
Ecuador	48,226	51,680	51,145
United States	265,431	208,872	88,520
Caribbean	16,708	25,840	45,244
Other countries	54,111	71,059	60,979
Total	**4,458,858**	**4,588,366**	**4,009,727**

In 2010, COP 3,519,236 million, or 78.9%, of Chocolates' sales were in Colombia, with remaining sales primarily in Venezuela, Central America and Mexico.

In Colombia, less than 1.0% of Chocolates' customers are large retailers and more than 99.0% are small neighborhood stores. Internationally, 10.0% of Chocolates' customers are large retailers, 50.0% are small neighborhood stores and 25.0% are wholesalers. None of Chocolates' customers represents more than 10.0% of its consolidated operating income.

One of Chocolates' main strengths is its distribution network, Cordialsa S.A. ("Cordialsa"). The origins of the Cordialsa network date to 1995 when Chocolates expanded its direct marketing efforts in Ecuador and Venezuela. Currently, the Cordialsa network has direct operations in 12 countries, which include Venezuela, Panama, Peru, Mexico, Puerto Rico, the United States and Costa Rica. In addition, Cordialsa serves as the distribution and marketing company for all Chocolates' products, which are exported to 74 countries. The Cordialsa network specializes in sales and delivery of products and does not have any production facilities. It focuses on attending to its clients' distribution needs, therefore permitting industrial clients to focus their efforts on innovation, brand marketing, industrial processes, and international marketing.

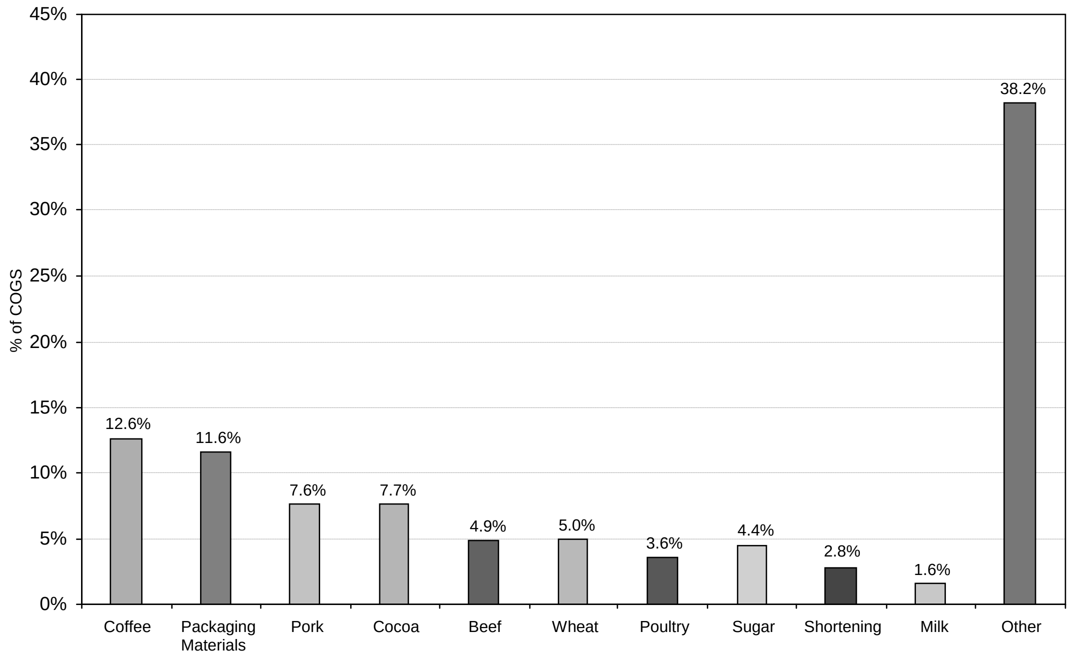
In Colombia, Chocolates has 36 distribution warehouses. Chocolates' network reaches approximately 151,000 customers nationwide. The network has a fleet of 500 vehicles, half of which are rented and half of which are provided through a specialized transport cooperative. Chocolates has eight key distribution centers, which are strategically located across Colombia in Bucaramanga, Cali, Ibague, Medellin, Barranquilla, Pereira, Bogotá Norte and Bogotá Sur.

In 2010, to facilitate consumer access to Chocolates' products, Chocolates expanded the Cordialsa network into Colombia and began consolidating its domestic distribution networks into one company, Cordialsa Colombia. Chocolates expects that the integration process will conclude in October 2011. Once this integration process is complete, Cordialsa Colombia will be responsible for an estimated COP 1,800 million in sales, which would represent approximately 43.0% of the sales of Chocolates and cover 950 municipalities of the 1,122 municipalities in Colombia.

Cordialsa Colombia has already become the largest sales and distribution company in Colombia, with more than 1,500 clients and a portfolio of more than 950 products. In particular, it serves as the distributor for the products of Compañía de Galletas Noel S.A.S ("Noel"), Industria Colombiana de Café S.A.S. ("Colcafé"), Productos Alimenticios Doria S.A.S. ("Doria") and Comarrico, among others.

Raw Materials and Suppliers

As of December 31, 2010, Chocolates' food production required the following raw materials as a percentage of cost of goods sold:



Chocolates utilizes a variety of diverse suppliers to obtain the primary raw materials needed for its food production. In nearly all categories of raw materials, Chocolates retains multiple suppliers. None of Chocolates' suppliers represents more than 10.0% of its aggregate purchases.

Property

Chocolates owns 23 production plants in Colombia and 11 production plants outside of Colombia, including in the United States, Costa Rica, Mexico, Panama, Peru, Venezuela and the Dominican Republic. As of December 31, 2010, Chocolates owned the following principal properties in Colombia:

Property Owner	Description	Location
Alimentos Cárnicos S.A.S.	Suizo Production Plant	Colombia
Compañia Nacional de Chocolates S.A.S.	Chocolates Production Plant	Colombia
Industría Colombiana de Café S.A.S.	Coffee Production Plant	Colombia
Industría de Alimentos Zenú S.A.S.	Zenu Production Plant	Colombia
Industria de Alimentos Zenú S.A.S.	Grebli warehouse	Colombia
Compañía de Galletas Noel S.A.S.	Noel Production Plant	Colombia
Chocolates	Chocolates' Offices	Colombia
Industria Colombiana de Café S.A.S.	Colcafé Offices	Colombia
Productos Alimenticios Doria S.A.S	Doria Production Plant	Colombia
Chocolates	Chocolates' Production Plant	Colombia

Manufacturing Processes

Chocolates has adopted a commitment to quality, food safety and respect for its customers. Through an integrated management system, Chocolates has effective controls over all stages of food production.

The standards and practices of quality control, environmental compliance, food safety, risk management, occupational health safety measures and commercial security are embedded in Chocolates' manufacturing activities, policies and procedures. Chocolates' companies comply with the following international standards and certifications: Business Alliance for Secure Commerce (BASC), Hazard Analysis and Critical Control Points (HACCP), Occupational Health & Safety Advisory Services (OHSAS) Icontec International, International Organization for Standardization (ISO), International Food Standard Certificate (IFS), and KASHRUT, a Kosher certification. Compliance with these standards is routinely assessed by internal and external auditors.

Research and Development

Innovation is a fundamental part of the growth and development of Chocolates. All of the companies comprising Chocolates seek to generate new products each year that provide nutritional and health benefits to their customers. In order to support this objective, in 2010, Chocolates invested 0.5% of its annual total sales in research and development. 23.3% of Chocolates' total sales in 2010 were determined from new products introduced in that year.

Competition

The following table presents Chocolates' market share and principal competitors by business line in Colombia as of December 31, 2010:

Business Line	Chocolates' Market Share in Colombia	Primary Competitors
Cold cuts	73.0%	Alimentos Friko
Cookies	56.9%	Nestle de Colombia S.A., Colombina
Chocolates	63.2%	Casa Luker S.A., Nestle de Colombia Colombina S.A., Ferrero del Ecuador
Coffee	50.9%	Nestle de Colombia
Ice cream	80.0%	Colombina S.A., Comercial Allan
Pasta	48.9%	Harinera del Valle

Source: Nielsen Colombia

Intellectual Property

Chocolates considers its trademarks, in the aggregate, to be material to its business. Chocolates protects its trademarks by registration or otherwise in Colombia and in other markets where it sells its products. Trademark protection continues in some countries for as long as the mark is used and in other countries for as long as it is registered. Registrations generally are for renewable, fixed terms. From time to time, Chocolates grants third parties licenses to use one or more of its trademarks in particular locations. Similarly, Chocolates sells some products under brands it licenses from third parties. Its trademarks include Alimentos Cárnicos, Cunit, Suizo, Gestión Cargo, La Americana, Linaje, Pietran, Ranchera, Rica Rondo, Sofia Express, Sonora, Zenú, Jet, Crem Helado, Colcafé, Noel, Pozuelo, Doria, and Jumbo, among others.

Additionally, Chocolates owns numerous patents in Colombia and elsewhere. While its patent portfolio is material to its business, the loss of one patent or a group of related patents would not have a material adverse effect on its business. Chocolates has either been issued patents or has patent applications pending that relate to a number of current and potential products, including products licensed to others. Patents issued or applied for, cover inventions ranging from basic packaging techniques to processes relating to specific products and to the products themselves. Chocolates' issued patents extend for varying periods according to the date of patent application filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage as determined by the patent office or courts in the country, and the availability of legal remedies in the country. Chocolates considers that in the aggregate its patent applications, patents and licenses under patents owned by third parties are of material importance to its operations. Chocolates also has proprietary trade secrets, technology, know-how processes and related intellectual property rights that are not registered.

Employees

Chocolates had approximately 29,300 employees as of December 31, 2010, of which approximately 23,500 were Colombian employees and approximately 5,800 were non-Colombian employees. 11% of Chocolates' employees under contract were unionized.

Environmental

We are currently unaware of any material environmental liabilities or other material environmental issues relating to Chocolates' properties or operations and anticipate no material expenditures for compliance with environmental laws or regulations.

Legal Proceedings

Chocolates is involved in various claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse affect on Chocolates' operations or financial condition.

Our Cement, Ready Mix and Energy Business

Inversiones Argos S.A.

Inversiones Argos is the holding company for a group of companies operating mainly in the cement, ready mix and energy industries in Colombia, the United States, Central America and the Caribbean. Inversiones Argos' main subsidiaries include the cement company Cementos Argos and the energy company Colinversiones. Inversiones Argos' consolidated revenues for 2010 were COP 5,409,150 million. As of December 31, 2010, Inversiones Argos directly held a 62.1% interest in Cementos Argos and a 50.1% interest in Colinversiones. On an unconsolidated basis, Inversiones Argos received dividends of COP 161,684 million in 2010, of which 55.9% is attributable to Cementos Argos and 10.4% to Colinversiones.

Inversiones Argos' common shares are traded on the BVC under the symbol "INVERARGOS."

Cementos Argos S.A.

Overview

Cementos Argos is engaged in the business of producing cement and ready mix in Colombia, the United States, Panama, Haiti, the Dominican Republic, St. Maarten, St. Thomas, Antigua, Dominica, Curacao and Surinam. Cementos Argos' operating revenues derive from sales of cement and ready mix in these countries, as well as from its cement exports to more than 37 countries. In addition to what Cementos Argos produces abroad, approximately 30.0% of its Colombian production is exported to the United States and the Caribbean region.

In 2010, Cementos Argos was the leading cement and ready mix producer in Colombia in terms of cement and ready mix sales volumes, the fifth largest cement and ready mix producer in Latin America in terms of cement and ready mix sales volumes, and the sixth largest ready mix producer in the United States in terms of ready mix sales volume. In the United States, Cementos Argos operates in the regional markets of Texas, Arkansas, Georgia, South Carolina, North Carolina and Virginia.

Cementos Argos is the fifth largest producer of cement in Latin America, and the leading producer in Colombia and in the Caribbean. In terms of its cement production, Cementos Argos controls four ports and operates 11 cement plants with a total production capacity of 12.8 million tons per year in Colombia. In ready mix, Cementos Argos owns 400 mixers and 70 plants, and has a total production capacity of 3.5 million cubic meters in Colombia. Internationally, Cementos Argos exports cement and clinker to over 39 countries.

Cementos Argos has achieved its market position through internal growth and through strategic acquisitions. Principal acquisitions in recent years include, among others, the following: the assets of Southern Star Concrete, Inc., a producer and distributor of ready mix in Texas and Arkansas in 2005; the assets of two Colombian companies, Cementos La Union S.A. and Cementos Apolo S.A. (successors of Cementos Andino S.A. and Concrecem S.A.) in 2005; and the assets of Southern Equipment Company, Inc. (d/b/a Ready-Mix Company), one of the leading ready mix producers in Georgia, North Carolina, South Carolina and Virginia in 2006.

Cementos Argos organizes its business along three geographic regions, which include Colombia, the United States and the Caribbean. It divides its business activities into three business segments, which include cement, ready mix, and others. Additionally, Cementos Argos has two divisions that support its operations for the production and distribution of cement, ready mix and aggregates, namely, logistic support and energy support. Cementos Argos' support division helps it achieve important cost savings through vertical integration.

For 2010, 51.0% of Cementos Argos' consolidated operating revenues were attributable to its Colombian operations, 24.0% to its U.S. operations and 20.0% to its Caribbean operations. For 2010, 61.0% of Cementos Argos' consolidated operating revenues were attributable to its sales of cement and 39.0% to its sales of ready mix and others.

Cementos Argos' common shares are traded on the BVC under the symbol "CEMARGOS", and its Level 1 ADRs are traded on the OTC Market in the United States under the symbol "CMTOY".

Corporate Structure

Cementos Argos currently has 54 subsidiaries which include cement companies, ready mix producers and ports in Colombia, the United States, Central America and the Caribbean. Of these subsidiaries, 47 are wholly owned by Cementos Argos.

Products

Cementos Argos' cement production plants produce a diverse range of products, including general use cement (used for any construction), structural cement (intermediate resistance for mid-size construction), gray cement for industrial use (specific use), gray cement for ready mix (specific use), cement type I and II for exports, white cement for general use and white cement for exports.

Cementos Argos is the only producer of white cement in Colombia. Currently, Cementos Argos produces white cement in the Nare production facility. White cement is used as a construction material for ornamental purposes. White cement production is particularly difficult because the limestone and other minerals needed to produce white cement must comply with certain specifications that are only available at the quarry near Cementos Argos' Nare plant.

Cementos Argos' portfolio of ready mix products includes construction materials to satisfy demands of infrastructure projects, such as high resistance ready mix, for architectural projects, such as architecture and white ready mix, for ornamental purposes, such as light ready mix, and for public space, such as floor ready mix.

Coal and electric energy represent a significant percent of the production costs for cement. Cementos Argos extracts from its own coal mines approximately 53.0% of the coal consumed by its Colombian cement production plants. Likewise, Cementos Argos generates between 75.0%-80.0% of the power it requires for its operations in Colombia through its own power generation plants.

Manufacturing and Distribution

As of December 31, 2010, Cementos Argos:

- was the fifth-largest cement company in Latin America and a leader in the Western Hemisphere, with operations diversified in three geographic zones, including Colombia, the United States and the Caribbean. In Colombia, Cementos Argos owns 11 cement plants with an installed capacity of 12.8 million metric tons per year;
- owns and operates 221 ready mix production plants, 145 of which are located in the United States, and 70 of which are located in Colombia;
- owns approximately 1,149 mixers in the United States, approximately 89 mixers in the Caribbean and approximately 400 mixers in Colombia;

- operates three ports in the United States, eight ports in the Caribbean, including Haiti, the Dominican Republic and Panama and four ports in Colombia;
- operates four seaport facilities in Tolú, Cartagena, Buenaventura and Barranquilla in Colombia;
- operates one warehouse at a port facility in Savannah, Georgia, one seaport facility in Houston, Texas and one seaport facility in Wilmington, North Carolina, with a capacity to process approximately 0.6 million metric tons of cargo per year and owns the right to operate an additional seaport facility in Wilmington, with a capacity to process approximately 0.6 million metric tons of cargo per year, should its operational needs exceed the capacity of the other Wilmington port facility;
- operates and produces under governmental concessions 11 quarries in Colombia from which Cementos Argos extracts the limestone and other raw materials used for the production of cement;
- operates and produces under governmental concessions five coal mines in Colombia from which Cementos Argos obtains a significant portion of the coal required by its cement production plants and power plants in Colombia;
- owns one thermal coal mine located in the Department of Cesar, Colombia;
- operates eight strategic power generation plants in Colombia from which Cementos Argos obtains a significant portion of the power required by its cement production plants in Colombia; and
- owns and operates three power generating plants for its Rioclaro (with an installed capacity of 17 MW), CPR (with an installed capacity of 15 MW) and Valle (with an installed capacity of 17 MW) cement production plants.

Sales and Marketing

Cementos Argos produces cement in Colombia and the Caribbean. The following table shows Cementos Argos' production of cement by region for the last three years, measured by sales volume:

	Production of Cement by Region For the Year Ended December 31,		
	2010	**2009**	**2008**
	(millions of metric tons per year)		
Colombia	4.3	4.0	4.4
Caribbean	2.7	3.1	3.1
Total	**7.0**	**7.1**	**7.5**

Cementos Argos produces ready mix in the United States, Colombia and the Caribbean. The following table shows Cementos Argos' production of ready mix by region for the last three years, measured by sales volume:

	Sales of Ready Mix by Region For the Year Ended December 31,		
	2010	**2009**	**2008**
	(millions of cubic meters per year)		
United States	3.6	3.5	5.2
Colombia	1.9	1.4	1.6
Caribbean	0.4	0.4	0.4
Total	**5.9**	**5.3**	**7.2**

In Colombia, 56.0% of Cementos Argos' customers are retailers, 22.0% are construction companies, 14.0% are ready mix companies, 4.0% are pre-cast companies and 4.0% are other customers, as measured by sales volume in 2010. In Central America and the Carribean, 32.0% of Cementos Argos' customers are wholesalers, 30.0% are grinding facilities, 20.0% are ready mix companies and 18.0% are cement terminals as measured by sales volume in 2010. In the United States, 48.0% of Cementos Argos' customers are commercial, 28% are residential, 22% are government or highway administration authorities and 2% are other customers as measured by sales volume in 2010.

Cementos Argos is an active participant in the bidding process involving Colombian infrastructure projects. For example, Cementos Argos was awarded 4.5 million cubic meters in ready mix contracts to be delivered within the next 36 to 48 months. Cementos Panamá, a subsidiary of Cementos Argos, signed a contract with the consortium *Grupo Unidos por el Canal*, to supplying cement and cementitious products to be used in the expansion of the Panama Canal on the Atlantic side. In the United States Cementos Argos' U.S. subsidiaries were awarded more than 650 thousand cubic meters in ready mix contracts to be delivered within the next 12 to 18 months. In particular, they will supply ready mix to be used in the renovations of the North Tarrant Expressway and the Lyndon B. Johnson Freeway in Texas.

None of Cementos Argos' customers represents more than 10.0% of its consolidated operating income.

Cementos Argos' recent marketing strategies have included advertising campaigns, *Construyá Program*, a venture with certain Colombian financial entities that grant small loans to low income customers seeking to build housing units, and new brand positioning and training programs that help it approach its customers and position its brand.

Raw Materials and Suppliers

Cementos Argos' cement production primarily requires limestone, which is mixed with silica, clay, bauxite and iron, and finally milled with gypsum. In Colombia, Cementos Argos obtains 99.0% of its supplies of limestone, silica and clay from its own quarries and 1.0% from third parties. Cement production under the wet process requires large amounts of water. Cementos Argos uses underground or river water for its cement production plants located in the countryside and not connected to public water pipelines. Cementos Argos' cement plants in Colombia also consume large amounts of electric power and use coal as fuel. Cementos Argos obtains the natural gas it requires for its operations from private third parties. Gas consumption at Cementos Argos' production facilities is not substantial.

Cementos Argos' ready mix production uses raw materials such as cement and aggregates, including sand and gravel. In Colombia, Cementos Argos obtains 100.0% of its supplies of cement and 51.0% of its supplies of aggregates from its own production and quarries in Colombia. The remaining portion of aggregates' requirements are purchased from third parties. Cementos Argos' subsidiaries in the United States obtain approximately 14.0% of their cement requirements from imports purchased from Cementos Argos in Colombia and 86.0% from purchases from third parties in the United States. Cementos Argos' subsidiaries in the United States obtain 100.0% of their aggregates requirements from purchases from third parties.

Cementos Argos' principal suppliers are as summarized in the table below:

Raw Material	Suppliers
Natural gas	Chevron Petroleum Company
Sand	Gravillera Albania S.A. Sociedad Rozo and Rozo Ltda. Martin Marietta Inc.
Gravel	Gravillera Marieta S.A. Conagre S.A. C.I. Agrecal S.A. Martin Marietta Inc.

None of Cementos Argos' suppliers in Colombia and the United States represent more than 10.0% of its aggregate purchases.

Research and Development

Cementos Argos conducts research and development in laboratories located in its cement and ready mix plants in Colombia. Cementos Argos' research and development is focused in four areas: (i) technology development for energy optimization and substitute materials, (ii) new product development, (iii) new process development to find alternative raw materials and fuels, mineral admixtures and energy optimization processes, and

(iv) process optimization. In 2011, Cementos Argos intends to invest COP 5,900 million in research and development. Cementos Argos also performs research and development activities with leading Colombian universities such as Universidad Nacional, Universidad del Valle and Universidad de Antioquia, among others.

Competition

Colombia. As of December 31, 2010, the primary three cement producers in Colombia consisted of Cemex Colombia, S.A., Cementos Argos and Holcim. These three producers combined have approximately a 98.0% market share as measured by volume. The composition of the market has not experienced any major changes during the last ten years, except for during periods of intense pricing wars. Cementos Argos has been able to maintain its cement market share over the past few years.

The market for ready mix and other construction materials is not as concentrated as the cement market. Currently, there are 20 producers of ready mix in Colombia, which include Cemex, Holcim, Technical Ready Mix Concrete Est., Hormigón Andino S.A., Compañia Productora de Cementos S.A. and Maquiconcretos S.A. As of December 31, 2010, Cementos Argos had a 42.0% share of the ready mix market in Colombia. Cementos Argos is the ready mix market leader in the main regions such as Cundinamarca, which includes Bogotá, Antioquia, Atlántico, Bolivar and Santander which account for 56.0% of total sales. In Bogotá, D.C., the capital of Colombia, Cementos Argos has a market share of approximately 25.0%.

United States. The cement industry in the United States is highly competitive. There are approximately 39 cement companies operating in the United States. Cemex leads the national market with approximately 15.0% market share by sales volume of the total market as of December 31, 2010, followed by Lafarge with a 13.0%, Holcim, with 13.0% , Buzzi with 9.0% and Heidelberg with 7.0%.

As of December 31, 2010, according to U.S. Geological Survey Minerals Information and the Portland Cement Association, Cementos Argos had a 4.7% market share by sales volume in the U.S. cement imports market.

Caribbean Region. The cement industry in the Caribbean region is highly competitive. The main market participants in the Caribbean region are Cemex, Holcim and Cementos Argos. According to the Interamerican Cement Federation, as of December 31, 2010 Cementos Argos had a 25.0% share of the market by sales volume while Cemex and Holcim followed with market shares of 24.0% and 21.0%, respectively. Cementos Argos has a strong presence in Aruba, the Bahamas, Barbados, Bonaire, Costa Rica, Curacao, El Salvador, Guatemala, Guadalupe, Haiti, Honduras, British Virgin Islands, the United States, Virgin Islands, Jamaica, Martinique, Panama, Puerto Rico, the Dominican Republic, St. Kitts, St. Lucia, St. Maarten, St. Vincent, Trinidad and Turks and Caicos.

Intellectual Property

Cementos Argos has an intellectual property rights portfolio including trademarks, which are used as a strategic tool in the protection of its business activities. Cementos Argos aims to protect the value of its intellectual property by establishing its title through trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement by a third party. Cementos Argos recently unified all of its trademarks (Nare, Caribe, Cairo, Valle and Cementos Argos) into a single trademark (Cementos Argos). Cementos Argos expects such unification will strengthen its brand recognition and generate synergies.

Joint Ventures and Other Investments

Cementos Argos is or has been a party to several joint venture agreements pursuant to which it owns significant equity interests in companies owning cement and ready mix production facilities.

In 2009, Cementos Argos acquired from Holcim its equity interests in International Cement Company S.A., Cimenterie Nationale S.E.M. (CINA) and Cementos Colón S.A., which are companies with cement and ready mix production facilities in Panama, Haiti and the Dominican Republic, thereby dissolving the joint venture that the company previously had with Holcim.

In 2010, Cementos Argos entered into a joint venture with Vensur N.V. (“Vensur”), a company located in Surinam which is owned by Grupo Kersten & Co. The principal objective of the joint venture is to operate and administer the port and the mills and packing facilities that Vensur has in Paramaribo.

Cementos Argos also owns non-controlling interests in companies that are not related to its core business. Cementos Argos' non-controlling interests include shareholdings in companies such as Suramericana, Bancolombia and Chocolates, among others.

Employees

Cementos Argos had approximately 6,263 employees as of December 31, 2010, of whom approximately 3,829 were in Colombia and approximately 2,434 were in the United States. A portion of Cementos Argos' workforce in Colombia is outsourced, as permitted under Colombian law. 25.0% of Cementos Argos' Colombian employees were unionized. None of Cementos Argos' employees in the United States was unionized.

Environmental

We are currently unaware of any material environmental liabilities or other material environmental issues relating to Cementos Argos' properties or operations and anticipate no material expenditures for compliance with environmental laws or regulations.

Legal Proceedings

Cementos Argos is involved in various claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse effect on Cementos Argos' results of operations or financial condition.

Compañía Colombiana de Inversiones S.A.

Overview

Colinversiones is primarily engaged in the generation, transmission, and distribution of electrical energy throughout Colombia. The following chart reflects Colinversiones' ownership in its primary subsidiaries and affiliates as of the date of this offering memorandum:

Colinversiones' common shares are traded on the BVC under the symbol "COLINVERS."

Products

Colinversiones' core business involves the generation, transmission, and distribution of electrical energy throughout Colombia. In terms of energy generation, as of December 31, 2010, Colinversiones' installed capacity was 1,878 MW, making it the fourth largest participant in the Colombian market, with 16 plants in operation. Colinversiones' energy is produced through its subsidiaries. Termoflores and EPSA S.A. E.S.P. ("EPSA"). Colinversiones has a diversified asset base with a current generation capacity of 51.0% based on hydro energy and 49.0% based on thermal energy.

In distribution, Colinversiones, through its subsidiaries EPSA and CETSA, serves 496,025 customers in 39 of the 42 municipalities of Valle del Cauca, Colombia. In 2010, Colinversiones operated a distribution network with a non-interruptable demand of 2,267 GWh per year from Colombia's national energy system. Based on this level of demand, Colinversiones is the fifth largest electricity distributor in Colombia.

In terms of its portfolio investments, Colinversiones currently holds investments in the following sectors:

- *Financial Services and Insurance*: a 2.2% interest in GRUPOSURA.

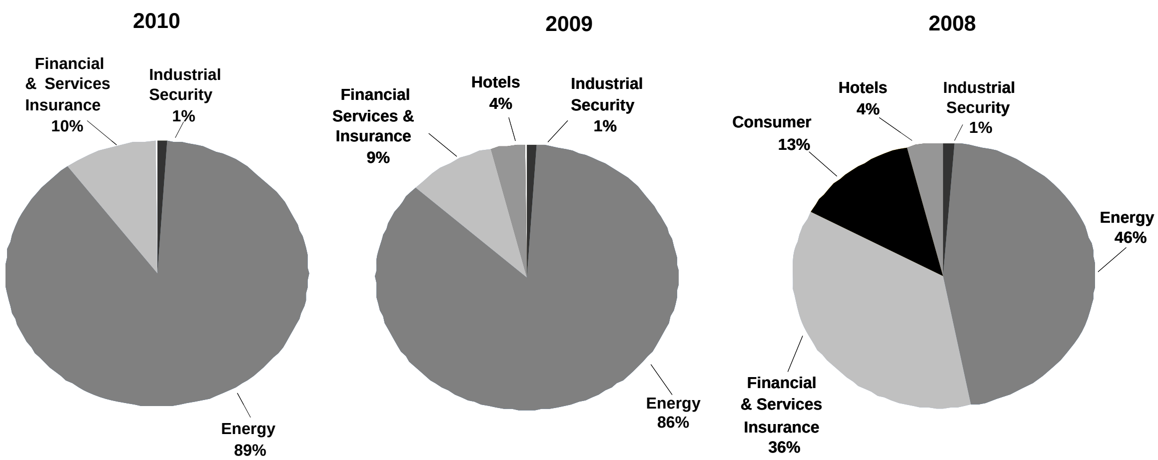
- *Industrial Security*: a 100.0% ownership interest in Arseg S.A.S., a 100.0% ownership interest in Pass S.A.S. and a 100.0% indirect ownership interest in Clasi S.A.S.

- Minor investments in treasury and real estate.

Colinversiones does not actively participate in the operational activities of these interests. It receives earnings and cash flows through dividend payments in proportion to its share in the results of operations of these entities.

Colinversiones' consolidated net income for the year ended December 31, 2010 was COP 1,803,939 million.

The following charts set forth a breakdown of Colinversiones' assets by sector for 2010, 2009, and 2008:



Sales and Marketing

Colinversiones delivers electrical energy to numerous regions in Colombia, including Antioquia, Atlántico, Santander, Valle, Tolima and Cauca.

Suppliers and Raw Material

Colinversiones' principal suppliers for natural gas are Ecopetrol S.A. and Chevron Corporation.

Property

As of December 31, 2010, Colinversiones, directly and indirectly through subsidiaries, operated the following 16 electrical energy facilities:

Energy Facility	Operator	Location	Installed Capacity
Meriléctrica	Colinversiones	Santander, Colombia	169 MW
Rio Piedras	Colinversiones	Antioquia, Colombia	19.9 MW
Flores I	Termoflores	Atlántico, Colombia	160 MW
Flores II	Termoflores	Atlántico, Colombia	112 MW
Flores III	Termoflores	Atlántico, Colombia	169 MW
Riofrío I	CETSA	Valle, Colombia	1.69 MW
Riofrio II	CETSA	Valle, Colombia	10 MW
El Rumor	CETSA	Valle, Colombia	2.5 MW
Calima	EPSA	Valle, Colombia	132 MW
Bajo Anchiayá	EPSA	Valle, Colombia	74 MW
Alto Anchicayá	EPSA	Valle, Colombia	355 MW
Nima I and II	EPSA	Valle, Colombia	6.7 MW
Termovalle	EPSA	Valle, Colombia	140 MW
Rio Cali I and II	EPSA	Valle, Colombia	1.8 MW
Salvajina	EPSA	Cauca, Colombia	285 MW
Prado	EPSA	Tolima, Colombia	51 MW

Competition

As of December 31, 2010, Colinversiones is the fourth largest producer of electrical energy in Colombia, following Empresas Publicas de Medellin S.A. ("EPM"), Emgesa S.A. ESP ("Emgesa") and electrical ISAGEN S.A. E.S.P ("ISAGEN"). In 2010, EPM produced 24.0% of Colombia's electrical energy production, Emgesa produced 20.0%, ISAGEN produced 15.0% and Colinversiones produced 14.0%.

Intellectual Property

Colinversiones has an intellectual property rights portfolio, including trademarks such as C.C.I., Colinver, Colinversiones, Termoflores, Meriléctrica, Hidromontañitas and Generar, which are used as a strategic tool in the protection of its business activities. Colinversiones aims to protect the value of its intellectual property by establishing its title through trademarks, copyright and other relevant laws and conventions and by using legal and regulatory recourse in the event of infringement by a third party.

Employees

As of December 31, 2010, Colinversiones had approximately 130 employees and employed another 807 employees through its subsidiaries.

Environmental

We are currently unaware of any material environmental liabilities or other material environmental issues relating to Colinversiones' properties or operations and anticipate no material expenditures for compliance with environmental laws or regulations.

Legal Proceedings

Colinversiones is involved in various claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse affect on Colinversiones' operations or financial condition, except for the tax proceeding described in Note 26 to Inversiones Argos' 2010 audited consolidated financial statements included in this offering memorandum.

The Issuer

The Issuer is a wholly owned subsidiary of GRUPOSURA, incorporated on March 18, 2011 as an exempted company with limited liability under the laws of the Cayman Islands. The Issuer was incorporated solely for the purpose of issuing the notes and other unsecured indebtedness ranking equally with the notes, and to help finance the development of the Group. See "Use of Proceeds." The payment of principal, interest and premium, if any, on the notes will be unconditionally and irrevocably guaranteed by GRUPOSURA.

The Issuer has no prior operating history or prior business activity and does not have any substantial assets or liabilities. The Issuer's sole source of cash for payments of principal, interest and other amounts in respect of the notes will be ongoing capital contributions to be made by GRUPOSURA, earnings from short-term and fixed income investments and/or funds received by the Issuer from inter-company loans it may make to GRUPOSURA or any direct or indirect subsidiary of GRUPOSURA.

The Issuer's registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Banking and Insurance Regulation

The following banking and insurance regulations are applicable to our banking affiliate Bancolombia and to our insurance subsidiary Suramericana.

Colombian Banking Regulations

Banking Regulatory Authorities

Pursuant to Colombia's Constitution, the Colombian national legislature has the power to prescribe the general legal framework within which the government may regulate the financial system. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Central Bank, the Ministry of Finance, the SFC, the *Superintendencia de Industria y Comercio* (Superintendency for Industry and Commerce, or "SIC") and the *Autoregulador del Mercado de Valores* (Self-Regulatory Organization, or "SRO").

Central Bank

The Central Bank exercises the customary functions of a central bank, including price stabilization, monetary policy, regulation of currency circulation, regulation of credit, exchange rate monitoring and management of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction of the Central Bank's duties. The Central Bank also acts as lender of last resort to financial institutions.

Ministry of Finance and Public Credit

One of the functions of the Ministry of Finance is to regulate all aspects of finance and insurance activities. As part of its duties, the Ministry of Finance issues decrees relating to financial matters that may affect banking operations in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to capital adequacy, risk limitations, authorized operations, disclosure of information and accounting of financial institutions, among others.

Superintendency of Finance

The SFC is the authority responsible for supervising and regulating financial institutions, including commercial banks such as Bancolombia, finance corporations, finance companies, financial services companies and insurance companies. The SFC has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The SFC can also conduct on-site inspections of Colombian financial institutions.

The SFC is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers. Financial institutions must obtain the prior authorization of the SFC before commencing operations.

Violations of the financial system rules and regulations are subject to administrative and, in some cases, criminal sanctions.

Other Regulatory Authorities

Self Regulatory Organization

The SRO is a privately-owned oversight body responsible for the regulation of entities participating in the Colombian capital markets. The SRO may issue mandatory instructions to its members and supervise its members' compliance and impose sanctions for violations. All capital market intermediaries, including Bancolombia, must become members of the SRO and are subject to its regulations.

Superintendency of Industry and Commerce

The SIC is the authority responsible for supervising and regulating competition in several industrial sectors, including financial institutions. The SIC is authorized to initiate administrative proceedings and impose sanctions on banks, including Bancolombia, whenever the financial entity behaves in a manner considered to be anti-competitive.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework of the Colombian financial sector is set forth in Decree 663 of 1993, modified among others, by Law 510 of 1999, Law 546 of 1999, Law 795 of 2003, Law 964 of 2005 and Law 1,328 of 2009 as well as in External Resolution 8 of 2000 (exchange control regulation statute) and Resolution 4 (as hereinafter defined) issued by the board of directors of the Central Bank. Decree 663 of 1993 defines the structure of the Colombian financial system and defines several forms of business entities, including: (i) credit institutions (*establecimientos de crédito*) (which are further categorized into banks, finance corporations (*corporaciones financieras*), financing companies (*compañias de financiamiento comercial*) and finance cooperatives (*cooperativas financieras*)); (ii) financial services entities (*sociedades de servicios financieros*); (iii) capitalization corporations (*sociedades de capitalización*); (iv) insurance companies (*entidades aseguradoras*); and (v) insurance intermediaries (*intermediarios de seguros*). Furthermore, Decree 663 of 1993 provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the SFC. Additionally, Decree 2,555 of 2010 compiled regulations that were dispersed in separate decrees, including regulations regarding capital adequacy and lending activities.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operations; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and finance companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations.

Law 510 of 1999 and Law 795 of 2003 substantially amended the powers of the SFC to control, regulate and supervise financial institutions. Law 510 of 1999 also streamlined the procedures for the *Fondo de Garantías de Instituciones Financieras* ("FOGAFIN"), the agency that insures deposits in financial institutions and provides support to troubled financial institutions. The main purpose of Law 510 of 1999 was to improve the solvency standards and stability of Colombia's financial institutions by providing rules for their incorporation and regulating permitted investments of credit institutions, insurance companies and investment companies.

Law 546 of 1999 was enacted to regulate the system of long-term home loans. Law 795 of 2003 was enacted to broaden the scope of activities that financial institutions can engage in, to update regulations with some of the then latest principles of the Basel Committee and to increase the minimum capital requirements in order to incorporate a financial institution. See "—Minimum capital requirements." Law 795 of 2003 also provided authority to the SFC to take preventive measures, consisting mainly of preventive interventions with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary take-over by the SFC, such financial institutions must submit to the SFC a restructuring program to restore their financial condition.

The Law 1,328 of 2009 provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. Prior to Law 1,328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the SFC. Following the enactment of Law 1,328 of 2009, as of June 15, 2013, foreign banks will be permitted to operate through their "branches" and will not be required to incorporate a Colombian subsidiary. Law 1,328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies.

The SFC has authority to implement applicable regulations and, accordingly, issues from time to time administrative resolutions and circulars. By means of External Circular 007 of 1996 (as amended), the SFC compiled the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995 (the "Basic Accounting Circular"), it compiled all regulations applicable to the accounting rules and regulations.

The exchange control statute defines the different activities that banks, including Bancolombia, may perform as currency exchange intermediaries, including lending in foreign currency and investment in foreign securities.

Violations of any of the above statutes and their relevant regulations are subject to administrative sanctions and, in some cases, criminal sanctions.

Key Interest Rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Depósitos a Término Fijo* (time deposit rate, or "DTF") rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of April 25, 2011 to May 1, 2011, the DTF was 3.79%.

Article 884 of the Colombian Commercial Code provides a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate, or *Interés Bancario Corriente*, calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the SFC.

Capital Adequacy Requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2,555 of 2010, as amended) are based on applicable Basel Committee standards. The regulations establish four categories of assets, which are each assigned different risk weights, and require that a credit institution's Technical Capital (as defined below) be at least 9.0% of that institution's total risk-weighted assets.

Technical Capital for the purposes of the regulations consists of the sum of Tier One Capital (basic capital) and Tier Two Capital (additional capital) (Tier One Capital and Tier Two Capital, collectively, "Technical Capital").

Tier One Capital consists mainly of:

- outstanding and paid-in capital stock;
- legal and other reserves;
- profits retained from prior fiscal years;
- the total value of the revaluation of equity account (*revalorización del patrimonio*) (if positive) and of the foreign currency translation adjustment account (*ajuste por conversion de estados financieros*);
- current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses;
- any representative shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the bank back into compliance with capital adequacy requirements (if the SFC establishes that such recovery program has failed, these shares shall not be computed);
- subordinated bonds issued by financial institutions and subscribed by FOGAFIN when they comply with certain requirements stated in the regulations;

- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation;

- the value of dividends declared to be paid-in shares; and

- the value of the liabilities owed by minority interests.

Items deducted from Tier One Capital are:

- any prior or current period losses;

- the total value of the capital revaluation account (*revalorización del patrimonio*)(if negative);

- accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred);

- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by entities (excluding subsidiaries) subject to the supervision of the SFC excluding appraisals and investments in *Fondo para el Financiamiento del Sector Agropecuario* ("FINAGRO") credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation; and

- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20.0% of the capital of said institution (excluding subsidiaries). This amount includes foreign currency translation and excludes appraisals.

Tier Two Capital includes other reserves and retained earnings, which are added to the Tier One Capital in order to establish the total Technical Capital.

Tier Two Capital includes:

- 50.0% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);

- 50.0% of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits);

- mandatory convertible bonds effectively subscribed and paid, with maturities of up to 5 years, provided that the terms and conditions of their issuance were approved by the SFC and subject to the conditions set forth by the SFC;

- subordinated payment obligations as long as said obligations do not exceed 50.0% of Tier One Capital and comply with additional requirements stated in the regulations;

- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation; and

- general allowances made in accordance with the instructions issued by the SFC.

The following items are deducted from Tier Two Capital:

- 50.0% of the direct or indirect capital investments (in entities subject to the supervision of the SFC, excluding subsidiaries) and mandatory convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation;

- 50.0% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal of foreign financial entities with respect to which the bank's share is or exceeds 20.0% of the entity's subscribed capital; and

- the value of the devaluation of equity investments with low exchange volume or which are unquoted.

In computing Technical Capital, Tier Two Capital may not exceed (but may be less than) the total amount of Tier One Capital.

Minimum capital requirements

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 663 of 1993, as amended. The minimum capital requirement for 2010 is COP 68,913 million. Failure to meet such requirement can result in the taking of possession (*toma de posesión*) (as defined below) of Bancolombia by the SFC. See "—Bankruptcy considerations".

Capital investment limit

All investments in subsidiaries and other authorized capital investments, other than those made in order to abide by legal requirements, may not exceed 100.0% of the total aggregate of capital, equity reserves and the equity re-adjustment account of the respective bank, financial corporation or commercial finance company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Mandatory investments

Central Bank regulations require financial institutions, including Bancolombia, to make mandatory investments in securities issued by FINAGRO, a Colombian public financial institution that finances production and rural activities, to support the agricultural sector. The amount of these mandatory investments is calculated based on the current peso-denominated obligations of the relevant financial institution.

Foreign currency position requirements

According to External Resolution 4 of 2007, issued by the board of directors of the Central Bank as amended ("Resolution 4"), a financial institution's foreign currency position (*posicion propia en moneda extranjera*) is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), made or contingent, including those that may be sold in Colombian legal currency.

Resolution 4 provides that the average of a bank's foreign currency position for three business days cannot exceed the equivalent in pesos of 20.0% of the bank's Technical Capital. Currency exchange intermediaries such as Bancolombia are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5.0% of its Technical Capital (with penalties being payable after the first business day).

Resolution 4 also defines foreign currency position in cash (*posicion propia de contado en moneda extranjera*) as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days average foreign currency position in cash cannot exceed 50.0% of the bank's Technical Capital. In accordance with Resolution 4, the three day average must be calculated on a daily basis and the foreign currency position in cash cannot be negative.

Finally, Resolution 4 requires banks to comply with a gross position of leverage (*posicion bruta de apalancamiento*). Gross position of leverage is defined as (i) the value of term contracts denominated in foreign currency, plus (ii) the value of transactions denominated in foreign currency to be settled within two days in cash, plus (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 4 sets a limit on the gross position of leverage, which cannot exceed 500.0% of the Technical Capital.

Reserve requirements

Commercial banks are required by the board of directors of the Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. Such reserves are held by the Central Bank in the form of cash deposits. According to Resolution 11 of 2008 issued by the board of directors of the Central Bank, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

Credit institutions must maintain reserves of 11.0% over the following deposits and cash demands:

- Private demand deposits;
- Government demand deposits;
- Other deposits and liabilities; and
- Savings deposits.

In addition, credit institutions must maintain reserves of 4.5% for term deposits with maturities fewer than 540 days and 0.0% for term deposits with maturities of more than 540 days. Credit institutions may maintain these reserves in their accounts at the Central Bank. Marginal reserve requirements were eliminated by the Central Bank in 2008.

Foreign currency loans

Residents of Colombia may only obtain foreign currency loans from foreign financial entities registered with the Central Bank and from Colombian currency exchange intermediaries (upon certain events). Foreign currency loans must be either channeled through a foreign exchange intermediary or deposited in offshore compensation accounts.

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans (provided the loan is disbursed against the funds of *Banco de Comercio Exterior—Bancoldex*). In addition, pursuant to Law 9 of 1991, the board of directors of the Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness, as an exchange control policy, in order to avoid pressure in the currency exchange market.

Non-performing loan allowance

The SFC maintains guidelines on non-performing loan allowances for financial institutions.

Lending activities

Decree 2,555 of 2010, as amended, sets forth the maximum amounts that a financial institution may lend to a single borrower (including for this purpose all related fees, expenses and charges). These maximum amounts may not exceed 10.0% of a bank's Technical Capital. However, there are several circumstances under which the limit may be raised. In general, the limit is raised to 25.0% when amounts lent above 5.0% of Technical Capital are secured by guarantees that comply with the financial guidelines provided in Decree 2,555 of 2010, as amended. Also, according to Decree 2,555 of 2010, a bank may not make loans to any shareholder that holds directly more than 10.0% of its capital stock for one year after such shareholder reaches the 10.0% threshold. In no event may a loan to a shareholder holding directly or indirectly 20.0% or more of the bank's capital stock exceed 20.0% of the bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30.0% of the bank's Technical Capital, with the exception of loans funded by Colombian development banks which are not subject to such limit.

Also, Decree 2,555 of 2010 set a maximum limit for risk concentrated in one single party, equivalent to 30.0% of the bank's Technical Capital, the calculation of which includes loans, leasing operations and equity and debt investments.

The Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans. However, interest rates must also be consistent with market terms with a maximum limit established by the SFC.

Ownership and management restrictions

Bancolombia is organized as a stock company (*sociedad anónima).* Its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commerce Code. The Colombian Commerce Code requires stock companies (such as Bancolombia) to have at least five shareholders at all times and provides that no single shareholder may own 95.0% or more of Bancolombia's subscribed capital stock. Article 262 of the Colombian Commerce Code prohibits Bancolombia's subsidiaries from acquiring the stock of Bancolombia.

Pursuant to Decree 663 of 1993 (as amended by Law 795 of 2003), any transaction resulting in an individual or corporation holding 10.0% or more of any class of capital stock of any Colombian financial institution, including, in the case of Bancolombia, transactions resulting in holding ADRs representing 10.0% or more of the outstanding stock of Bancolombia, is subject to the prior authorization of the SFC. For that purpose, the SFC must evaluate the proposed transaction based on the criteria and guidelines specified in Law 510 of 1999, as amended by Law 795 of 2003. Transactions entered into without the prior approval of the SFC are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to national as well as foreign investors.

Colombian financial institutions that are security issuers must comply with special norms regarding the composition of their board of directors. As a consequence thereof, at least 25.0% of the members of the board of directors of Bancolombia must be independent. To be considered independent, the members must not be (i) employees or directors of Bancolombia; (ii) shareholders of Bancolombia that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards; (iii) shareholders or employees of entities that render certain services to Bancolombia in cases in which the service provider receives 20.0% or more of its income from Bancolombia; (iv) employees or directors of a non-profit organization that receives donations from Bancolombia in certain amounts; (v) directors of other entities in whose board of directors one of the legal representatives of Bancolombia participates; and (vi) any other person that receives from Bancolombia any kind of economic consideration (except as for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

Bankruptcy considerations

Pursuant to Colombian banking law, the SFC has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SFC may intervene in a bank's business, (i) prior to the liquidation of the bank, by taking one of the following preventive measures (*institutos de salvamento*) in order to prevent the bank from entering into a state where the SFC would need to take possession: (a) submit the bank to a special supervision regime; (b) issue a mandatory order to recapitalize the bank; (c) place the bank under the management of another authorized financial institution, acting as trustee; (d) order the transfer of all or part of the assets, liabilities and contracts, as well as certain ongoing concerns (*establecimientos de comercio*) of the bank to another financial institution; (e) order the bank to merge with one or more financial institutions that consent to the merger, whether by creating a new institution or by having another institution absorb the bank; (f) order the adoption of a recovery plan by the bank, including adequate measures to reestablish its financial situation, pursuant to guidelines approved by the government; (g) order the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the SFC; and (h) order the progressive unwinding (*desmonte progresivo*) of the operations of the bank; or (ii) at any time, by taking possession of the bank (*toma de posesión*, or "taking of possession") to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the SFC.

The following grounds for a taking of possession are considered to be "automatic" in the sense that, if the SFC discovers their existence, the SFC is obligated to step in and take over the respective financial institution: (i) if the financial institution's Technical Capital (*patrimonio adecuado*) falls below 40.0% of the legal minimum, or (ii) the expiration of the term of any then current recovery plans or the non-fulfillment of the goals set forth in such plans. The SFC also conducts periodic visits to financial institutions and, as a consequence of these visits, the SFC can impose capital or solvency obligations on financial institutions without taking control of the financial institution.

In addition, and subject to the approval of the Ministry of Finance, the SFC may, at its discretion, initiate intervention procedures in respect of a bank under the following circumstances: (i) suspension of payments; (ii) failure to pay deposits; (iii) refusal to submit its files, accounts and supporting documentation for inspection by the SFC; (iv) repeated failure to comply with orders and instructions from the SFC; (v) repeated violations of applicable laws and regulations or of the bank's by-laws; (vi) unauthorized or fraudulent management of the bank's business; (vii) reduction of the bank's Technical Capital below 50.0% of its subscribed capital; (viii) failure to comply with the minimum capital requirements set forth in the Colombian Financial Statute; (ix) failure to comply with the recovery plans that were adopted by the bank; (x) failure to comply with the order of exclusion of certain assets and liabilities to another institution designated by the SFC; and (xi) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank.

The SFC may decide to order the taking of possession subject to the prior opinion of its advisory council (*consejo asesor del Superintendente*) and with the prior approval of the Ministry of Finance.

The purpose of taking of possession of a bank is to decide whether the entity should be liquidated, whether it is possible to place it in a position to continue doing business in the ordinary course, or whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits. Within two months from the date when the SFC takes possession of a bank, the SFC must decide which of the aforementioned measures is to be pursued. The decision is subject to the prior opinion of FOGAFIN, which is the government agency that insures deposits made in Colombian financial institutions. The two month term may be extended with the prior consent of FOGAFIN.

Upon the taking of possession of a bank, depending on the financial situation of the bank and the reasons that gave rise to such measure, the SFC may (but is not required to) order the bank to suspend payments to its creditors. The SFC has the power to determine that such suspension will affect all of the obligations of the bank, or only certain types of obligations or even obligations up to or in excess of a specified amount.

As a result of the taking of possession, the SFC must appoint as special agent the person or entity designated by FOGAFIN to administer the affairs of the bank while such process lasts and until it is decided whether to liquidate the bank.

As part of its duties during the taking of possession, FOGAFIN must provide the SFC with the plan to be followed by the special agent in order to meet the goals set for the fulfillment of the measures that may have been adopted. If the underlying problems that gave rise to the taking of possession of the bank are not resolved within a term not to exceed two years, the SFC must order the liquidation of the bank.

During the taking of possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (i) initiating any procedure for the collection of any amount owed by the bank; (ii) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations; (iii) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations; or (iv) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the SFC must, among other measures, provide that all term obligations owed by the bank are due and payable as of the date when the order to liquidate becomes effective.

During the liquidation process, claims of creditors rank as follows: (i) amounts owed to employees and former employees for salaries, benefits, indemnities and pensions; (ii) bank deposits and other types of saving instruments; (iii) taxes; (iv) all other credits, except subordinated credits; and (v) subordinated credits. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Colombian banks and other financial institutions are not subject to the laws and regulations that govern generally the insolvency, restructuring and liquidation of industrial and commercial companies.

Deposit insurance—troubled financial institutions

In response to the crisis faced by the Colombian financial system during the early 1980s, in 1985 the Government created Fogafin. Subject to specific limitations, FOGAFIN is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions.

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 2010 of the board of directors of FOGAFIN, as amended, requires mandatory deposit insurance. Under this Resolution No. 1, banks must pay an annual premium of 0.3% of total funds received on saving accounts, checking accounts, certificates of deposit and other deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank up to a maximum of COP 20 million regardless of the number of accounts held.

Anti-money laundering provisions

The regulatory framework to prevent and control money laundering is contained in, among others, Decree 663 of 1993 and Circulars 26 of 2008 and 2010 issued by the SFC, as well as Law 599 of 2000, and the Colombian Criminal Code, as amended.

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering ("FATF"). Colombia, as a member of the GAFI-SUD (a FATF - style regional body), follows all of FATF's recommendations and eight special recommendations. Circular 26 of 2008 issued by the SFC requires the implementation by financial institutions of a system of controls for money laundering and terrorism financing. These rules emphasize "know your customer" policies and knowledge of customers and markets. They also establish processes and parameters to identify and monitor a financial institution's customers. According to these regulations, financial institutions must cooperate with the appropriate authorities to prevent and control money laundering and terrorism. Finally, the Colombian criminal code introduced criminal rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Risk management systems

Commercial banks, including Bancolombia, must have risk administration systems to meet the SFC minimum standards for compliance and to avoid and mitigate the following risks: (i) credit; (ii) liquidity; (iii) market; (iv) operational; and (v) money laundering and terrorism.

Generally, commercial banks have to weigh their assets based on 0.0%, 25.0%, 50.0% and 100.0% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk. Depending on the rating assigned, a different amount of provisions are required, as established by the SFC in Chapter II of the Basic Accounting Circular.

With respect to liquidity and market risks, commercial banks must follow the provisions of the Basic Accounting Circular, which defines criteria and procedures for measuring a bank's exposure to interest rate risk, foreign exchange risk, and market risk. Under such regulations, banks must send the SFC information on the net present value, duration, and interest rate of its assets, liabilities, and derivative positions. Since January 2002, Colombian banks have been required to calculate, for each position on the balance sheet, a volatility rate and a parametric VaR (value at risk), which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the SFC.

With respect to operational risk, commercial banks must qualify, according to principles provided by the Basic Accounting Circular, each of their operative lines (such as corporate finance, issue and negotiation of securities, commercial banking, assets management, etc.) in order to record the risk events that may occur and cause fraud, technology problems, legal and reputational problems and problems associated with labor relations at the bank.

Colombian Insurance Regulations

Colombian Insurance Regulatory Authorities

In the Colombian financial system, the Constitution authorizes the legislature to regulate the insurance industry. The government, through the Minister of Finance, acting through the SFC, has oversight, control and regulatory authority over the insurance industry.

Ministry of Finance (Ministerio de Hacienda)

The Ministry of Finance is responsible for regulating through decrees the following: capital adequacy, risk limitations, authorized operations, information disclosure and the accounting of financial institutions. Such decrees may impact insurance operations in Colombia.

Colombian Superintendency of Finance (Superintendencia Financiera)

The SFC is responsible for supervising Colombian insurance companies. The SFC has broad discretionary power to supervise insurance companies, including the authority to impose fines on insurance companies and their directors and officers for violations of applicable regulations. The SFC can also conduct on-site inspections of Colombian insurance companies.

In addition, the SFC is responsible for monitoring and regulating the markets of publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers. Before commencing trading operations, insurance companies must obtain prior authorization from the SFC. Violations of the financial system rules and regulations are subject to administrative sanctions and, in some cases, criminal penalties.

Other Colombian Regulatory Authorities

Health Superintendency (Superintendencia de Salud)

The Health Superintendency oversees and regulates all health service matters. These include health insurance policies issued by insurance companies that complement the government's obligatory health plan, which is offered through the social security system.

Regulatory framework for Colombian Insurance Institutions

The basic regulatory framework of the Colombian insurance industry is set forth in the following decrees and laws:

- Decree 410 of 1971 Colombian Code of Commerce (*Código de Comercio de Colombia*): This decree contains the primary regulatory standards relating to insurance contracts, rights, and obligations deriving from such contracts as well as the relationships between insurers and policyholders and insured individuals and beneficiaries. Decree 41 has been amended by, among others, Law 45 of 1990 (which regulates particular aspects of financial and insurance activities), Decree 1 of 1990 and Law 389 of 1997.

- Decree 663 of 1993 Organic Statute of the Financial System (*Estatuto Orgánico del Sistema Financiero*): This decree is primarily responsible for regulating insurance companies and insurance brokerage firms within the financial sector. It also regulates corporate matters, authorized operations, investments, policy requirements and rates of insurance companies. The decree stipulates that some of the issuances of insurance policies require prior authorization from the SFC, such as policies derived from the creation of a new insurance company or a new product/line, or in connection with annuity products that are associated with social security, as opposed to some cases in which the SFC does not authorize the issuance of the insurance policies, and the policies are instead only deposited with the SFC prior to commercialization. Decree 663 has been amended by, among others, Law 100 of 1993, 2,605 Regulatory Decree of 1993, Decree 94 of 2000, Law 795 of 2003, Law 364 of 2009 and Decree 74 of 2010.

- The Basic Legal Circular 7 of 1996: This legal circular outlines and regulates the provisions of the Financial System Organic Statute. It has been amended by, among others, External Circular 52 of 2002 and External Circular 43 of 2005.

- Law 510 of 1999 (Provisions of Financial and Insurance Sector): Law 510 of 1999 and Law 795 of 2003 (as described below) substantially amended the powers of the SFC to control, regulate and supervise financial institutions. Law 510 of 1999 also streamlines the procedures of Fondo de Garantías de Instituciones Financieras, which is the agency that insures deposits in financial institutions and provides credit and support to troubled financial institutions. The main purpose of Law 510 of 1999 was to improve solvency standards and the stability of Colombia's financial institutions by providing rules for incorporation and regulating permitted investments of credit institutions, insurance companies and investment companies.

- Law 795 of 2003: This law authorizes the SFC to take preventive measures, through preventive interventions, with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary take-over by the SFC, troubled financial institutions must submit a restructuring program to the SFC that explains how they plan to restore financial stability.

- Law 1,328 of 2009: This law reforms the financial system and consumer protection regime, imposing special obligations on financial institutions with regard to information, education, due diligence and freedom of contract. It also creates a unique record of insurance, which is regulated by Decree 3,680 of 2009. In addition, it liberalizes the insurance business. Starting from July 15, 2013, the law allows cross-border trade in insurance and insurance brokerage for most classes, except those related to social security, compulsory insurance or insurance where the state appears as a policyholder, beneficiary, or insured party. It modifies the role of the "Ombudsman" (created by Law 795 of 2003 and Decree 690 of 2003) by adding to the role a new function of serving as a mediator between clients and organizations. Law 1,328 of 2009 also provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. This law also broadens the scope of permitted business activities by regulated entities.

- Law 491 of 1999: This law establishes ecological or environmental insurance as a mechanism to cover the quantifiable economic loss as a result of damage to the environment and natural resources. This law also reforms the Colombian Criminal Code.

- Law 389 of 1997: This law defines the insurance contract as a consensual contract and authorizes claims made or sunset clauses in legal liability insurance (clauses which until then had not been regulated), as well as discovery clauses in infidelity insurances or a Bankers Blanket Bond. This clauses permits insurers to limit their risk by clearly limiting discovery or the time available to make a claim. The law also allows the use of banking offices by companies to sell insurance in a process currently known as bancaseguros.

- Decree 2,555 of 2010: This decree compiled regulations that were dispersed in separate decrees, including regulations regarding capital adequacy and permitted investments of insurance institutions.

Directors and Senior Management

Directors

We are managed by our Board of Directors, which, in accordance with our by-laws (*estatutos*), consists of seven directors who are elected at annual ordinary shareholders' meetings. The current members of the Board of Directors were elected by the shareholders in the ordinary shareholder's meeting held on March 29, 2011. Members of the Board of Directors are elected for two-year terms. The term of each of the current board members expires in March 2013. Directors may be appointed for additional terms without limitation.

The following table sets forth certain information about our current directors:

Name	Age	Position Held	Term Expires
José Alberto Vélez Cadavid	61	Chairman of the Board of Directors	March 2013
Carlos Enrique Piedrahita Arocha	57	Director	March 2013
Juan Guillermo Londoño Posada	58	Director	March 2013
Jorge Mario Velásquez Jaramillo	51	Director	March 2013
Hernando Yepes Arcila[(1)]	69	Director	March 2013
Armando Montenegro Trujillo[(1)]	58	Director	March 2013
Jaime Bermúdez Merizalde [(1)]	44	Director	March 2013

(1) Independent Member, in accordance with Colombian law.

José Alberto Vélez Cadavid has served on our Board of Directors since 2004. Mr. Vélez served as the Chief Executive Officer of Suramericana S.A., from 1984 to 2003, and is currently the Chief Executive Officer of Inversiones Argos S.A. and Cementos Argos S.A. Prior to assuming this position, he was an alderman on the Medellin City Council in 1982 and Assistant to the Governor of the Department of Antioquia in 1983. He sits on the Board of Directors of Bancolombia, Chocolates, Colinversiones and Calcetines Crystal S.A. He is also a member of the Board of Trustees of Proantioquia, Codesarrollo, the Suramericana Foundation, the Fraternidad Medellín Foundation, and the Private Council for Competitiveness in Colombia. He is also Chairman of *Consejo Empresarial Colombiano para el Desarrollo Sostenible* (Colombian Business Council for Sustainable Development or CECODES) and a member of the Americas' Society - Council of The Americas based in New York. Mr. Vélez holds a degree in Administrative Engineering from the Universidad Nacional and a Master of Science degree in Engineering from University of California (UCLA) in the United States.

Carlos Enrique Piedrahita Arocha has served on our Board of Directors since 2000. Prior to assuming this position, he served as General Manager of Suleasing S.A. from 1981 to 1984, Vice President of Personal Banking and National Manager of credit cards of Banco Industrial Colombiano S.A. (today Bancolombia) from 1984 to 1989 and Chief Financial Officer of Seguros Generales from 1989 to 1993. He was also the Chief Executive Officer of Corfinsura S.A. from 1993 to 2000 and the Chief Executive Officer of Compañía Nacional de Chocolates S.A. from 2000 to 2005. He is currently the Chief Executive Officer of Chocolates. He also sits on the Board of Directors of Inversiones Argos and Bancolombia. He is also a member of the Board of Trustees of Fedesarrollo, the Private Council for Competitiveness, Proantioquia, *Consejo Empresarial de América Latina* (Business Council for Latin America, or CEAL), the Education Committee of the Antioquia Chapter of the *Empresarios por la Educación Foundation* (Businessmen for Education Foundation), and the San Vicente de Paúl Hospital. Mr. Piedrahita holds a degree in Economics from the University of Keele in the United Kingdom and a Masters degree in Finance from the London School of Economics.

Juan Guillermo Londoño Posada has served on our Board of Directors since 2007. Prior to assuming this position, he served as General Manager of Ramón H. Londoño from 1985 to 1993 and subsequently Chief Executive Officer of Coninsa & Ramón H S.A. from 1993 to 2006. He is currently the Chief Executive Officer of Colinversiones. He sits on the Board of Directors of Termoflores S.A. and Urbanizadora Santafé de Bogotá (Urbansa). He also sits on the Board of Directors of ACOLGEN, ANDESCO, *Fondo Social de la ANDI* (Colombian Association of Industrialists), San Pablo Corporation from Pablo Tobón Uribe Hospital, Consejo de Asuntos Económicos de la Arquidiócesis de Medellín, Francisco y Clara de Asís Foundation, and Compañía Colombiana de Inversiones Foundation. Mr. Londoño holds a degree in Business Administration from the Universidad EAFIT.

Jorge Mario Velásquez Jaramillo has served on our Board of Directors since 2007. Prior to assuming this position, he was an Assistant in the South mixture plant of Cementos from 1983 to 1984, Chief of the Mixture Plant at Compañía de Cemento Argos S.A. from 1984 to 1988, Assistant for the Operations Vice Presidency of Cementos Argos. from 1989 to 1991 and Factory Manager of Cementos Argos from 1991 to 1996. He also served as General Manager of Cementos del Nare S.A. and Chief Executive Officer of Cementos Paz del Río S.A. from 2003 to 2005. He is currently the Vice-President of Logistics at Cementos Argos. He currently sits on the Board of Directors of Ready Mix Inc., Southern Star Ready Mix, Tasco Inc., CINA and Cementos Panama S.A. Mr. Velásquez holds a degree in Civil Engineering from the Escuela de Ingeniería de Antioquia and a specialization in Industrial Operations with the British Council Program in England.

Hernando Yepes Arcila has served on our Board of Directors since 2007. Prior to assuming this position, he served as a magistrate with the Constitutional Chamber of the Colombian Supreme Court of Justice, a magistrate with the Administrative Division of the Supreme Judiciary Council, Delegate Member of the National Constituent Assembly of 1991, Chief Legal Officer of the *Federación Nacional de Cafeteros de Colombia* (the Colombian Federation of Coffee-Growers), and was Colombian Minister of Labor and Social Security. Mr. Yepes is currently Head of the Department of Public Law and a professor at the Pontificia Universidad Javeriana, an associate judge of the State Council, an arbiter with the Center of Arbitration and Conciliation an arm of the Bogotá Chamber of Commerce and an attorney-at-law. Mr. Arcila holds a degree in law from the Universidad de Caldas.

Armando Montenegro Trujillo has served on our Board of Directors since 2010. Prior to assuming this position, Mr. Montenegro served as Head of the Department of National Planning, Executive Director of the World Bank from 1994 to 1995, Director of the National Association of Financial Institutions (ANIF) from 1996 to 2001, and Managing Director of Rothschild Colombia from 2001 to 2004. He is currently a Partner and Managing Director of Agora Investment Bank. Mr. Montenegro holds a degree in Industrial Engineering from the Univesidad Javeriana, a Masters degree in Economics and Latin-American studies from Ohio University and a Ph.D. in Economics from New York University.

Jaime Bermúdez Merizalde was elected during our last ordinary annual shareholders meeting held on March 29, 2011. His appointment became effective in April of 2011. Prior to assuming this position, Mr. Bermúdez served as associate attorney of Guillén & Bermúdez Asociados from 1990 to 1991, legal advisor to the Colombian President's office from 1991 to 1993, advisor to the Colombian Ministry of Foreign Affairs from 1993 to 1994, Executive Director of *Consorcio Iberoamericano de Investigadores de Mercados y Asesoramiento* (CIMA) in 1996, partner in a specialized strategic communications firm named DATTIS Comunicaciones from 1999 to 2003, Communications Advisor to the Colombian President's office from 2003 to 2006, Colombian Ambassador to Argentina from 2006 to 2008, and Foreign Affairs Minister from 2008 to 2010. He is currently President of the Investment Bank MBA Lazard Colombia. Mr. Bermúdez holds a degree in law from the Universidad de los Andes and a Ph.D. in Political Science from Oxford University.

Senior Management

Our current executive officers are as follows:

Name	Age	Position Held
David Bojanini García	55	Chief Executive Officer
Andrés Bernal Correa	39	Chief Financial Officer
Mario López López	57	Chief Audit Officer
Fernando Ojalvo Prieto	58	Chief Administrative Officer and Secretary

David Bojanini García joined us in 2006 and currently serves as our Chief Executive Officer. Prior to assuming this position, he served as the Assistant Actuarial Manager of Colseguros S.A. from 1979 to 1980, the Assistant Actuarial Manager of Suramericana de Seguros S.A. from 1980 to 1984, and the Actuarial Manager of Suramericana de Seguros S.A. from 1984 to 1991. He was also the Chief Executive Officer of Administradora de Fondos de Pensiones y Cesantías Protección from 1991 to 2006. He currently sits on the Boards of Directors of Suramericana, Bancolombia, Chocolates, and Inversiones Argos. He also sits on the National Board of Directors of the Private Council for Competitiveness. Mr. Bojanini is also a member of CEAL, the Board of Trustees of the Suramericana Foundation, the *Empresarios por la Educación Foundation* (Businessmen for Education Foundation), El Cinco Foundation, and Mi Sangre Foundation. Mr. Bojanini holds a degree in Industrial Engineering from the Universidad de los Andes, and a Master's degree in Business Studies from the University of Michigan.

Andrés Bernal Correa joined us in 2004 and currently serves as our Chief Financial Officer. Prior to assuming this position, he served as a Project Manager, Corporate Finance Manager, and Investment Manager of Corfinsura S.A. from 1996 to 2004. He sits on the Board of Directors of Suramericana, Protección, Cementos Argos, C.I. Confecciones Colombia S.A., Holding Concorde S.A., and the Antioquia Section of the Colombian Association of Industrialists. He sits on the risk committees of Suramericana and Protección, the auditing committees of Protección, Cementos Argos and Suramericana, and the investment committee of Progresa Capital (a private equity fund). He is also a member of the finance committee of the Antioquenian Federation of NGOs, and the *Centro de Fe y Culturas* (Center of Faith and Culture) in Medellín. Mr. Bernal holds a degree in Business Administration from the Universidad EAFIT and a Master's Degree in Business Administration (MBA) from Babson College.

Mario López López joined us in 2007 and currently serves as our Chief Audit Officer. Prior to assuming this position, he held the position of Accountant, Treasurer, and Operations Director of Corporación Financiera Suramericana S.A. from 1979 to 1990. He also held positions as Tax and Accounting Advisor of Suleasing S.A. from 1981 to 1992, Administrative and Financial Manager of Sufiducia S.A. from 1990 to 1995, and Operating and Finance Manager of Susalud S.A. from 1992 to 2007. He is a member of the Board of Directors of the Poblado Country Club S.A. in Medellin. Mr. López graduated as a Public Accountant from the Universidad de Antioquia in Medellin and holds a specialization in Economic Policy from the Universidad de Antioquia.

Fernando Ojalvo Prieto joined us in 1999 and currently serves as our Chief Administrative Officer and Secretary. Prior to assuming this position, he held posts as Chief of Staff of the Universidad Nacional de Colombia from 1978 to 1979, Internal Auditor of the Universidad Nacional de Colombia from 1979 to 1980, National Director of Personnel of the Universidad Nacional de Colombia from 1980 to 1983, and Antioquia Deputy Manager of the *Instituto de Seguros Sociales* (Social Security Institute) from 1983 to 1985. He was also the Manager of Administradora de Fondos de Inversión Suramericana S.A. from 1990 to 1992 and head of the Legal Department and Company Secretary of Compañía Suramericana de Seguros S.A. from 1988 to 1996. He is a member of the Board of Directors of Protección and EPS Sura. He also sits on the Board of Trustees of the Suramericana Foundation, Biblioteca Pública Piloto, a public library in Medellin for Latin America, the Excellence in Justice Corporation, the *Empresarios por la Educación Foundation* (Businessmen for Education Foundation), the *Dividendo por Colombia* Foundation, the French Study Exchange Foundation, and the Botanical Garden in Medellin. He is also a member of the Board of Directors of Uniminuto and the Instituto Tecnológico de Estudios Superiores de Monterrey. Mr. Ojalvo holds a degree in law from the Universidad de Medellin and a specialization in Labor Law from the Universidad Pontificia Bolivariana.

Board Committees

Committee for Board Matters and Investments

The Committee for Board Matters and Investments is responsible for monitoring both individual directors and the Board of Directors as a whole, as well as the Company's interests and continued adherence to the policies adopted under the Company's corporate governance code. The Committee is comprised of two persons, one of whom must be the Chairman of the Board of the Directors and the other the Company's Chief Executive Officer.

Finance and Audit Committee

The Finance and Audit Committee is responsible for evaluating the Company's internal control system, ensuring continued adherence to the policies adopted under the Code of Ethics, and evaluating all aspects of the Company's finances and accounting, including its financial planning, contingency planning, internal risk identification and management policies. The Committee is responsible for reviewing interim and year-end financial statements. The Committee is comprised of three directors, all of whom must be independent.

Compensation Committee

The Compensation Committee is responsible for providing general guidelines for the selection and compensation of our executive officers. The Committee is comprised of three directors, one of whom must be the Chairman of the Board of Directors.

Principal Shareholders

Our only class of outstanding capital stock consists of shares of our common stock. Our common stock is listed for trading on the Colombian Stock Exchange and the LATIBEX. Our common stock in the form of ADSs also trade on the OTC Market in the United States.

The following table sets forth certain information concerning actual ownership of our common stock as of March 31, 2011 with respect to our largest shareholders.

Shareholder	Number of Shares of Common Stock	Percentage Beneficial Ownership
Cementos Argos	114,590,115	24.4%
Chocolates	59,387,803	12.7%
Inversiones Argos	51,293,389	10.9%
Fondo de Pensiones Obligatorias Porvenir	42,448,523	9.1%
Fondo de Pensiones Obligatorias Protección	22,072,073	4.7%
Fondo de Pensiones Horizonte	21,269,184	4.5%
ING Fondo de Pensiones	21,132,685	4.5%
Fondo de Pensiones Obligatorias Colfondos Moderado	17,532,132	3.7%
Compañía Colombiana de Inversiones	10,393,172	2.2%
Colombiana de Comercio.	9,220,443	2.0%
Fondo de Pensiones Skandia	6,477,870	1.4%
Fundación Fraternidad Medellín	5,031,598	1.1%
Other shareholders(1)	88,188,273	18.8%
Total	469,037,260	100.0%

(1) Includes all other shareholders, which individually hold less than 1.0% of our common stock.

Related Party Transactions

Colombian law sets forth certain restrictions and limitations on transactions carried out with certain related parties, such as directors and senior management of a company, as well as its subsidiaries.

The transactions that are limited or prohibited are described in the Colombian Code of Commerce, as amended by Law 222 of 1995. This law establishes, among other things, the following: (i) subsidiaries must carry out their activities independently and with administrative autonomy; (ii) transactions between the parent company and its subsidiaries or affiliates must be of a real nature and may not differ considerably from standard market conditions, nor be to the detriment of the Colombian government, stockholders or third parties and (iii) subsidiaries may not acquire any shares issued by their parent company.

In addition, our Corporate Governance Code provides that all transactions carried out between GRUPOSURA and our shareholders, directors and senior executives must be carried out on an arm's length basis and must be carried out with transparency, fairness and impartiality.

We have engaged in a variety of transactions with related parties in the ordinary course of business. For example, we obtain from time to time credit facilities and other financial services from Bancolombia and Suramericana's subsidiaries. We believe that the prices, interest rates and the terms and conditions set forth in those agreements are comparable to those that would be obtained at arms-length negotiations with unrelated parties.

During the last three fiscal years and through the date of this offering memorandum, we have not been involved in any related party transactions that are material to us or any of our related parties and that are not in the ordinary course of business.

For more information regarding our related party transactions, please see Note 20 to GRUPOSURA'S 2010 audited unconsolidated financial statements and Note 20 to GRUPOSURA'S 2009 audited unconsolidated financial statements.

Description of the Notes

Gruposura Finance will issue the notes pursuant to an indenture to be entered into by Gruposura Finance, GRUPOSURA, as guarantor, and The Bank of New York Mellon, as trustee. Gruposura Finance will, under the indenture, appoint a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture will be available for inspection during normal business hours at the corporate trust office of the trustee in New York City and any other paying agents. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of Gruposura Finance and GRUPOSURA and your rights.

Definitions of capitalized terms used, but not otherwise defined, in this section are set forth under "—Definitions." For purposes of this section of this offering memorandum, references to "Gruposura Finance" are to Gruposura Finance, and references to "GRUPOSURA" are to Grupo de Inversiones Suramericana S.A. (parent company only) and not its subsidiaries and affiliates.

General

The notes:

- will be senior unsecured obligations of Gruposura Finance;
- will be unconditionally guaranteed on a senior unsecured basis by GRUPOSURA;
- will initially be limited to an aggregate principal amount of US$ 300 million;
- will mature on May 18, 2021;
- will not be subject to redemption prior to maturity except as described under "—Optional Redemption—Make-Whole Redemption" and "—Tax Redemption";
- will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the notes:

- will accrue on their outstanding principal amount at the rate of 5.70% per year;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on May 18 and November 18 of each year, commencing on November 18, 2011;
- will be payable to the holders of record on the May 3 and November 3 immediately preceding the related interest payment dates (whether or not such record date is a business day); and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Gruposura Finance may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering.

Ranking

The notes will constitute direct, senior and unsecured obligations of Gruposura Finance. The obligations of Gruposura Finance under the notes will rank at all times equal in right of payment to all the future unsecured and unsubordinated obligations of Gruposura Finance.

Guarantees

GRUPOSURA will irrevocably and unconditionally guarantee, on a senior and unsecured basis, Gruposura Finance's payment obligations under the notes and the indenture. The obligations of GRUPOSURA under the guarantees will rank at all times:

- equal in right of payment to other existing and future senior unsecured and unsubordinated indebtedness of GRUPOSURA (other than certain obligations granted preferential treatment under Colombian laws, such as tax claims);

- effectively subordinated to any future secured indebtedness of GRUPOSURA to the extent of such security; and

- effectively subordinated to all indebtedness and other liabilities (including trade payables) of the subsidiaries and affiliates of GRUPOSURA.

At December 31, 2010, Gruposura Finance had no outstanding indebtedness, and GRUPOSURA had total unconsolidated indebtedness of US$301.6 million, of which US$23.2 million was secured indebtedness. See "Risk Factors—Risks Related to the Notes—GRUPOSURA's ability to make payment in respect of the notes and guarantees will depend on the dividend distributions that it receives from its subsidiaries and affiliates, and holders of the notes will be effectively subordinated to the claims of creditors of GRUPOSURA's subsidiaries and affiliates."

Optional Redemption

The notes will not be redeemable prior to maturity, except as described below.

Make-Whole Redemption

The notes will be redeemable, at the option of Gruposura Finance or GRUPOSURA, in whole but not in part, at any time at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of the notes and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 40 basis points, in each case plus accrued and unpaid interest to the redemption date and any Additional Amounts (as defined below).

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

"Comparable Treasury Price" means, with respect to the redemption date, (1) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers reasonably designated by Gruposura Finance.

“Reference Treasury Dealer” means Merrill Lynch, Pierce, Fenner and Smith Incorporated and J.P. Morgan Securities LLC or their affiliates which are primary United States government securities dealers in New York City (each, a “Primary Treasury Dealer”) and not less than three other leading Primary Treasury Dealers in New York City reasonably designated by Gruposura Finance; *provided* that if any of the former cease to be a Primary Treasury Dealer, Gruposura Finance will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and a redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to a redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

Tax Redemption

The notes will be redeemable, at the option of Gruposura Finance or GRUPOSURA, in whole but not in part, at 100% of the outstanding principal amount of the notes, plus accrued and unpaid interest to the redemption date and any Additional Amounts (as defined under “—Additional Amounts”) payable with respect thereto, only if:

(1) Gruposura Finance or GRUPOSURA would be obligated to pay any Additional Amounts as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction (as defined below), or any change in, or a pronouncement by competent authorities of any Taxing Jurisdiction with respect to, the official application or official interpretation of such laws or regulations, which change, amendment or pronouncement occurs after the date of the indenture (or, in the case of any Taxes (as defined below) imposed by the jurisdiction of a paying agent, after the date of appointment of such paying agent) or, in the case that Gruposura Finance or GRUPOSURA, as applicable, merges with or into, or conveys, transfers or leases all or substantially all of its assets to, another Person and any Taxes are imposed or levied by or on behalf of the Taxing Jurisdiction (other than the Cayman Islands or Colombia) in which such successor entity is incorporated, after the date of such merger, conveyance, transfer or lease; and

(2) such obligation cannot be avoided by Gruposura Finance or GRUPOSURA taking reasonable measures available to it; *provided* that, for this purpose, reasonable measures shall not include any change in Gruposura Finance’s or GRUPOSURA’s jurisdiction of organization or locations of principal executive office, or the incurrence of material out-of-pocket expenses by Gruposura Finance or GRUPOSURA. (For the avoidance of doubt, reasonable measures will include a change in the jurisdiction of a paying agent, *provided*, *however*, that such change shall not require Gruposura Finance or GRUPOSURA to incur material additional costs or legal or regulatory burdens.)

No notice of redemption will be given earlier than 60 days prior to the earliest date on which Gruposura Finance or GRUPOSURA would be obligated to pay such Additional Amounts if a payment in respect of the notes or the guarantees were then due.

Prior to the publication or mailing of any notice of redemption of the notes, Gruposura Finance or GRUPOSURA must deliver to the trustee an officers’ certificate confirming that it is entitled to exercise such right of redemption. Gruposura Finance or GRUPOSURA will also deliver an opinion of legal counsel of recognized standing stating that it would be obligated to pay such Additional Amounts due to the changes in tax laws or regulations or changes in, or pronouncements with respect to, the official application or official interpretation of such laws or regulations. The trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, in which event it will be conclusive and binding on the holders.

Redemption Procedures

Gruposura Finance or GRUPOSURA will mail, or cause to be mailed, a notice of redemption to each holder (which, in the case of global notes, will be DTC) by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the redemption date, to the address of each holder as it appears on the register maintained by the registrar. A notice of redemption will be irrevocable.

In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the exchange so require, a notice of redemption will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange (http://www.bourse.lu).

Unless Gruposura Finance or GRUPOSURA defaults in the payment of the redemption price, interest will cease to accrue on the notes on and after the redemption date.

Open Market Purchases

Gruposura Finance, GRUPOSURA or their affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes may not be reissued or resold except in accordance with applicable securities and other laws.

Change of Control Offer

No later than 30 days following a Change of Control, GRUPOSURA, on behalf of Gruposura Finance, will be required to make an Offer to Purchase for all outstanding notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the Purchase Date (as defined below).

An "Offer to Purchase" must be made by written offer, which will specify the principal amount of the notes subject to the offer and the offer price. The offer must specify the expiration date (the "Expiration Date") not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the "Purchase Date") not more than five business days after the Expiration Date. The offer must include such information concerning the business of GRUPOSURA and its subsidiaries and affiliates which it believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer. GRUPOSURA will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a note tendered must be in a multiple of US$1,000 principal amount and that the minimum tender of any holder must be no less than US$200,000. Holders shall be entitled to withdraw notes tendered up to the close of business on the Expiration Date. On the Purchase Date, the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the Purchase Date.

GRUPOSURA will not be required to make an Offer to Purchase upon a Change of Control if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by GRUPOSURA and purchases all the notes properly tendered and not withdrawn under the Offer to Purchase, or (2) a notice of redemption for all outstanding notes has been given pursuant to the indenture unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

"Change of Control" means:

(i) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act, except that such person or group shall be deemed to have “beneficial ownership” of all shares that any person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than the percentage of the total voting power of the Voting Stock of GRUPOSURA collectively owned by the Permitted Holders at any time of determination, including, without limitation, as a result of any consolidation, merger, conveyance or transfer, in one or a series of related transactions, of all or substantially all the assets of GRUPOSURA; or

(ii) the first day on which a majority of the members of the Board of Directors of GRUPOSURA are not Continuing Directors; or

(iii) the adoption by the shareholders of GRUPOSURA of a plan or proposal for the liquidation or dissolution of GRUPOSURA.

“Continuing Directors” means, as of any time of determination, any member of the Board of Directors of GRUPOSURA who was elected to such Board of Directors with the vote of the Permitted Holders.

“Permitted Holders” mean Inversiones Argos S.A. and Grupo Nutresa S.A. and their respective Subsidiaries. Notwithstanding the preceding sentence, so long as any “person” or “group”, other than GRUPOSURA or another Permitted Holder, is or becomes the “beneficial owner”, directly or indirectly, of more than the percentage of the total voting power of the Voting Stock of a Permitted Holder collectively owned by GRUPOSURA and the other Permitted Holders at any time of determination, then such Permitted Holder shall no longer be deemed a “Permitted Holder” under this definition.

“Voting Stock” means, with respect to GRUPOSURA as of any date, the share capital of GRUPOSURA that is at the time entitled to vote generally in the election of the Board of Directors of GRUPOSURA and in respect of other matters presented at the shareholders’ meeting of GRUPOSURA.

Payments

Gruposura Finance and GRUPOSURA will make all payments on the notes and the guarantees exclusively in U.S. dollars or such other currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

Gruposura Finance will make payments of principal of and premium, if any, and interest on the notes to the paying agents. The trustee will initially act as a paying agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, Gruposura Finance will also maintain a paying agent in Luxembourg.

Gruposura Finance will pay interest on the outstanding principal amount of the notes to the Persons in whose name the notes are registered on the relevant record date (which, in the case of global notes, will be DTC) and will pay principal of and premium, if any, on the notes to the Persons in whose name the notes are registered at the close of business on the fifteenth day before the due date for payment (which, in the case of global notes, will be DTC). Payments of principal, premium, if any, and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the Person entitled thereto at its registered address. Upon written notice from a holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Gruposura Finance will make payments of principal and premium, if any, upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents.

Under the terms of the indenture, payment by Gruposura Finance of any amount payable under the notes to the paying agents in accordance with the indenture will satisfy the obligation of Gruposura Finance to make such payment; *provided* that the liability of any paying agent will not exceed any amounts paid to it by Gruposura Finance, or held by it, on behalf of the holders under the indenture. Gruposura Finance has agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No fees or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the other paying agents will pay to Gruposura Finance or GRUPOSURA upon request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to Gruposura Finance or GRUPOSURA for payment as general creditors. After the return of such monies by the trustee or the other paying agents to Gruposura Finance or GRUPOSURA, neither the trustee nor the other paying agents will be liable to the holders in respect of such monies.

Form, Denomination and Title

The notes will be issued in fully registered form without coupons attached in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of the Notes—Global Notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "Form of the Notes." Notes will be subject to certain restrictions on transfer as more fully set out in the indenture and as described under "Transfer Restrictions."

The trustee will initially act as the registrar and as a transfer agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, Gruposura Finance will also maintain a transfer agent in Luxembourg.

Transfer will be effected without charge by or on behalf of Gruposura Finance, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

No holder may require the transfer or exchange any note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal of or premium, if any, or interest on that note.

Additional Amounts

All payments by Gruposura Finance or GRUPOSURA in respect of the notes or the guarantees will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If Gruposura Finance or GRUPOSURA shall be required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes or the guarantees, Gruposura Finance or GRUPOSURA, as the case may be, will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction equals the respective amounts which would have been receivable by such holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the note (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependant agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal of or premium, if any, or interest on the notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) Gruposura Finance or GRUPOSURA, as the case may be, has given the holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) the note for payment within 30 days after Gruposura Finance or GRUPOSURA, as the case may be, has made available a payment of principal or interest, *provided* that Gruposura Finance or GRUPOSURA, as the case may be, will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(vii) by or on behalf of a holder who would have been able to avoid such withholding or deduction of Taxes by presenting the relevant note to another paying agent in a member state of the European Union; or

(viii) any combination of items (i) through (vii) above.

Furthermore, no Additional Amounts will be paid to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

"Taxes" means all taxes, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Colombia or the jurisdiction of incorporation of any successor entity to Gruposura Finance or GRUPOSURA, or, in the event that Gruposura Finance or GRUPOSURA appoints additional paying agents, by the jurisdictions of such additional paying agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a "Taxing Jurisdiction").

Gruposura Finance or GRUPOSURA, as the case may be, will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which Gruposura Finance or GRUPOSURA, as the case may be, has paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

GrupoSura Finance or GRUPOSURA, as the case may be, will also pay any present or future stamp, court or documentary taxes or any exercise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes and the related guarantees, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Colombia or the Cayman Islands other than those resulting from, or required to be paid in connection with, the enforcement of the notes and the related guarantees following the occurrence of any Default or Event of Default.

All references in this offering memorandum to principal of and premium, if any, and interest on the notes will include any Additional Amounts payable by Gruposura Finance or GRUPOSURA, as the case may be, in respect of such principal, premium, if any, and interest.

Covenants

The indenture contains the following covenants:

Limitation on Liens

GRUPOSURA will not create or suffer to exist any Lien upon any of its property or assets now owned or hereafter acquired by GRUPOSURA (including, without limitation, in respect of any Share Capital of any Subsidiary or Investee) securing any Debt unless simultaneously therewith effective provision is made to secure the notes equally and ratably with such obligation for so long as such obligation is so secured. The preceding sentence will not, however, require GRUPOSURA to equally and ratably secure the notes if the Lien consists of the following:

(1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien referred to in clause (2) below; *provided*, that the total amount of Debt so secured is not increased, other than any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement;

(2) any Lien existing on any property or assets of any Person before that Person's acquisition by, merger into or consolidation with GRUPOSURA after the date of the indenture; *provided* that (a) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (b) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, in each case, taking into account any accrued interest or monetary variation, (c) the Lien

will not apply to any other property or assets of GRUPOSURA and (d) the Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(3) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(4) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, or any deposit to secure appeal bonds in proceedings being contested in good faith to which GRUPOSURA is a party;

(5) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by Colombian GAAP;

(6) any rights of set-off of any Person with respect to any deposit account of GRUPOSURA arising in the ordinary course of business and not constituting a financing transaction;

(7) Liens securing Hedging Obligations not for speculative purposes and incurred in the ordinary course of business pursuant to customary collateral provisions for Hedging Obligations of such type; or

(8) in addition to the foregoing Liens set forth in clauses (1) through (7) above, Liens securing Debt of GRUPOSURA which do not in aggregate principal amount, at any time of determination, exceed 5.0% of GRUPOSURA's Total Assets.

For the avoidance of doubt, the limitation set forth in the preceding paragraph will not restrict any Subsidiary or Investee of GRUPOSURA from creating any Liens on its property and assets.

Limitation on Transactions with Affiliates

GRUPOSURA will not enter into any transaction or series of related transactions with or with respect to any Subsidiary, Investee or other Affiliate of GRUPOSURA unless (A) such transaction or series of related transactions are no less favorable to it than those that could be obtained at the time in a comparable transaction or series of related transactions in arm's-length dealings with an unrelated third Person and (B) in the event such transaction involves an aggregate consideration in excess of US$30 million, the terms of such transactions have been approved by a resolution of the majority of members of the board of directors of GRUPOSURA and a majority of members of such board of directors having no personal interest or stake in such transaction, if any. The preceding sentence will not, however, apply to:

(1) the performance of any transaction under the terms of any agreement as in effect on the date of the indenture and described in this offering memorandum;

(2) any employment agreement, employee benefit plan, officer or director indemnification agreement or similar agreement entered into by GRUPOSURA in the ordinary course of business consistent with past practices;

(3) loans or advances to directors, officers and employees in the ordinary course of business consistent with past practices; or

(4) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of GRUPOSURA.

Limitation on Consolidation, Merger or Transfer of Assets

GRUPOSURA will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (if not GRUPOSURA) is a Person organized and existing under the laws of Colombia, the United States or any state or territory thereof, a member state of the European Union or a member state of the Organization for Economic Co-operation and Development (OECD) and expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of GRUPOSURA under the indenture, the notes and the guarantees;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(3) GRUPOSURA delivers to the trustee an officers' certificate and an opinion of counsel of recognized standing, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture, if any, comply with the indenture and that all conditions precedent provided for in the indenture relating to such transaction have been complied with.

The trustee will be entitled to rely exclusively on and will accept such officers' certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

GRUPOSURA will provide or cause to be provided to the trustee any financial statements which GRUPOSURA may file with the SFC or the SEC, or which are otherwise made available to the public in such language or form as such financial statements are prepared. In addition to the foregoing (and without duplication), GRUPOSURA will cause to be provided to the trustee (i) in English (or accompanied by an English translation thereof) as soon as available and in any case within 45 days after the end of each fiscal quarter (other than the fourth quarter), its unaudited unconsolidated balance sheet and statement of income calculated in accordance with Colombian GAAP and its combined net cash receipts information substantially in the form of such information set forth in the "Liquidity and Capital Resources" subsection of "Management's Description and Analysis of Results of Operations and Financial Condition" in this offering memorandum and (ii) in English (or accompanied by an English translation thereof) as soon as available and in any case within 90 days after the end of each fiscal year, its audited consolidated and unconsolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow calculated in accordance with Colombian GAAP and accompanied by a report thereon by an independent public accountant of recognized international standing, together in all cases under (i) and (ii) with a "management discussion and analysis of GRUPOSURA's financial condition and results of operations" disclosure substantially in the form set forth under "Management's Description and Analysis of Results of Operations and Financial Condition" in this offering memorandum.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, GRUPOSURA will furnish to any holder of notes issued under Rule 144A, or to any prospective purchaser designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to GRUPOSURA to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless during that time GRUPOSURA is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about GRUPOSURA is otherwise required pursuant to Rule 144A.

Additional Limitations relating to Gruposura Finance

The indenture will contain the following additional covenants applicable to Gruposura Finance:

- Gruposura Finance will not engage in any business, or conduct any operations, other than to finance the operations of GRUPOSURA and its Wholly-Owned Subsidiaries and activities that, in the good faith judgment of Gruposura Finance's directors and officers, are reasonably ancillary thereto (including, without limitation, on-lending of funds, repurchases of Debt permitted to be issued by the indenture and entering into transactions involving Hedging Obligations relating to such Debt);

- Gruposura Finance will not incur any Debt other than (1) the notes and (2) any other senior unsecured indebtedness which (i) ranks equally with the notes, or (ii) is subordinated to the notes;

- Gruposura Finance will not make any investments, other than Permitted Investments; and

- Gruposura Finance will not incur any Liens on any of its assets, except for any Liens imposed by operation of law.

GRUPOSURA, as the sole shareholder of Gruposura Finance, and Gruposura Finance will also agree in the indenture that, for so long as any of the notes is outstanding, neither GRUPOSURA nor Gruposura Finance will take any corporate action with respect to:

- the consolidation or merger of Gruposura Finance with or into any other Person, except that Gruposura Finance may merge with GRUPOSURA or a Wholly-Owned Subsidiary of GRUPOSURA that is in compliance with the preceding paragraph;

- the voluntary liquidation, wind-up or dissolution of Gruposura Finance while Gruposura Finance is the issuer of the notes, unless GRUPOSURA fully and unconditionally assumes all of the obligations of Gruposura Finance, including the notes; or

- the transfer or disposition by GRUPOSURA of Gruposura Finance to any Person other than a Wholly-Owned Subsidiary of GRUPOSURA, except as permitted under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets."

Events of Default

An "Event of Default" occurs if:

(1) Gruposura Finance or GRUPOSURA defaults in any payment of interest (including any related Additional Amounts) on any note or guarantee when the same becomes due and payable, and such default continues for a period of 30 days;

(2) Gruposura Finance or GRUPOSURA defaults in any payment of principal (including premium, if any, and any related Additional Amounts) of any note or guarantee when the same becomes due and payable upon its Stated Maturity, upon redemption, or otherwise;

(3) Gruposura Finance or GRUPOSURA fails to comply with any of its covenants or agreements in the indenture, the notes or guarantees (other than those referred to in clauses (1) and (2) above), and such failure continues for 60 days after the notice specified below;

(4) Gruposura Finance, GRUPOSURA, any of GRUPOSURA's other Subsidiaries and/or any of GRUPOSURA's Investees that, individually or in the aggregate, constitute a Material Entity defaults with respect to any of its Debt (whether such Debt now exists or is created after the date of the indenture), which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its Stated Maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals, in the case of Gruposura Finance, GRUPOSURA or any of

GRUPOSURA's other Subsidiaries, US$50 million or more in the aggregate or, in the case of GRUPOSURA's Investees that, individually or in the aggregate, constitute a Material Entity, US$75 million or more in the aggregate (or, in each case, the equivalent thereof at the time of determination);

(5) one or more final judgments or decrees for the payment of money of, in the case of Gruposura Finance, GRUPOSURA or any of GRUPOSURA's other Subsidiaries, US$50 million or more in the aggregate or, in the case of GRUPOSURA's Investees that, individually or in the aggregate, constitute a Material Entity, US$75 million or more in the aggregate (or, in each case, the equivalent thereof at the time of determination) are rendered against Gruposura Finance, GRUPOSURA, any of GRUPOSURA's other Subsidiaries and/or any of GRUPOSURA's Investees that, individually or in the aggregate, constitute a Material Entity and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(6) any Colombian government or governmental authority condemns, nationalizes, seizes, or otherwise expropriates all or any substantial portion of GRUPOSURA's assets or property or the Share Capital of any of GRUPOSURA's Subsidiaries and Investees that, individually or in the aggregate, constitute a Material Entity, or assumes custody or control of such assets or property or of the business or operations or Share Capital of any such Subsidiaries or Investees or takes any action that would prevent GRUPOSURA or any such Subsidiaries or Investees or their respective officers from carrying on a substantial portion of the business or operations of GRUPOSURA or any such Subsidiaries or Investees for a period longer than 60 days and the result of any such action materially prejudices Gruposura Finance's or GRUPOSURA's ability to perform its obligations under the indenture, the notes and the guarantees;

(7) GRUPOSURA or any of GRUPOSURA's Subsidiaries and Investees that, individually or in the aggregate, constitute a Material Entity, or any Colombian government or governmental authority, declares a general suspension of payment or a moratorium on the payment of GRUPOSURA's indebtedness, or any indebtedness of such Subsidiaries or Investees;

(8) a resolution is passed or adopted by the board of directors or shareholders of GRUPOSURA, or any of GRUPOSURA's Subsidiaries and Investees that, individually or in the aggregate, constitute a Material Entity, by the SFC or any similar Colombian governmental authority, or a judgment of a court of competent jurisdiction in Colombia is made, that GRUPOSURA or any such Subsidiaries or Investees be wound up or dissolved (otherwise than for the purposes of, or pursuant to, or in connection with, a consolidation or merger or other transaction in accordance with the terms of the indenture described in "—Covenants—Consolidation, Merger or Transfer of Assets");

(9) any proceeding is instituted by or against GRUPOSURA, or any of GRUPOSURA's Subsidiaries and Investees that, individually or in the aggregate, constitute a Material Entity, seeking to adjudicate GRUPOSURA or any such Subsidiaries or Investees bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of any Debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for GRUPOSURA or any such Subsidiaries or Investees or for any substantial part of the property of GRUPOSURA or any of such Subsidiaries or Investees and, in the case of any of the foregoing actions, such proceeding or action is not dismissed or discharged and remains in effect for 60 days; or GRUPOSURA, or any such Subsidiaries or Investees, takes corporate action to authorize any of the actions set forth above in this clause (9); or

(10) any material provision of the indenture, the notes or the guarantees ceases to be in full force and effect or binding and enforceable against Gruposura Finance or GRUPOSURA, it becomes unlawful for Gruposura Finance or GRUPOSURA to perform any material obligation under indenture, the notes or the guarantees, or Gruposura Finance or GRUPOSURA contests the enforceability of any of the indenture, the notes or the guarantees, or denies that it has liability under the indenture, the notes or the guarantees.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify Gruposura Finance and GRUPOSURA of the Default and Gruposura Finance or GRUPOSURA does not cure such Default within the time specified after receipt of such notice.

If an Event of Default (other than an Event of Default specified in clauses (7), (8) and (9) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and premium, if any, and accrued interest on all notes to be due and payable immediately, by a notice in writing to Gruposura Finance, with a copy to GRUPOSURA, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clauses (7), (8) and (9) above occurs and is continuing, then the principal of and premium, if any, and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default will occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity satisfactory to the trustee. Subject to such provision for the indemnification of the trustee and certain other conditions set forth in the indenture, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

Gruposura Finance or GRUPOSURA may at any time terminate all of its obligations with respect to the notes and the guarantees ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. Gruposura Finance or GRUPOSURA may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, Gruposura Finance or GRUPOSURA must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of and premium, if any, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture, the notes and the guarantees may be amended or supplemented with the written consent of the holders of at least a majority in principal amount of the notes then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

(1) reduce the rate of or extend the time for payment of interest on any note;

(2) reduce the principal of or change the Stated Maturity of any note;

(3) reduce the amount payable upon the redemption of any note or change the time at which any note may be redeemed;

(4) change the currency for payment of principal of or premium, if any, or interest on any note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(6) waive a Default or Event of Default in the payment of principal of and premium, if any, and interest on the notes;

(7) amend or modify any provisions of the guarantees in a manner that could materially and adversely affect the holders;

(8) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or

(9) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the indenture, the notes or the guarantees described in this paragraph.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Gruposura Finance, GRUPOSURA and the trustee may, without notice to or the consent or vote of any holder of the notes, amend or supplement the indenture, the notes or the guarantees for the following purposes:

(1) to cure any ambiguity, defect or inconsistency (including, without limitation, any inconsistency between the text of the indenture, the notes or the guarantees and the description of the indenture, the notes and the guarantees contained in this "Description of the Notes" section of this offering memorandum);

(2) to comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets";

(3) to add guarantees or collateral with respect to the notes;

(4) to add to the covenants of Gruposura Finance or GRUPOSURA for the benefit of holders of the notes;

(5) to surrender any right conferred by the indenture upon Gruposura Finance or GRUPOSURA;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional notes; or

(8) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

After an amendment described in the preceding paragraphs becomes effective, Gruposura Finance or GRUPOSURA is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

Any notes owned by Gruposura Finance, GRUPOSURA or any of their Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Any such notice will be deemed to have been delivered on the date of first publication.

Trustee

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise such of those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Gruposura Finance, GRUPOSURA and their Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

The trustee may hold notes in its own name.

Registrar, Transfer Agent and Paying Agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. Gruposura Finance has the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as Gruposura Finance and the trustee may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Gruposura Finance will not be required to register or cause to be registered the transfer of notes after all the notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, Gruposura Finance will maintain a paying agent and transfer agent in Luxembourg. Gruposura Finance has initially appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent and transfer agent. To the extent that the Luxembourg paying agent is obliged to withhold or deduct tax on payments of interest or similar income, Gruposura Finance will, to the extent permitted by law, ensure that it maintains an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Governing Law, Submission to Jurisdiction and Claims

The indenture, the notes and the guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, New York City for purposes of all legal actions and proceedings instituted in connection with the indenture, the notes and the guarantees. Each of Gruposura Finance and GRUPOSURA has appointed Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, New York 10036, as its authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against Gruposura Finance and GRUPOSURA for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Waiver of Immunities

To the extent that Gruposura Finance or GRUPOSURA may claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the indenture, notes or the guarantees and to the extent that in any jurisdiction there may be immunity attributable to Gruposura Finance or GRUPOSURA or its assets, whether or not claimed, Gruposura Finance and GRUPOSURA will for the benefit of the holders irrevocably waive and agree not to claim such immunity to full extent permitted by law.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by Gruposura Finance or GRUPOSURA under or in connection with the indenture, the notes and the guarantees, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of Gruposura Finance or GRUPOSURA or otherwise) by any holder of a note in respect of any sum expressed to be due to it from Gruposura Finance and GRUPOSURA will only constitute a discharge of Gruposura Finance and GRUPOSURA to the extent of the dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, Gruposura Finance and GRUPOSURA will indemnify such holder against any loss sustained by it as a result. In any event, Gruposura Finance and GRUPOSURA will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of Gruposura Finance and GRUPOSURA, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms.

"Affiliate" means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Colombian GAAP" means generally accepted accounting principles in Colombia or, to the extent adopted by GRUPOSURA for the presentation of its financial statements filed with the SFC, IFRS.

"Debt" means, with respect to any Person, without duplication:

(a) indebtedness for money borrowed and premium, if any, and accrued interest in respect thereof;

(b) liabilities under or in respect of any acceptance or credit;

(c) the principal and premium, if any, and any accrued and unpaid interest in respect of any bonds, notes, debentures, certificates of deposit or other securities (whether issued for cash or in whole or in part for consideration other than cash);

(d) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(e) all obligations of such Person for the reimbursement of any obligor or any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (a) through (d) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(f) all obligations of the type referred to in clauses (a) through (e) of other Persons and all dividends of other persons for the payments of which, in either case, such Person is responsible, or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment thereof);

(g) the net obligations under Hedging Obligations;

(h) guarantees and other contingent obligations in respect of Debt referred to in clauses (a) through (g) above; and

(i) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as indebtedness under Colombian GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option, forward or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

"holder" means the Person in whose name a note is registered in the register.

"IFRS" means International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB).

"Investee" means any Person in which GRUPOSURA, directly or indirectly, owns or controls 20% or more, but not more than 50%, of the shares of Share Capital or other interests (including partnership interests) or of the voting power thereof.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"Material Entity" means any of GRUPOSURA's Subsidiaries and Investees, individually or in the aggregate with other Subsidiaries or Investees of GRUPOSURA, (i) which, for the year ended December 31 of the most recent year for which audited unconsolidated financial statements are available, made dividend payments or other distributions, directly or indirectly, to GRUPOSURA which constituted at least 20% of GRUPOSURA's net income for such year, or (ii) in which the direct or indirect investment of GRUPOSURA, as of December 31 of the most recent year for which audited unconsolidated financial statements are available, constituted at least 20% of GRUPOSURA's Total Assets, in the case of clauses (i) and (ii) determined on an unconsolidated basis.

"Permitted Investments" means, with respect to Gruposura Finance, (i) investments in cash and short-term, high-quality investments that are recorded as cash equivalents on GRUPOSURA'S consolidated balance sheet in accordance with Colombian GAAP, (ii) investments in fixed income securities rated (on a non-local foreign currency basis or equivalent) at the time of acquisition thereof at least "A2" or the equivalent thereof by Moody's Investor Service, Inc., "A" or the equivalent thereof by Standard & Poor's Ratings Services or "A" or the equivalent thereof by Fitch Ratings Limited, or carrying an equivalent rating by an internationally recognized rating agency, if all three of the named rating agencies cease publishing ratings of investments and (iii) on-lending to GRUPOSURA or any direct or indirect Subsidiary of GRUPOSURA.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"SFC" means the Colombian Financial Superintendence (Superintendencia Financiera de Colombia).

"Share Capital" means, with respect to any Person, any and all shares of capital stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision (but excluding any provision providing for the purchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any Person of which more than 50% of the total voting power of shares of Share Capital or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) GRUPOSURA, (b) GRUPOSURA and one or more Subsidiaries or (c) one or more Subsidiaries.

"Total Assets" means, as of any date of determination, the total assets shown on the unconsolidated balance sheet of GRUPOSURA as of the most recent date for which financial statements have been provided to the trustee, determined in accordance with Colombian GAAP.

"Wholly-Owned Subsidiary" means a Subsidiary of which at least 95% of the Share Capital (other than directors' qualifying shares) is owned by GRUPOSURA or another Wholly-Owned Subsidiary.

Form of the Notes

Notes sold pursuant to Regulation S will be represented by a global note in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of The Depository Trust Company ("DTC") and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a global note in fully registered form without interest coupons (the "Rule 144A Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are being offered and sold in this initial offering in the United States solely to "qualified institutional buyers" under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States pursuant to Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Prior to the 40th day after the date of original issuance of the notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Exchanges between the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction in compliance with the requirements of Rule 144A. Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Global Notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Except as described in "Certificated Notes", owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the

Rule 144A Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants, including Euroclear and Clearstream.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. None of Gruposura Finance, GRUPOSURA or any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Gruposura Finance and GRUPOSURA anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. Gruposura Finance and GRUPOSURA also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, crossmarket transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value and the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Rule 144A Global Note among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Gruposura Finance, GRUPOSURA or any initial purchaser will have any responsibility for the performance of DTC, Euroclear or

Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for a global note and a successor depositary is not appointed by Gruposura Finance within 90 days, (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default" or (3) if Gruposura Finance, at its sole discretion, determines that the global notes will be exchangeable for certificated notes and Gruposura Finance notifies the trustee thereof, Gruposura Finance will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. Upon receipt of such notice from DTC or a paying agent, as the case may be, Gruposura Finance will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by Gruposura Finance and the registrar to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act, including, if any, an exemption from the registration requirements thereof. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through the DTC, Euroclear or Clearstream.

Taxation

Certain U.S. Federal Income Taxation Consequences to U.S. Holders

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: WE ARE INFORMING YOU THAT: (A) THIS DISCUSSION IS NOT INTENDED AND WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE UNITED STATES FEDERAL TAX LAWS THAT MAY BE IMPOSED ON THE TAXPAYER, (B) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE NOTES AND (C) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of the purchase, ownership and disposition of the notes issued in this offering. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations and judicial decisions and administrative interpretations thereof, all as of the date hereof and all of which are subject to change (possibly with retroactive effect) or possible differing interpretations. This summary is limited to U.S. Holders who purchase the notes in the initial offering at the price indicated on the cover hereof and who hold the notes as capital assets (generally, property held for investment) and does not purport to address all aspects of U.S. federal income taxation that may be applicable to U.S. Holders in light of their particular circumstances nor does it purport to address persons in special tax situations, such as banks or other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, tax-exempt entities or persons holding the notes in a tax-deferred or tax-advantaged account, dealers in securities or currencies, traders in securities that elect to mark to market, certain expatriates, persons subject to the alternative minimum tax, entities that are treated as partnerships or other pass-through entities for U.S. federal income tax purposes, persons holding notes as a position in a "straddle" or as part of a "hedging", "conversion" or "integrated" transaction for tax purposes, persons deemed to sell the notes under the constructive sales provisions of the Code, or persons whose functional currency is not the U.S. dollar.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Thus, persons who are partners in a partnership holding the notes and such partnerships should consult their tax advisors.

THIS SUMMARY DOES NOT ADDRESS ANY U.S. FEDERAL GIFT OR ESTATE TAX CONSEQUENCES OR ANY STATE, LOCAL OR FOREIGN TAX CONSEQUENCES. PERSONS CONSIDERING THE PURCHASE OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE APPLICATION OF U.S. FEDERAL INCOME, STATE AND LOCAL TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER THE LAWS OF ANY FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

As used in this offering memorandum, the term "U.S. Holder" means a beneficial owner of a note that is for U.S. federal income tax purposes:

- an individual who is a citizen or individual resident of the United States,
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if (i) a court within the United States is able to exercise primary supervision over the trust's administration and one or more United States persons (within the meaning of section 7701(a)(30) of the Code) have the authority to control all of its substantial decisions or (ii) a valid election to be

treated as a United States person is in effect under the relevant Treasury Regulations with respect to such trust.

Payments of Interest. Interest paid on a note (including Additional Amounts, if any) will be included in the gross income of a U.S. Holder as ordinary interest income at the time it is treated as received or accrued, in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder will also be required to include in gross income any withholding tax paid with respect to interest on the notes, including withholding tax on payments of Additional Amounts.

Subject to certain limitations (including certain minimum holding period requirements), a U.S. Holder generally will be entitled to a credit against such U.S. Holder's U.S. federal income tax liability for any foreign income taxes withheld. Alternatively, a U.S. Holder may elect to claim a deduction for such foreign income taxes in computing its U.S. federal taxable income provided that the election applies to all foreign income taxes paid or accrued by the U.S. Holder for the taxable year. Interest received or accrued on the notes and Additional Amounts generally will constitute foreign source income to U.S. Holders for U.S. foreign tax credit purposes. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets," and the credit for foreign taxes paid or accrued with respect to foreign source income in any basket is limited to U.S. federal income tax allocable to that income. Interest on the notes generally will be in the "passive category income" basket or, for certain U.S. Holders, the "general category income" basket. The calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involve the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders are urged to consult their own tax advisors regarding the application of the U.S. foreign tax credit rules in their particular situations.

Sale, Exchange, Redemption or Other Taxable Disposition. A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption or other taxable disposition of a note equal to the difference (if any) between the amount realized on the sale, exchange, redemption or other taxable disposition, except to the extent such amount is attributable to accrued but unpaid interest (which will be taxable as ordinary interest income), and such U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal such U.S. Holder's initial investment in the note. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note was held by such U.S. Holder for more than one year at the time of the sale, exchange, redemption or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may qualify for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations. Any gain or loss realized by a U.S. Holder on a sale, exchange, redemption or other taxable disposition of the notes generally will be treated as U.S.-source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their tax advisors regarding the availability of U.S. foreign tax credits in their particular circumstances.

Information Reporting and Backup Withholding. In general, payments of principal and interest, and payments of the proceeds of a sale or other taxable disposition of notes, paid within the United States or through certain United States-related financial intermediaries to a U.S. Holder may be subject to information reporting and backup withholding unless the U.S. Holder (i) is an exempt recipient or (ii) in the case of backup withholding (but not information reporting), provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is timely provided to the Internal Revenue Service.

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the notes.

Certain Colombian Taxation Considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with: (i) the purchase, ownership and sale of the notes by Non-Colombian Resident Holders; and (ii) the payments made by GRUPOSURA to the Non-Colombian Resident Holders under the guarantees, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this offering memorandum, as well as regulations, ruling and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to change, which change could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

As used in this offering memorandum, a "Non-Colombian Resident Holder" means a holder that is not a citizen or a resident of Colombia or a company or other entity not organized under the laws of Colombia.

Purchase, ownership and sale of the notes by Non-Colombian Resident Holders

As a Cayman Islands company, Gruposura Finance's payment of principal of or premium, if any, or interest on the notes to Non-Colombian Resident Holders, or the income resulting from the sale of the notes by Non-Colombian Resident Holders, will not be subject to Colombian income tax, and such holders will not be required to file any tax returns in Colombia solely by reason of their investment in the notes. There is no Colombian income tax applicable to the notes, unless the holder is a Colombian resident for tax purposes.

Payments made by GRUPOSURA to the Non-Colombian Resident Holders under the Guarantees

Payments, if any, made by GRUPOSURA to the Non-Colombian Resident Holders under the guarantees will not be deemed Colombian source income because these payments would be regarded as payments made under a transaction performed outside of Colombia, which would also constitute foreign indebtedness possessed outside Colombia. In the event that GRUPOSURA makes any tax withholding regarding Colombian tax authorities, the withholding will be assumed by GRUPOSURA.

Certain Cayman Islands Taxation Considerations

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling of the notes under the laws of their country of citizenship, residence or domicile.

Cayman Islands Taxation

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

***Under Existing Cayman Islands Laws*:**

1. Payments of interest and principal on the notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the notes, nor will gains derived from the disposal of the notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.
2 No stamp duty is payable in respect of the issue of the notes. An instrument of transfer in respect of the notes is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

The Tax Concessions Law
1999 Revision
Undertaking as to Tax Concessions

In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the "Issuer".

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
   - 2.1 On or in respect of the shares, debentures or other obligations of the Issuer; or
   - 2.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
3. These concessions shall be for a period of twenty years from the date hereof.

This summary does not describe all of tax the considerations that may be relevant to you or your situation and you should consult your tax adviser about the tax consequences of holding the notes.

Plan of Distribution

Subject to the terms and conditions contained in a purchase agreement among the Issuer, GRUPOSURA and the initial purchasers, The Issuer has agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from the Issuer, the principal amount of the notes that appears opposite its name in the table below.

Initial Purchasers	Principal Amount of Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.$150,000,000
J.P. Morgan Securities LLC	150,000,000
Total	U.S.$300,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes if any of the notes are purchased.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes only (1) to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and (2) outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions."

New Issue of Securities

The notes are a new issue of securities with no established trading market. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the application will be approved. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

No Sales of Similar Securities

We have agreed that we will not, for a period of 30 days after the date of this offering memorandum, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization Transactions

In connection with the offering of the notes, the initial purchasers may engage in over-allotment and stabilizing transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchaser. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing covering transactions, they may discontinue them at any time.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Colombia

The notes will not be registered in Colombia on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC and, accordingly, they may not be offered to persons in Colombia except pursuant to a public offering pursuant to Section 6.11.1.1.1. of Decree 2,555 of 2010, as amended, or an exemption therefrom under Colombian law.

European Economic Area

In relation to each member state of the European Economic Area (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented;

- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented); or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

Each person in a Relevant Member State who initially acquires any notes as a "financial intermediary," as that term is used in Article 3(2) of the Prospectus Directive, will be deemed to have represented acknowledged and agreed that (x) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the subscribers has been given to the offer or resale, or (y) where notes have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the foregoing, the expression ''offer of notes to the public,'' in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; "Prospectus Directive" means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State; and "2010 PD Amending Directive" means Directive 2010/73/EC.

United Kingdom

The initial purchasers have advised us that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of such notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Relationships with the Initial Purchasers

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

Settlement

Delivery of the notes is expected on or about May 18, 2011, which will be the fifth business day following the date of pricing of the notes. Purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the pricing date or the next succeeding business day should consult their own advisor.

Transfer Restrictions

The notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, and may not be offered or sold except pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to the Issuer, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration the transfer of any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Issuer, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify the Issuer and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.

This legend may be removed solely at the discretion and at the direction of the issuer."

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.

This legend may be removed solely at the discretion and at the direction of the issuer."

The resale restriction periods may be extended, in the Issuer's discretion, in the event of one or more issuances of additional notes, as described under "Description of the Notes." The above legends (including the restrictions on resale specified thereon) may be removed solely in the Issuer's discretion and at the Issuer's direction.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

Validity of the Notes

The validity of the notes will be passed upon for the Issuer and GRUPOSURA by Shearman & Sterling LLP, U.S. counsel to the the Issuer and GRUPOSURA, by Maples and Calder, Cayman Islands counsel to the Issuer and GRUPOSURA , and by the Issuer's and GRUPOSURA's General Counsel.

The validity of the notes will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers , and by Gomez-Pinzón Zuleta Abogados S.A., Colombian counsel to the initial purchasers.

Independent Auditors

GRUPOSURA's 2010 and 2009 consolidated and unconsolidated financial statements have been audited by KPMG Ltda., independent auditors, as indicated in their reports appearing herein. KPMG's report on GRUPOSURA's 2010 audited consolidated financial statements includes references to the reports of other auditors for certain subsidiaries and also includes the following explanatory paragraphs:

- At January 21, 2011, GRUPOSURA was notified, by the Superintendence of Companies of Resolution Number 610-000004 of January 19, 2011, which authorizes the statutory reform consistent with the wind up of Portafolio de Inversiones Suramericana S.A – En Liquidacion, to transfer all of its equity to the beneficiary Grupo de Inversiones Suramericana S.A.
- Consultoria en Gestion de Riesgos Suramericana S.A. had operational losses for the years ended on December 31, 2010 and 2009; however, 99 percent and 97 percent of its operational income during 2010 and 2009, respectively, came from its major shareholder.
- Servicios de Salud IPS Suramericana S.A. had operational losses for the years ended December 31, 2010 and 2009, respectively; however, 78 percent and 79 percent of its operational income during 2010 and 2009, respectively came from its major shareholder and related parties. On January 31, 2011, a capital injection of COP 1,212 million was made in the entity.

KPMG's report on GRUPOSURA's 2009 audited consolidated financial statements includes references to the reports of other auditors for certain subsidiaries and also includes the following explanatory paragraphs:

- Consultoria en Gestion de Riesgos Suramericana S.A. had operational losses for the years ended on December 31, 2009 and 2008; however, 97 percent and 98 percent of its operational income during 2009 and 2008, respectively, came from its major shareholder.
- Servicios de Salud IPS Suramericana S.A. had operational losses for the years ended December 31, 2009 and 2008, respectively; however, 79 percent of its operational income during 2009, came from its major shareholder and related parties.

KPMG's report on GRUPOSURA's 2010 unconsolidated financial statements includes an explanatory paragraph that stated that at January 21, 2011, GRUPOSURA was notified, by the Superintendence of Companies of Resolution Number 610-000004 of January 19, 2011, which authorizes the statutory reform consistent with the wind up of Portafolio de Inversiones Suramericana S.A – En Liquidacion, to transfer all of its equity to the beneficiary Grupo de Inversiones Suramericana S.A.

The financial statements of Bancolombia S. A. as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010 incorporated in this offering memorandum by reference to the Bancolombia S. A.'s Annual Report on Form 20-F for the year ended December 31, 2010, and the effectiveness of internal control over financial reporting as of December 31, 2010 have been audited by PricewaterhouseCoopers Ltda., an independent registered public accounting firm, as stated in their report incorporated herein.

The financial statements of Grupo Nacional de Chocolates S.A. as of December 31, 2010, 2009 and 2008 and for each of the three years in the period ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers Ltda., independent accountants, as stated in their reports appearing herein.

The consolidated financial statements of Inversiones Argos as of December 31, 2010, 2009 and 2008 and for each of the three years in the period ended December 31, 2010, including in this offering memorandum, have been audited by Deloitte & Touche Ltda., independent auditors, as indicated in their reports appearing herein (which reports include an explanatory paragraph that indicates that Inversiones Argos has direct and indirect investments in companies not audited by Deloitte that represented 31%, 9% and 11% of Inversiones Argos' consolidated assets as of December 31, 2010, 2009 and 2008, respectively, and 42%, 17% and 16% of Inversiones Argos' consolidated revenues as of December 31, 2010, 2009 and 2008, respectively, and were audited by other auditors).

Listing and General Information

1. The creation and issuance of the notes has been authorized by the resolutions of the Board of Directors of the Issuer dated May 2, 2011 and the resolutions of the Board of Directors of GRUPOSURA dated December 16, 2010.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting the Issuer or GRUPOSURA or any of their assets and neither the Issuer nor GRUPOSURA is aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or GRUPOSURA since December 31, 2010 (the end the most recent fiscal year for which audited consolidated financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and GRUPOSURA's principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and GRUPOSURA's principal office, at the addresses listed on the inside back cover page of this offering memorandum:

- the latest published audited year-end financial statements of GRUPOSURA; and
- the by-laws of the Issuer and GRUPOSURA.

6. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP and ISIN numbers, as applicable, for the notes are as follows:

Rule 144 note CUSIP: 40052X AA8	Rule 144A note ISIN: US40052XAA81
Regulation S note CUSIP: G42036 AA4	Regulation S note ISIN: USG42036AA42

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GRUPO DE INVERSIONES SURAMERICANA S.A.

Audited Consolidated Financial Statements

As of December 31, 2010 and 2009
and for the years ended December 31, 2010 and 2009

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As of December 31, 2009 and 2008
and for the years ended December 31, 2009 and 2008

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STATUTORY AUDITOR'S REPORT

To the Shareholders

Grupo de Inversiones Suramericana S.A.:

I have audited the consolidated balance sheet of Grupo de Inversiones Suramericana S.A. and its subsidiaries at December 31, 2010 and the related consolidated Statements of Income, Changes in Equity, Changes in the Financial Position and Cash Flows, the summary of significant accounting policies and other explanatory notes, for the year then ended. The consolidated financial statements at December 31, 2010 include assets from subsidiaries of COP 361,428 millions, which represent 2 percent of the total consolidated assets. The financial statements of those subsidiaries were audited by other statutory auditors, auditors or certified by other public accountants. My opinion, insofar as it relates to the amounts included for those subsidiaries are based solely on the reports of the other statutory auditors, auditors or public accountants. The consolidated financial statements for the year 2009 were audited by another public accountant, member of KPMG Ltda., who expressed an unqualified opinion in her report dated on February 18, 2010.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I obtained the necessary information and carried out my exam in accordance with auditing standards generally accepted in Colombia. Those standards require that I comply with ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements. In making those risk assessment, the statutory auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of balances and accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that the audits evidence provides a reasonable basis for my audit opinion.

In my opinion, based on my audit, on the reports of the other statutory auditors, auditors and public accountants mentioned in the first paragraph of this report, the above-mentioned consolidated financial statements, present fairly in all material respects, the consolidated financial position of Grupo de Inversiones Suramericana S.A. and its subsidiaries at December 31, 2010, the consolidated results of its operations, changes in the consolidated financial position and its consolidated cash flows for the year then ended, in accordance with accounting principles generally accepted in Colombia, applied on a consistent basis with the prior year.

As indicated in note (25) to the consolidated financial statements, at January 21, 2011 the Company was notified, by the Superintendence of Companies, of Resolution Number 610-000004 of January 19, 2011, which authorizes the statutory reform consistent with the winding up of Portafolio de Inversiones Suramericana S.A - En Liquidación, to transfer all of its equity to the beneficiary Grupo de Inversiones Suramericana S.A. The Company will continue with the necessary procedures in order to obtain the authorization of Colombia's Superintendence of Finance.

I draw attention to the following matters related to the Subsidiaries Consultoría en Gestión de Riesgos Suramericana S.A. and Servicios de Salud IPS Suramericana S.A. My conclusion is not qualified in respect of these matters.

Consultoría en Gestión de Riesgos Suramericana S.A. had operational losses for the years ended on December 31, 2010 and 2009, however, 99 percent and 97 percent of its operational income during 2010 and 2009, respectively, came from its major shareholder. Consequently, management considers that the cash flow required to maintain the operations of and to comply with the obligations of Consultoría en Gestión de Riesgos Suramericana S.A. is sufficient.

Servicios de Salud IPS Suramericana S.A. had operational losses of COP 5,339 millions and COP 2,840 millions, and net losses of COP 4,021 millions and COP 2,424 millions for the years ended December 31, 2010 and 2009, respectively. Nevertheless, 78 percent and 79 percent of its operational income during 2010 and 2009, respectively, came from its major shareholder and related parties. Management considers that during 2011 this entity will maintain the same income level and in this way will generate enough cash flow to continue its operation and to comply with its obligations. On January 31, 2011 a capital injection of COP 1,212 millions was made in this entity, which was approved by the Extraordinary General Assembly of the Company, respectively, in session held on November 29, 2010.

Elvia María Bolívar Puerta
Statutory Auditor of Grupo de Inversiones Suramericana S.A.
Registration 15488 – T
Member of KPMG Ltda.

February 23, 2011

Grupo de Inversiones Suramericana S.A. and Subsidiaries

Consolidated Balance Sheets

December 31, 2010

(With Comparative Figures at December 31, 2009)

(Expressed in millions of COP)

Assets	**2010**	**2009**
Current assets:		
Cash	COP 273,586	287,174
Short-term investments (notes 3 and 9)	2,577,863	1,947,740
Accounts receivable, net (note 4)	1,095,850	959,127
Inventories	36,237	35,566
Realizable assets and assets received as payment (note 5)	5,332	5,578
Prepaid expenses and deferred charges (note 6)	130,962	110,574
Total current assets	4,119,830	3,345,759
Permanent investments (note 3)	5,503,809	4,961,706
Accounts receivable, net (note 4)	31,798	33,596
Property, plant and equipment (notes 7 and 9)	158,608	133,454
Intangibles	293	1,134
Prepaid expenses and deferred charges (note 6)	2,171	4,421
Other assets (notes 8 and 9)	16,974	15,428
Excess cost on reciprocal investments	245,071	245,693
Valuations (note 9)	12,827,293	9,933,350
Total assets	22,905,847	18,674,541
Liabilities, Minority Interests, And Equity		
Current liabilities:		
Financial obligations (note 10)	154,749	105,392
Suppliers	33,526	15,768
Accounts payable (note 11)	329,200	343,810
Taxes, fees & duties	5,367	2,326
Employee benefit liabilities	35,108	31,891
Retirement pensions (note 12)	1,898	1,845
Technical insurance reserves (note 13)	3,505,215	2,964,109
Estimated liabilities and provisions (note 14)	158,315	125,990
Deferred income	15,656	11,927
Bonds and commercial paper (note 15)	233,652	-
Other liabilities (note 16)	23,843	6,837
Total current liabilities	4,496,529	3,609,895
Financial obligations (note 10)	-	49,000
Bonds and commercial paper (note 15)	250,000	250,000
Retirement pensions (note 12)	15,261	12,961
Total liabilities	4,761,790	3,921,856
Minority interest	227,258	177,673
Total liabilities and minority interest	4,989,048	4,099,529
Shareholders' equity		
Common stock (note 17)	87,945	87,945
Capital surplus (note 18)	385,401	543,709
Reserves (note 19)	3,077,359	2,713,116
Equity revaluations (note 20)	968,000	969,083

Shareholders' equity

Losses from previous periods	(115,894)	(139,577)
Net income	686,677	467,386
Valuations (note 9)	12,827,311	9,933,350
Net shareholders' equity	17,916,799	14,575,012
Total liabilities, minority interests and shareholders' equity	22,905,847	18,674,541
Memorandum accounts (note 21)		
Debtors	17,020,741	10,968,755
Creditors	742,008,602	656,394,642

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries

Consolidated Income Statements

Year ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)

(Expressed in millions of COP)

	2010	2009
Operating revenues		
Insurance businesses	COP 6,775,238	4,690,073
Health plans	1,031,161	873,285
Interests, monetary correction, amortized discount	56,588	62,405
Exchange difference	6,807	1,188
Dividends and stakes	278,464	316,025
Earnings from sale of investments	233,075	59,870
Investments valuations, net	471,690	380,042
Reimbursement provision for investments	3,282	2,899
Commissions	4,500	4,109
Salvaged goods	18,889	20,623
Vehicle assessment and inspection	5,150	3,861
Data processing	15,402	12,424
Others	16,923	20,561
	8,917,169	6,447,365
Operating administrative expenses		
Insurance businesses	6,261,265	4,212,141
Health plans	924,258	785,909
Interests, monetary correction, amortized discount	42,392	25,252
Payroll expenses	285,937	259,997
Fees	149,721	126,985
Taxes	44,202	54,587
Rent	32,842	41,296
Contributions and memberships	43,456	39,194
Insurance	4,572	6,047
Services	92,016	77,860
Maintenance and repairs	11,231	11,210
Supplies	6,685	5,969
Advertising	13,554	18,224
Miscellaneous	14,400	14,289
Banking Services	54,079	50,146
Medical services - life insurance	6,120	6,310
Others	65,829	73,099
	8,052,559	5,808,516
Operating result before provisions, depreciations and amortizations	864,610	638,849
Provisions:		
Investments	16,342	38,351
Accounts receivable	15,923	20,715
Others	11,370	5,519
	43,635	64,585
Depreciations	14,068	16,051
Amortizations	3,334	22,048
Net operating income	803,573	536,165

	2010	2009
Other income (expenses), net		
Income	29,832	24,451
Expenses	(68,512)	(23,857)
	(38,680)	594
Income before income taxes and minority interest	764,893	536,759
Income taxes (note 22)	20,898	29,914
Income before minority interest	743,995	506,845
Minority interest	(57,318)	(39,459)
Net income for the year	686,677	467,386
Net earnings per share, in pesos	1,464.01	996.48

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries

Consolidated Cash Flow Statements

Year ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)

(Expressed in millions of COP)

	2010	2009
Cash flow from operating activities		
Net income for the year	COP 686,677	467,386
Reconciliation between the net income for the year and the net cash flow provided (used) by operating activities:		
Depreciation	14,068	16,051
Amortizations	3,334	22,048
Provisions	43,597	64,585
Recoveries	(16,577)	(9,720)
Increase in technical insurance reserves	541,106	259,658
Earnings from sale of investments	(233,076)	(59,870)
Valuation of investments	(471,690)	(356,434)
Derivatives valuations, net	(12,767)	(23,608)
Minority interest	57,318	39,459
	611,991	419,555
Changes in operating items		
Accounts receivable	(123,956)	27,793
Other assets	1,490	19,216
Realizable assets and assets received as payment	73	258
Prepaid expenses and deferred charges	(19,304)	38,863
Inventories	(671)	(29,500)
Retirement pensions	2,353	(123)
Accounts payable	11,806	(59,512)
Estimated liabilities and provisions	33,408	12,397
Suppliers	17,758	(9,771)
Other liabilities	17,006	(30,955)
Taxes, duties and fees	3,041	(1,078)
Deferred revenues	3,729	(1,490)
Employee benefit liabilities	3,217	4,243
Minority interest	(7,733)	(6,623)
Earnings from sale of assets	2,527,645	1,532,419
Investments acquisitions	(2,659,535)	(1,268,486)
Excess cost in reciprocal investments, net	(622)	(14,729)
Bonds and commercial paper	233,652	111,511
Net cash provided by operating activities	655,346	743,988
Cash flow from investing activities		
Decrease in property, plant and equipment	40,167	2,271
Cash flow from financing activities		
Financial obligations	357	(267,966)
Dividends paid	(158,355)	(123,824)
Net cash used by financing activities	(157,998)	(391,790)
Net cash increase in cash and cash equivalents	537,515	354,469
Cash and cash equivalents at the beginning of the year	684,282	329,813
Cash and cash equivalents at the end of the year	1,221,797	684,282

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries

Consolidated Statements of Changes in Financial Position

Year ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)

(Expressed in millions of COP)

	2010	2009
Sources of working capital		
Net income for the year	COP 686,677	467,386
Items that do not use (provide) working capital		
Depreciation	14,068	16,051
Amortization	3,334	22,048
Provisions	43,596	64,585
Recoveries	(12,299)	(6,960)
Earnings from sale of investments	(233,075)	(59,870)
Minority interest	57,318	39,459
Working capital provided by operations	559,619	542,699
Earnings from sale of assets	2,527,645	1,532,419
Decrease in prepaid expenses and deferred charges	1,084	23,674
Decrease in other assets	1,490	19,216
Increase in retirement pensions, excluding current portion	2,300	-
Decrease of intangibles	841	9,330
Increase in bonds and commercial papers	-	206,511
Excess cost in reciprocal investments	622	14,729
	3,093,600	2,348,578
Uses of working capital		
Increase in permanent investments	2,954,515	1,954,705
Increase in long term accounts receivable	19,615	43,494
Increase en property, plant and equipment	40,167	2,271
Decrease in retirement pensions, excluding current portion	-	214
Decrease in financial obligations	49,000	95,240
Decrease in accounts payable	-	2,819
Dividends paid	135,134	126,026
Decrease in minority interest	7,733	6,623
Increase (decrease) in working capital	112,563	(117,186)
Increase (decrease) in current assets:		
Cash and cash equivalents	(13,588)	27,901
Investments in available-for-sale securities	630,123	11,271
Accounts receivable	136,723	(27,793)
Inventories	671	29,500
Realizable assets and assets received as payment	(246)	(386)
Prepaid expenses and deferred charges	20,388	(15,189)
	774,071	25,304
Increase (decrease) in current liabilities:		
Financial obligations	49,357	(172,726)
Suppliers	17,758	(9,771)
Accounts payable	(14,610)	(54,491)
Taxes, duties and fees	3,041	(1,078)
Employee benefit liabilities	3,217	4,243
Current portion of retirement pensions	53	91

	2010	2009
Technical insurance reserves	541,106	259,657
Estimated liabilities and provisions	32,325	9,638
Unearned revenues	3,729	(1,490)
Bonds and commercial papers	233,652	(95,000)
Other liabilities	17,006	(30,955)
	886,634	(91,882)
Increase (decrease) in working capital	(112,563)	117,186

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries

Consolidated Statements of Changes in Shareholder's Equity

Year ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)

(Expressed in millions of COP)

	Common stock	Additional paid-in capital	Reserves	Equity revaluation	Net income for the year	Losses from previous periods	Valuations	Total shareholders' equity
Balance at December 31, 2008	COP 87,945	458,620	2,540,415	961,831	282,099	(135,366)	4,380,904	8,576,448
Distribution of 2008 results according to General Shareholders' Meeting Minutes # 13 dated March 26, 2009:								
Release of reserve for protection of investments	-	-	(2,020,764)	-	2,020,764	-	-	-
Donations for Fundación Suramericana	-	-	-	-	(1,650)	-	-	(1,650)
Release of reserve available for the Board Members	-	-	(2,003)	-	2,003	-	-	-
Reserve for the protection of investments	-	-	2,175,933	-	(2,175,933)	-	-	-
Payment of dividends (COP 252.00 pesos per share)	-	-	-	-	(118,197)	-	-	(118,197)
Equity revaluation used for payment of equity tax	-	-	-	(360)	-	-	-	(360)
Valuation	-	-	-	-	-	-	2,982,332	2,982,332
Net Income for the year	-	-	-	-	446,050	-	-	446,050
Consolidation net variations	-	85,089	19,535	7,612	12,250	(4,211)	2,570,114	2,690,389
Balance on December 31, 2009	87,945	543,709	2,713,116	969,083	467,386	(139,577)	9,933,350	14,575,012
Distribution of 2009 results according to General Shareholders' Meeting Minutes # 14 dated March 25, 2010:								
Donations for Fundación Suramericana	-	-	-	-	(3,500)	-	-	(3,500)
Reserve for the protection of investments	-	-	316,848	-	(316,848)	-	-	-
Payment of dividends (COP 268 pesos per share)	-	-	-	-	(125,702)	-	-	(125,702)
Equity revaluation used for payment of equity tax	-	-	-	(360)	-	-	-	(360)
Valuation	-	-	-	-	-	-	2,370,297	2,370,297
Net Income for the year	-	-	-	-	696,266	-	-	696,266
Consolidation net variations	-	(158,308)	47,395	(723)	(30,925)	23,683	523,664	404,786
Balance on December 31, 2010	COP 87,945	385,401	3,077,359	968,000	686,677	(115,894)	12,827,311	17,916,799

See notes to the consolidated financial statements.

(1) Business Purpose

Grupo de Inversiones Suramericana S.A. ("GRUPOSURA" or the "Company") was incorporated as a result of a spin off from Compañía Suramericana de Seguros S.A., by means of Public Deed No. 2295 drawn up on December 24, 1997 before the Notary Public No. 14 of the Circuit of Medellin. All of the corresponding accounting formalities were completed by January 1, 1998. GRUPOSURA's primary business address is in Medellin, but it is entitled to set up branches, agencies, offices and representations in other parts of the country as well as abroad, should its Board of Directors decide. The Company is legally authorized to carry out its business purpose until the year 2102.

GRUPOSURA's business purpose is to invest in real estate and movable property. It may carry out its business purpose by means of shares, quotas or participation in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Additionally, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad.

GRUPOSURA's reporting period follows the normal calendar year, ending on December 31 of each year. Pursuant to its by-laws, GRUPOSURA shall close its books on December 31 of each year, in order to develop its balance sheet and income statement for the corresponding fiscal year.

The Company is overseen by the *Superintendencia de Sociedades* (the "Colombian Superintendency of Companies") and subject to the regulations of the *Superintendencia Financiera de Colombia* (the "Colombian Superintendency of Finance"), and is registered as an issuer of securities with the *Registro Nacional de Valores y Emisores* (the "Colombian National Registry of Securities").

ADR Level 1 Program

GRUPOSURA is registered with the ADR – Level 1 program in the United States, and its shares are available to international investors through the over-the-counter market. The GRUPOSURA ADR is traded under the symbol GIVSY. Each ADR represents two of the Company's ordinary shares.

Consolidation Principles

The consolidated financial statements include the statements of the subsidiary companies (defined as companies in which GRUPOSURA holds more than a 50% of their share capital or over which it has full control). When consolidating we apply the global integration method in which we incorporate into GRUPOSURA's financial statements the assets, liabilities, shareholders' equity, and results of the subsidiaries, after eliminating any reciprocal investments, shareholders' equity, transactions and balances. As a result, any significant reciprocal balances and transactions between companies were eliminated during the consolidation.

Corporate Government and Risk Management

The Corporate Governance Code (the "Code"), including standards from Colombian law and GRUPOSURA's by-laws, sets out fundamental provisions for managing and running GRUPOSURA. It contains standards that are recognized on a national and international level for optimum and responsible corporate management. Additionally, the Code specifically focuses on the rights of minority shareholders, guaranteeing their investments in the Company. One of the Code's fundamental principles is to protect investor rights.

In 2010, GRUPOSURA began implementing the requirements contained in the initial framework of External Circulars Nos. 014 and 038, which were issued in 2009 by the Colombian Superintendency of Finance. Specifically, they address the need to review and update companies' internal control systems.

In 2010, new members were appointed to the Audit Committee. Their functions are regulated and approved by the Company's Board of Directors. Additionally, an Ethics Committee was established. Both committees meet periodically as required by legal provisions and internal regulations.

We also created an Ethics Hotline so that our employees, clients, suppliers and any person or institution can contact us to inform us of situations that may potentially violate GRUPOSURA's ethics code.

GRUPOSURA, through its subsidiaries' Boards of Directors and Senior Executives, define risk management as an organization's responsibility to provide for the proper assessment of risks that a subsidiary presents as well as the risk management policies applicable to the various business operations. The Board of Directors and Senior Executives receive support and advice from the Management, Audit, Investment and Risk Committees in managing risk for the Company. Risk management policies have been issued by Senior Management based on different studies carried out by the Company's business and investment risk areas. These studies are based on periodic reports carried out by such areas which allow for appropriate management and operating decisions to be made. The policies have been officially drawn up in the form of manuals, which have been approved and are regularly updated by the Board of Directors and the Senior Management.

The risk positions taken by business and treasury management are periodically reported to the Board of Directors and Senior Management. Daily reports and special reports prepared for the Board of Directors and the various committees describe in detail the metrics concerning risk exposure. We perform follow-ups on our risk exposure and any breaches of the risk limits set are reported whenever they occur.

In 2010, the Company's risk management system was strengthened with the deployment of a management model that maintains an adequate balance between risk, returns and capital. The model also builds a greater internal awareness of the principles relating to self-control, self-regulation and self-management. The model is applied to both the Company's strategic planning as well as its day-to-day operations, including risk management in the different strategic, corporate and operating projects.

The Colombian Ministry of Finance made two important changes in 2010. First, it amended the investment rules and regulations governing insurance companies. This opens up the possibility of investing in new international instruments. As a result of these changes, and the merger between the Colombian, Peruvian and Chilean Stock Exchanges, there was increased interest in investing in foreign issuers and certain adjustments have been made to the processes and methodologies used to evaluate international investments. Second, the Colombian Ministry of Finance in August 2010 amended how the calculations for adequate levels of equity are performed addressing not only subscription to equity, but also financial risks of companies, including asset risks.

In April 2010, there was an important decline in GRUPOSURA's VaR-management based internal methodology ("VaR") shows that our market risk greatly declined in April 2010, as a result of our sale of certain stocks. Additionally, the variances recorded by our VaR in May, September and November 2010 were largely due to higher volatility in Colombian stock prices as well as the zero coupon yield curve.

As part of our internal initiatives, we are creating a project designed to develop and implement a Liquidity Risk Management System for which we have identified our main risk variables and are working on defining a metrics methodology. The Liquidity Risk Management System includes calculating a prospective Liquidity Risk Indicator ("LRI") for different bands of time in the future, as well as defining different scenarios against which our liquidity performance is evaluated. With these changes we will be able to implement the tools, procedures and policies required to enhance our liquidity management.

GRUPOSURA's technological infrastructure allows the control and risk management areas to access clear and timely information. There are certain dynamics in measuring risk based on methodologies that make it possible to identify, with a high degree of reliability, the Company's exposure to various risks. Our Board of Directors and Senior Management have been informed of the priority risk matrix. Our current organizational structure allows for greater autonomy between the business, investment, risk management and control areas. In addition, the personnel who work in each of these areas have the required skills and capabilities to carry out their functions and responsibilities. Operating controls are exercised using optimum security systems which confirm that transactions are carried out according to their stipulated terms and conditions.

(Expressed in thousands of Colombian Pesos)

The Internal Auditing Department has access to GRUPOSURA's operations. It also reviews recommendations made in terms of compliance, completion of operations, the relationship between market conditions and the terms of the operations carried out between the GRUPOSURA and its related parties.

The following is a breakdown of the companies included in the consolidated financial statements along with the corresponding proportions of ownership:

Company	Direct Participation (%)	Total Participation 2010 (%)	Total Participation 2009 (%)
Direct stakes:			
Portafolio de Inversiones Suramericana S.A. subject to Liquidation	100.00	100.00	100.00
Suramericana S.A.	40.14	81.13	81.13
Grupo de Inversiones Suramericana Panamá S.A.	35.82	100.00	100.00
Enlace Operativo S.A.	55.00	73.25	73.25
Inversiones y Construcciones Estratégicas S.A.S	65.88	100.00	100.00
Indirect stakes:			
Seguros Generales Suramericana S.A.		81.13	81.13
Seguros de Vida Suramericana S.A.		81.13	81.13
Administradora de Carteras Colectivas Suramericana S.A.		81.13	81.13
Seguros de Riesgos Profesionales Suramericana S.A.		81.13	81.13
Servicios de Salud IPS Suramericana S.A.		81.13	81.13
Consultoría en Gestión de Riesgos IPS Suramericana S.A.		81.13	81.13
EPS y Medicina Prepagada Suramericana S.A.		81.13	81.13
Servicios de Vehículos Suramericana S.A. – Autos Sura		81.13	81.13
Seguros Suramericana S.A. (Panamá)		76.41	76.41
Servicios Generales Suramericana S.A.S.		81.13	81.13
Inversura Panamá Internacional S.A.		81.13	81.13
Dinámica IPS		81.13	81.13

Below are brief descriptions of each of the companies included in the consolidation, including their main business purpose, place of domicile, nationality, geographical operating area and date of incorporation.

- **Portafolio Suramericana de Inversiones S.A. subject to Liquidation**

Portafolio Suramericana de Inversiones S.A. subject to Liquidation's business purpose is to invest in real estate and movable property, and may do so by means of shares, quotas or holdings in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Likewise, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad. This Company was incorporated on September 15, 1997.

On December 29, 2009, its Shareholders approved its dissolution and liquidation proceedings were commenced. On January 21, 2011, GRUPOSURA received notification of Resolution No 610-000004 issued January 19, 2011 by the Colombian Superintendency for Companies, authorizing an amendment to the GRUPOSURA's by-laws with regard to the winding up Portafolio de Inversiones Suramericana S.A. Subject to liquidation. All of the company's equity will be transferred to the beneficiary company GRUPOSURA.

- **Suramericana S.A.**

  Suramericana S.A.'s business purpose is to invest in real estate or movable property on the stock exchange and in public or private and domestic or foreign entities. Suramericana S.A is domiciled in Medellín, Colombia, and provides nationwide coverage. Suramericana S.A was incorporated on May 25, 1999. *Business Group:* as a result of a recommendation received from the Colombian Superintendency of Finance, in July 2008, Suramericana S.A. registered its Business Group together with its subsidiaries, pursuant to Law 222 of 1995.

- **Grupo de Inversiones Suramericana Panamá S.A.**

  Grupo de Inversiones Suramericana Panamá S.A.'s business purpose is to invest in negotiable securities. It is domiciled in Panama and provides local coverage. Grupo de Inversiones Suramericana Panamá S.A was incorporated on April 29, 1998.

- **Enlace Operativo S.A.**

  Enlace Operativo S.A.'s main business purpose is to provide and perform data-processing services for social security, labor, tax, accounting and administrative purposes and ancillary services which can be outsourced. Enlace Operativo S.A provides nationwide coverage and was incorporated on June 8, 2006.

- **Inversiones y Construcciones Estratégicas S.A.S.**

  At a meeting held on August 27, 2007, its Board of Directors, by means of Minutes No. 2241 approved the partial spin-off of Compañía Suramericana de Construcciones S.A., and the incorporation of Inversiones y Construcciones Estratégicas S.A. By means of Public Deed No. 1566 drawn up August 30, 2007, before the Notary Public No. 14 of the Circuit of Medellín, this company was partially spun off from Compañía Suramericana de Construcciones S.A., and Inversiones y Construcciones Estratégicas S.A. was incorporated.

  Inversiones y Construcciones Estratégicas S.A.S' business purpose is to invest in real estate and movable property, and may do so by means of shares, quotas or holdings in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Likewise, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad. Inversiones y Construcciones Estratégicas S.A.S was incorporated on August 31, 2007.

- **Seguros Generales Suramericana S.A.**

  Seguros Generales Suramericana S.A.'s business purpose consists of carrying out property insurance and reinsurance operations, according to the types and branches permitted by Law. Seguros Generales Suramericana S.A. was incorporated by means of Public Deed No. 4438, drawn up December 12, 1944 before the Notary Public No. 2 of the Circuit of Medellin. Its duration expires in December 2024 and the administrative deed that authorized is functioning was Resolution No. 01045 issued December 5, 1944 by the Colombian Superintendency of Finance.

  Seguros Generales Suramericana S.A. is headquartered in Medellin, Colombia and provides nationwide coverage.

Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1756 issued October 4, 2007, Seguros Generales Suramericana S.A. registered with the Colombian Registry of Securities Exchange Agents and Brokers. As a result of the registration, Seguros Generales Suramericana S.A. may only purchase and sell securities directly and on its own account. As determined in Section 7, Book 1, Article 7.1.1.1.1 of Decree 2555 issued in July, 2010.

Seguros Generales Suramericana S.A. entered into a Legal Stability agreement with the Colombian Government, for a term of 20 years, during which time Seguros Generales Suramericana S.A. is shielded from certain tax laws. Furthermore, the company must ensure compliance with all the commitments it has acquired. For example, paying out premiums and carrying out pending investments, amongst others.

- **Seguros de Vida Suramericana S.A.**

Seguros de Vida Suramericana S.A. offers personal life and complementary insurance and reinsurance. The company was incorporated by means of Public Deed No. 2381 drawn up on August 4, 1947 before the Notary Public No. 3 of the Circuit of Medellin.

Its main place of business is located in the city of Medellin. It provides national coverage.

Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1812 issued October 13, 2006, Seguros de Vida Suramericana S.A. registered with the Colombian Registry of Securities Exchange Agents and Brokers. As a result, the company may only purchase and sell securities directly and on its own account. As stipulated by Section 3 of Article 1.5.1.1. of Resolution 400 of 1995.

Seguros de Vida Suramericana S.A entered into a Legal Stability agreement with the Colombian Government, for a term of 20 years, during which time Seguros de Vida Suramericana S.A is shielded from certain tax laws. Furthermore, the company must ensure compliance with all the commitments it has acquired. For example, paying out premiums and carrying out pending investments, amongst others.

- **Administradora de Carteras Colectivas Suramericana S.A.**

The business purpose of Administradora de Carteras Colectivas Suramericana S.A. consists of receiving money and subscriptions from the public in order to establish and manage one or several investment funds. It may purchase, using subscriptions from the public, shares in corporations as well as partnerships limited by shares, mining companies, other securities or shares issued by Colombian companies, Government debt securities as well as debt securities issued by departmental or district authorities, public establishments, (providing these are duly secured), mortgage-backed securities and mortgage loans granted or assigned by companies dedicated to the real estate business.

Domiciled in Medellín Colombia and providing nationwide coverage this company was incorporated on July 24, 1964.

Decree 2175 of 2007 came into effect on July 1, 2008. The Decree regulates the management of collective investment portfolios handled by investment management firms. This Decree stipulates that the Colombian Superintendency of Finance must issue rules and regulations that prescribe how to determine the value of the interest held in collective investment portfolios together with the value of each respective collective portfolio.

Administradora de Carteras Colectivas Suramericana S.A., manages both Suramericana's open-ended equity securities collective investment portfolio as well as Suramericana's open-ended fixed-income collective investment portfolio.

By means of Communication No. 2007050527 dated December 19, 2007, the Colombian Superintendency of Finance approved the changes to the names of Fondo Suramericana de Inversiones (the Suramericana de Inversiones Fund) now known as Cartera Colectiva Abierta Suramericana Renta Variable (the Suramericana Open-Ended Collective Equity Securities Fund) and the Fondo de Renta Fija y Crecimiento now known as Cartera Colectiva Abierta Suramericana Renta Fija (an open-ended fixed income and growth fund) in order to comply with paragraph 2, Article 108, Decree 2175 of 2007.

- **Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura**

Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura's business purpose consists of managing workers' compensation risks. It is domiciled in Medellin, Colombia and provides nationwide coverage. Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura was incorporated on November 9, 1995.

Its business purpose also extends to conducting individual insurance and life reinsurance operations specifically in regard to its workers' compensation business.

Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1812 issued October 13, 2007, Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura registered with the Colombian Registry of Securities Exchange Agents and Brokers. By virtue of this registration, Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura may only purchase and sell securities directly and on its own account, in keeping with that stipulated in Section 7, Book 1, Article 7.1.1.1.1 of Decree 2555 issued in July, 2010.

Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura entered into a Legal Stability agreement with the Colombian Government, for a term of 19 years, during which time Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura is shielded from certain tax laws. Furthermore it will ensure compliance with all the commitments it has acquired such as paying out premiums, carrying out pending investments, amongst others.

- **Servicios de Salud IPS Suramericana S.A.**

The business purpose of Servicios de Salud IPS Suramericana S.A. is to provide medical, paramedical and dental services, for which it may perform the following activities: healthcare, disease prevention, diagnostics and treatment by means of general and specialized medical consultations, emergency services, clinical lab tests, medical imaging, surgical procedures, hospitalization, dental consultation and treatment, oral surgery, and other activities necessary in providing comprehensive healthcare services. Servicios de Salud IPS Suramericana S.A. is domiciled in Medellin, Colombia, provides nationwide coverage and was incorporated on December 19, 1996. Its main shareholders include: EPS y Medicina Prepagada Suramericana S.A., which holds a 44.98% stake, Seguros de Riesgos Profesionales Suramericana S.A. which holds a 27.23% stake and Suramericana S.A. which holds a 26.42%; this EPS as a GRUPOSURA provides Servicios de Salud IPS Suramericana S.A. with 68.96% of its operating revenue.

- **Consultoría en Gestión de Riesgos IPS Suramericana S.A.**

The business purpose of Consultoría en Gestión de Riesgos IPS Suramericana S.A. is to provide healthcare services in the areas of human health. This includes emergency room services, general and specialized outpatient consultation, diagnostic and therapeutic medicine, surgery, and diagnostic tests. Its purpose also extends to importing and purchasing drugs, medicine and medical equipment, and leasing prosthesis and other complementary therapeutic devices. Consultoría en Gestión de Riesgos IPS Suramericana S.A. may also act as representative for other domestic or foreign companies with similar purposes to those described. In doing so it must keep to the rules of the Colombian Superintendency of Health. Consultoría en Gestión de Riesgos IPS Suramericana S.A. is domiciled in Medellin, Colombia and provides coverage in Medellín and Bogotá and was incorporated on April 15, 1996.

Seguros de Riesgos Profesionales Suramericana S.A. “ARP SURA” is the Company’s majority shareholder with a 94.99% stake in its share capital, from which is sources 96.31% of its total revenues. GRUPOSURA is its controlling parent company.

- **EPS y Medicina Prepagada Suramericana S.A. - EPS Sura**

EPS y Medicina Prepagada Suramericana S.A. - EPS Sura’s business purpose consists of providing healthcare services as a healthcare and prepaid medicine entity. It is domiciled in Medellín, Colombia, and provides national coverage and was incorporated on January 31, 1990.

Its shareholders at an annual meeting held February 28, 2006, duly authorized amendments to EPS y Medicina Prepagada Suramericana S.A. - EPS Sura’s bylaws. The by-laws changed its name to Compañía Suramericana de Servicios de Salud S.A. Susalud Suramericana Medicina Prepagada, (Susalud), commonly known by the abbreviation EPS Sura.

EPS y Medicina Prepagada Suramericana S.A. - EPS Sura’s main business purpose is to organize, guarantee and provide healthcare services as well as comprehensive medical and dental services, either on a prepaid basis in which case EPS y Medicina Prepagada Suramericana S.A. - EPS Sura shall act as a prepaid healthcare entity, or as part of a program called Susalud Empresa Promotora de Salud, in which case Empresa Promotora de Salud will operate as a regular healthcare entity.

In 2010 Suramericana S.A and EPS y Medicina Prepagada Suramericana S.A capitalized IPS Suramericana which changed their corresponding stakes in this Company from 30.82% to 45.92% respectively.

- **Servicios de Vehículos Suramericana S.A. – Autos Sura**

The business purpose of Servicios de Vehículos Suramericana S.A. – Autos Sura is to operate repair shops for all types of cars; importing, purchasing and selling auto parts and accessories; purchasing and selling cars, and conducting vehicle inspections and check-ups. It is domiciled in Medellín, Colombia, and provides nationwide coverage and was incorporated on December 9, 1976.

- **Seguros Suramericana S.A. (Panamá)**

The business purpose of Seguros Suramericana S.A. (Panamá) is to provide property and life insurance and reinsurance. It is domiciled in Panama City, Panama and was incorporated on July 11, 1972.

- **Servicios Generales Suramericana S.A.S.**

Servicios Generales Suramericana S.A.S.’s business purpose is to invest in personal property, especially, shares, quotas or holdings in companies. It is domiciled in Medellin, Colombia provides nationwide coverage and was incorporated on December 6, 2002.

By means of Public Deed No. 2428 dated December 27, 2008 Inversiones GVCS S.A. merged with Representaciones Inmobiliarias y Mobiliaria S.A. RMI. The purpose of this merge was to optimize and make more efficient the managing of both companies and their respective investment portfolios, as well as reorganizing of the subsidiaries belonging to Suramericana S.A.

By means of Public Deed No. 1060 drawn up June 16, 2009, before the Notary Public No. 14 of the Circuit of Medellín, the merger became official. As a result Servicios Generales Suramericana S.A. took over Inversiones CS Suramericana S.A.

(Expressed in thousands of Colombian Pesos)

- **Inversura Panamá Internacional S.A.**

  Inversura Panama Internacional S.A.'s business purpose of Inversura Panamá Internacional S.A. is to invest in negotiable securities. It is domiciled in the British Virgin Islands providing local coverage. This Company was incorporated on December 24, 2002.

- **Diagnóstico y Asistencia Médica S.A. Institución Prestadora de Servicios de Salud Dinámica IPS.**

  The main business purpose of Diagnóstico y Asistencia Médica S.A. Institución Prestadora de Servicios de Salud Dinámica IPS. is to provide diagnostic services such as clinical lab and pathological tests, endoscopes, sonograms, medical imaging and mammographies, amongst others. Diagnóstico y Asistencia Médica S.A. Institución Prestadora de Servicios de Salud Dinámica IPS. provides nationwide coverage and was incorporated on February 24, 1994.

  Its majority shareholders are EPS y Medicina Prepagada Suramericana S.A and Suramericana S.A. holding stakes of 50.98% and 49.01% respectively. The controlling Parent Company is Grupo de Inversiones Suramericana S.A.

A breakdown of GRUPOSURA's individual financial statements versus its consolidated statements at December 31, 2010 is as follows:

	Individual	Consolidated	Consolidation Effect
Total assets	COP 18,168,610	22,905,847	4,737,237
Total liabilities	607,419	4,989,048	4,381,629
Shareholders' Equity	17,561,191	17,916,799	355,608
Minority Interest	-	227,258	227,258
Results for the year	696,266	686,677	9,589

The following is a reconciliation of GRUPOSURA's net income with the consolidated net income for the years ended December 31:

	2010	2009
Net income for Parent Company	COP 696,266	446,050
Net income for subsidiaries	1,075,789	760,217
	1,772,055	**1,206,267**
Eliminations that affected consolidated results:		
Equity method	(1,032,171)	(665,845)
Minority interest	(57,318)	(39,459)
Losses (profits) on sales of investments	1,668	(36,196)
Net income and expense	2,443	2,619
Consolidated net income	**686,677**	**467,386**

The following is a breakdown of consolidated headcount at December 31:

	2010	2009
Total Number of employees		
Management personnel	7,152	5,467
Personnel expense		
Management personnel	**285,937**	**259,997**

The following is a breakdown of the assets, liabilities, shareholders' equity, profit and (loss) pertaining to the consolidated companies:

		Assets		**Liabilities**		**Equity**		**Net income**	
		2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Portafolio Suramericana de Inversiones S.A. Subject to Liquidation	COP	7,292,103	6,560,494	3,024	43,247	7,289,079	6,517,247	427,859	244,765
Suramericana S.A.		1,370,519	1,211,309	19,764	26,106	1,350,755	1,185,203	309,254	213,980
Grupo de Inversiones Suramericana Panamá S.A.		47,554	36,804	5,856	4,053	41,698	32,751	(1,196)	19,173
Enlace Operativo S.A.		8,294	7,525	2,909	2,793	5,385	4,732	(2,362)	(1,637)
Inversiones y Construcciones Estratégicas S.A.S.		194,416	185,676	66,022	22,072	128,394	163,604	8,868	26,051
Seguros Generales Suramericana S.A.		1,366,553	1,151,283	935,682	789,944	430,871	361,339	148,315	40,535
Seguros de Vida Suramericana S.A.		2,926,281	2,583,413	2,251,349	1,936,041	674,932	647,372	116,276	132,507
Administradora de Carteras Colectivas Suramericana S.A.		9,339	8,983	769	808	8,570	8,175	436	1,120
Servicios de Riesgos Profesionales Suramericana S.A.		828,720	688,232	643,567	532,003	185,153	156,229	55,360	61,361
Servicios de Salud IPS Suramericana S.A.		24,996	21,033	22,693	17,134	2,303	3,899	(4,021)	(2,424)
Consultoría en Gestión de Riesgos IPS Suramericana S.A.		3,625	3,552	2,768	2,706	857	846	9	153
EPS y Medicina Prepagada Suramericana S.A.		207,936	177,714	157,915	132,286	50,021	45,428	7,495	2,647
Servicios de Vehículos Suramericana S.A.		4,996	4,366	1,964	1,331	3,032	3,035	32	36
Seguros Suramericana S.A. (Panamá)		90,041	74,378	67,079	62,354	22,962	12,024	(8,718)	(9,457)
Servicios Generales Suramericana S.A.		257,397	223,480	38,328	31,127	219,069	192,353	16,498	32,102
Inversura Panamá Internacional S.A.		32,178	31,348	-	-	32,178	31,348	1,050	(948)
Dinámica IPS		28,737	15,502	22,631	9,963	6,106	5,539	635	252
		14,693,685	**12,983,967**	**4,242,320**	**3,612,843**	**10,451,365**	**9,371,124**	**1,075,790**	**760,216**
Grupo de Inversiones Suramericana S.A.		**18,168,610**	14,695,316	607,419	357,009	17,561,191	14,338,307	696,266	446,050
Eliminations		**(9,956,448)**	(9,005,867)	(87,949)	(49,121	(9,868,499)	(8,956,746)	**(1,142,697)**	(778,339)
Minority interest				227,258	177,673	(227,258)	(177,673)	**57,318**	39,459
Net consolidated	**COP**	**22,905,847**	**18,674,541**	**4,989,048**	**4,099,529**	**17,916,799**	**14,575,012**	**686,677**	**467,386**

(2) Summary of principal accounting policies

(a) Basis for Preparing and Presenting the Financial Statements

GRUPOSURA's financial statements have been drawn up and presented pursuant to generally accepted accounting principles in Colombia as well as with the consolidation rules and regulations contained in External Circular No. 002 of 1998 of the Colombian Superintendency of Finance.

(b) Cash equivalents

In its statement of cash flows, the Company considers investments in securities funds, fiduciary rights on ordinary trusts and repurchase rights on investments as cash equivalents given their respective degrees of liquidity.

(c) Investments

In the case of all those subsidiaries issuing securities:

For valuation purposes, investments are classified according to the following criteria:

- Intent and purpose: negotiable or permanent.
- Corresponding yield: fixed, variable or a combination thereof.
- Control held over the issuer: controlling or non controlling investments.
- Reason for the investment: voluntary or mandatory.
- Rights granted by the security: participating or non participating.

Investments are appraised and posted as follows:

- **Negotiable investments**: These investments are posted at market value. All variations in regard to their latest value are posted to the income accounts.
- **Controlling investments**: These are companies in which more than a 50% stake is held and which appear in the Colombian Commercial Registry as controlled by GRUPOSURA. The book value of these companies is either increased or decreased depending on any changes in the companies' equity subsequent to their acquisition by GRUPOSURA. This calculation is based upon the percentage stake held by us, and any adjustments made thereto. Adjustments are recorded in the income statement in the valuation account.

  The equity method is used, pursuant to Joint Circular No. 11 issued August 18, 2005 by the Colombian Superintendency of Companies and the Colombian Superintendency of Finance.

  The difference between the book value of controlling investments and their intrinsic value is posted as a valuation or a provision (which is charged to the income accounts) as applicable.

  According to Decree No. 4918 issued December 26, 2007. equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any other authority that should replace such Superintendency, posting the difference between the book value of said assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

- **Permanent (non controlling) investments**: If the value of the investments sold is higher than their corresponding book value, the difference represents an increase in their value for the period and is posted in the valuation offset accounts (as a valuation against surplus for revaluation). If the value for which such investments are sold becomes lower than their book value, the difference is charged first to the valuation account and then to the valuation surplus account, up to the total value of any surplus gained. If the difference exceeds the valuation surplus obtained, this qualifies as a loss in the value of the investment. We charge this excess to the valuation account as a lower value, regardless of whether their net balance is negative.

Valuation procedure for entities coming under the oversight of the Colombian Superintendency of Finance.

Debt securities or instruments

Debt securities or instruments classified as negotiable or held for sale are appraised according to the following procedure:

Wherever on the date on which these investments are appraised, fair market prices exist based on actual market transactions, calculated by means of the transactional systems or modules managed by Central Bank or by entities subject to the oversight of the Colombian Superintendency of Finance.

Wherever the methodology used to determine such prices has been previously approved by the Colombian Superintendency of Finance as evidenced by a general purpose official act issued by this same authority.

Wherever on the date on which these investments are appraised fair market prices exist based on benchmark rates and margins determined by actual category aggregated market transactions, as calculated by the transactional systems or modules managed by Central Bank or by entities subject to the oversight of the Colombian Superintendency of Finance.

In the absence of a fair market price, the market value of the respective debt security or instrument must be either estimated or approximated by calculating the sum of the present value of future flows of interest and principal, using the following procedure:

Estimating future flows of yields and principal: future flows for debt securities or instruments must correspond to the expected value to be received from the interest and principal stipulated for each instrument.

Yields are calculated as follows:

Fixed rate debt securities or instruments: Returns corresponding to each payment date shall be those resulting from applying the rate stipulated for each instrument on each payment date or the contractually stipulated payments, as applicable.

Floating rate debt securities or instruments: Returns on each payment date shall be the values resulting from applying the value of the stipulated indicator or index rate to the principal, increasing or reducing this according to the fixed percentage points established as part of the terms and conditions for the corresponding debt security or instrument, as applicable.

When the terms and conditions for the debt issue in question stipulate the value of the indicator to be applied on the date on which the payment period begins, this being used to calculate the next and all subsequent flows, the value of the indicator applicable on the valuation date shall be used.

When the terms and conditions for the debt issue in question stipulate the value of the indicator on the date on which the payment period expires, the value of the indicator applicable on the valuation date shall be used to calculate all corresponding flows.

In the case of CPI indexed securities, such as local treasury bonds (TES) Class B carrying a floating rate, future flows are calculated using the annualized CPI rate applicable on the date on which such securities are appraised as well as the agreed contractual percentage, this based on the following formula:

Annual yield in pesos = NV*[((1+Annual CPI Variance)*(1+ACP)) 1]

Where:

NV : is the security's nominal value

Annual CPI Variance : is the latest % change published by the Colombian Statistics Bureau (DANE)

ACP : Agreed Contractual Percentage, that is to say the security's real annual yield component

Determining the discount factor. In order to calculate the present value of future flows, an annual effective discount factor is used calculated on the basis of a year containing 365 days.

The discount factor is made up of a benchmark rate and a margin that reflects the different risks that are not included in said rate, as shown in the following formula:

Where:

DF : Discount Factor

BR : Annual effective benchmark rate

M : Margin corresponding to the category of the respective security

n : Number of days between the valuation date and the due date for the flow in question, this calculated on a basis of a 365 day year.

The benchmark rates and margins used for the different categories of securities shall be those published on a daily basis by the Colombian Stock Exchange or any other entity that the Colombian Superintendency of Finance should appoint for such purpose.

When the valuation is performed on a non business day, the discount rate shall be that applicable for the immediately preceding business day.

Calculating the market value: The market value shall be the sum resulting from the present value of future flows discounted using the respective discount factors.

Should this not be available on the date on which these investments are appraised, fair market prices shall be used according to the methodology employed for this purpose.

These are appraised exponentially based on the IRR calculated on the date of purchase.

When the terms and conditions of the issue in question stipulate the use of the value of the indicator at the date on which the payment period begins, the IRR shall be recalculated each time the value of the indicator used for the next flow changes. The present value on the date on which the indicator is repriced, excluding the returns that are due and payable and have not as yet been collected, must be taken as a purchase price.

When the terms and conditions of the issue in question stipulate the use of the value of the indicator at the date on which the payment period expires, the IRR shall be recalculated each time the value of the stipulated indicator changes.

This procedure must be followed until such a time the debt security or instrument may be appraised.

This valuation procedure is also used for debt securities and instruments held to maturity.

Special cases

Securities in foreign currency, pegged to units of real value (UVR in Spanish) or other units. Firstly the present or market value of the security or instrument is calculated in its respective denominated currency.

Should the debt security or instrument be denominated in a currency other than the US dollar the value calculated according to the preceding section shall be converted to the currency in question based on the exchange rates duly authorized by the Colombian Superintendency of Finance.

The value thus obtained must be multiplied by the local exchange rate applicable on the date the security is appraised and duly certified by the Colombian Superintendency of Finance on said date, or by the value officially recorded for the unit on this same day, as applicable.

Derivatives

Foreign exchange forwards are appraised on a daily basis, as stipulated in External Circular No. 014 of 1998 issued by the Colombian Superintendency of Finance.

In January 2010 the remaining portion of External Circular No. 25 issued in 2008 by the Colombian Superintendency of Finance came into full force and effect with regard to posting derivative instruments in books, this was implemented by means of Resolution No. 1420 of 2009.

The steps to be taken on the date these forwards are appraised in order to quantify the corresponding earnings or losses are as follows:

Estimating the market USDCOP rate (USDCOP):

This value should be estimated based on the market USDCOP rate for the date on which the valuation is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market USDCOP rate as follows:

USDCOP: Estimated market peso/dollar rate.

SER The exchange rate stated in pesos per dollar.

k: Number of days between the valuation date and the stipulated delivery date.

jc Interest rate applicable to the entity for loans in US dollars, for an approximate term of k days.

ri Interest rate applicable to the entity in making low risk investments in local currency, for an approximate term of k days.

For calculating the value of earnings (losses) obtained

$NA = US$N * (USDCOP Spot USDCOP)

$NA Net for entity A, who assumes the exchange rate on the corresponding delivery date.

US$N Nominal value in dollars

Spot USDCOP Spot peso/dollar rate calculated on the valuation date, benchmark rate stipulated in the forward contract.

When the entity is purchasing dollars (long in dollars) in exchange for Colombian pesos (short in pesos).

Steps to be taken for the corresponding valuation:

Estimating the value of the market representative rate for the sale (USDCOP=).

This value should be estimated based on the market representative selling rate on the date on which the valuation is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market representative rate for selling pesos in exchange for dollars as follows:

USCOP= SER

[(1 + ri) / (1 + jc)] (k / 365)

USCOP= Estimated value based on the market representative selling rate.

SER The exchange rate stated in pesos per dollar.

K Number of days between the valuation date and the stipulated delivery date.

jc: Interest rate applicable to the entity for loans in US dollars, for an approximate term of k days.

Ri: Interest rate applicable to the entity in making low risk investments in local currency, for an approximate term of k days.

Calculating the value of net earnings (losses) in pesos on the date on which the valuation is performed.

$Net = (US$N) * (USDCOP selling rate USDCOP)

US$N: Nominal value in dollars.

USCOP: Estimated value based on the market representative selling rate.

USCOP selling rate: Market representative rate for selling dollars in exchange for pesos, as calculated on the day the valuation is performed and as published by the Colombian Superintendency of Finance.

When the entity is selling dollars (short in dollars) in exchange for Colombian pesos (long in pesos).

Steps to be taken for the corresponding valuation:

Estimating the value of the market representative rate for the purchase (USDCOP buying rate =).

This value should be estimated based on the market representative rate for the purchase on the date on which the valuation is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market USDCOP rate for purchasing pesos in exchange for dollars as follows:

USDCOP= SER

[(1 + ri) / (1 + jc)] (k / 365)

USDCOP buying rate: Estimated value of the market representative buying rate.

SER: The stipulated exchange rate stated in pesos per dollar.

K: Number of days between the valuation date and the stipulated delivery date.

ji: Interest rate applicable to the entity in making low risk investments in US dollars, for an approximate term of k days.

rc: Interest rate applicable to the entity for loans in local currency, for an approximate term of k days.

Calculating the value of net earnings (losses) in pesos on the date on which the valuation is performed.

$Net = (US$N) * (USDCOP buying rate USDCOP)

US$N: Nominal value in dollars specified in the forward contract.

USDCOP buying rate: Estimated value of the market representative buying rate.

USCOP buying rate: Market representative rate for purchasing dollars in exchange for pesos, as calculated on the day the valuation is performed. This rate is published on a daily basis by the Colombian Superintendency of Finance.

Derivatives - Value, Term, Yields

Hedging operations averaged out at between $3.500.000 and $7,000,000, the corresponding yields came to 2.11% and terms ranged from between 15 to 180 days.

According to that stipulated in the Company's investment and risk management manual, these operations are carried out to hedge the effect of fluctuations in the dollar on its investment portfolios.

General Policies Governing Derivative Operations

The Company's Board of Directors authorized the Risk and Investment Committee to define the policies, methodologies, procedures, controls and limits deemed convenient for managing both investment and risk, including forward operations.

Therefore in 2009, this Committee proceeded to define the attributions for traders responsible for conducting hedging operations using forwards that represent up to 40% of the Company's exposure in dollars. The Chief Finance Officer must authorize hedging operations that represent between 40% and 60% of the Company's exposure, any operation going beyond such limit must be approved by the Risk and Investment Committee. In 2009, the Risk Department, implemented these controls

As of July 2009, derivatives were appraised according to External Circular No. 025 issued in 2008 by the Colombian Superintendency of Finance.

Charges, Constraints and Encumbrances

Derivative operations reported to date are free of any encumbrance as well as legal and financial constraints.

Valuation frequencies

Investments must be appraised on a daily basis, unless otherwise indicated in applicable legislation.

The accounting records and books are kept in accordance with External Circular No. 035 issued in October 2010, by the Colombian Superintendency of Finance which came into effect on December 31, 2010, The groups and accounts stipulated in the Single Chart of Accounts were modified for the Colombian insurance sector.

Investments in mutual funds or trust funds managed by trust firms, other than stand alone trust funds or fiduciary arrangements set up to handle social security pension funds and ordinary and special mutual funds. They must be appraised at least every month and their values recorded at the same frequency. However, should it be necessary to report these figures in a term shorter than a month, the corresponding valuations are to be posted within the required timeframe.

Derivative Operations

Foreign Exchange Forwards

These transactions are posted pursuant to Sections 7.1.1, 7.1.2, 7.1.3 of Chapter XVIII of External Circular No. 100 issued in 1995 by the Colombian Superintendency of Finance and according to the Single Chart of Accounts stipulated for the Colombian insurance sector.

In appraising and posting these values in books, the total amounts of the put right and put obligation shall be equal to the USDCOP, and recorded as stipulated in Section 7.1.1 at the outset and according to that stipulated in Section 7.1.2 for all subsequent postings. The difference between the put right and the put obligation corresponds to either a gain or a loss for said derivative, which is then posted on the income accounts.

The method for determining the values of the put right, the put obligation and the gains or losses for each currency forward is stipulated in Section 7.1.4.

The balances corresponding to the value of the put right, put obligation and any difference thereof shall be paid on the delivery date and shall be posted as a gain or a loss upon appraising such derivatives.

Frequency at which valuations are posted in books

The values obtained from appraising these investments must be recognized and posted in books at the same frequency as their valuations are performed.

Provisions for losses due to credit risk ratings

As a result of a credit risk evaluation, the Company's investments are classified in the following categories: "A" Normal, "B" Acceptable, higher than normal, "C" Appreciable, "D" Significant Risk and "E" Irrecoverable.

The price of debt securities or instruments, as well as those of equity securities or instruments with low or minimum liquidity, or which are unlisted, must be adjusted on the date these are appraised based on their corresponding credit rating, as follows:

Investments with a "B", "C", "D" and "E" rating cannot be recorded for a net value of more than eighty percent (80%), sixty percent (60%), forty percent (40%) and zero percent (0%), respectively, of the nominal net value of all amortizations made until the valuation date in the case of debt securities or instruments or the purchase cost of equity securities or instruments.

Government debt securities, placed at home or abroad or guaranteed by the State, those issued by Central Bank and those issued or guaranteed by the Financial Institutions' Guarantee Fund (FOGAFIN) are not subject to these adjustments.

The Company implements an investment provision policy similar to that of insurance companies. Investments rated lower than a "BBB" are posted at values not to exceed the following percentages:

Long Term	Maximum Value (%)	Short Term	Maximum Value (%)
BB+, BB, BB-	80	3	80
B+, B, B-	60	4	50
CCC	40	5-6	0
DD, EE	0		

If investments are not rated by external rating agencies, they are rated through our internal risk management process according to their inherent risk and posted at a percentage of their commercial value, as shown below:

A: Normal Risk: 100%

B: Acceptable Risk: 80%

C: Appreciable Risk: 60%

D: Significant Risk: 40%

E: Unrecoverable Investment: 0%

According to Decree 574 of 2007, subsequently amended by Decree 1698 of 2007 issued by the Colombian Superintendency of Health as well as Decree 4789 of 2009 issued by the Colombian Ministry for Social Protection, the Company must guarantee that reserves are set up with mandatory investments in domestic Government debt securities, issued or guaranteed by the State, securities issued or guaranteed by the Financial Institutions' Guarantee Fund (Fogafín), fixed-income securities accepted, guaranteed or endorsed by entities coming under the oversight of the Colombian Superintendency of Finance, including mandatory bonds or convertible bonds, mortgage-backed bonds or securities issued pursuant to Law 546 1999 and other credit securities originating in the securitization of mortgage portfolios, and investments in securities and investment funds, corresponding to a participation in special mutual funds managed by fiduciary firms and in securities and investments funds managed by entities subject to the oversight of the Colombian Superintendency of Finance.

(d) Accounts receivable

The provision for this account is based on the estimated collectability of the balances outstanding, according to their particular nature. The following is the most relevant information:

For subsidiaries pertaining in the finance sector, the provision for loan portfolios and their collection is established by the Colombian Superintendency of Finance.

For accounts receivable in the case of the insurance sector, that are more than 6 months past due, a 100% provision of the value of the account is set up and charged to the income accounts.

Provisions are charged against the income accounts if there is any doubt concerning the collection of the amounts outstanding. The Colombian Superintendency of Health, by means of Resolution 1424 of 2008, requires that a provision is recorded to cover eventual losses on revenues due from pre-paid healthcare services and/or complementary healthcare plans that have remained outstanding for more than 90 days for the amounts owed. As for amounts outstanding corresponding to judicial protection and CTC orders, maternity leave, private individuals, and Workers' Compensation, the Company sets up a provision of 5% of the amounts that are between 90 and 180 days outstanding, 10% for between 181 and 360 days outstanding, and 100% for amounts more than 360 days outstanding.

The general provision set up on accounts receivable, based on the amount of days outstanding is as follows:

Provision %	Days outstanding
5	Between 90 and 180 days
10	Between 181 and 360 days
15	More than 360 days

The rest of our subsidiaries record provisions based on Management estimates.

(e) Transactions and Balances in Foreign Currency

Transactions conducted in foreign currencies are posted by applying the exchange rate applicable on the date the transaction is consummated. Asset and liability balances, stated in U.S. dollars, are converted to Colombian pesos using the market exchange rate, as established by the Colombian Superintendency of Finance. The exchange rate was Colombian pesos 1,913.98 pesos on December 31, 2010 and Colombian pesos 2.044.23 pesos on December 31, 2009. The exchange difference is either capitalized or is posted on the income accounts depending upon how the exchange difference originated.

Pursuant to Decree No. 4918 issued on December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any successor. We post the difference between the book value of such assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

(f) Inventories

Inventories are managed using the permanent inventory system. These are appraised using the average inventory method and their depletion is recognized by charging the respective service providing cost account.

Inventories of real estate for sale and plots of land for subsequent development, whether wholly or partly owned (both land and construction in progress together with buildings), are recorded at cost, which shall not exceed its market price.

(g) Realizable Assets and Assets Received As Payment

All realizable assets for sale and those received in the form of payment for outstanding balances on obligations due to subsidiaries were posted at their inflation adjusted value until December 31, 2006.

Real estate assets surrendered in payment of obligations are received based on their technically appraised commercial value and all personal property, shares and holdings are received based on their corresponding market value.

A provision is set up and charged to expenses for the fiscal year in question when the appraised or market value drops below the cost of the asset, otherwise an account payable is drawn up in favor of the debtor.

(h) Intangibles

Intangibles are recorded at their acquisition cost and consist of rights to assets surrendered as part of commercial trust arrangements.

(i) Property, plant and equipment

Property, plant and equipment are recorded at their adjusted cost, including costs and expenses accruing up to the moment the asset is ready for use.

Any extensions, improvements and extraordinary repairs that significantly increase the useful life of the asset in question are recorded as an added cost and maintenance and repair costs are charged to expenses, as these accrue.

With regard to performing maintenance on furniture and fixtures, there exists a maintenance program and a team of subcontractors in charge of carrying out repairs and attending incidents as these arise. Visits are scheduled on a regional level each year, and a general check is performed on all our premises.

In the case of property, both operating and non operating throughout the country, when these are occupied, maintenance and repairs are performed upon request, and once the initial evaluation is completed and depending on the extent of the damage or malfunction, repair or maintenance work must be completed within four days of having been reported. In the case of unoccupied property a person has been assigned (not for this exclusive purpose) in every city in order to conduct periodic inspections and resolve all issues regarding such property.

Both real estate and personal property are duly insured against fire, low voltage and theft, as applicable. Real estate is insured against earthquake and fire for its commercial value. Works of art are insured for their appraised commercial value however, it is the Company's policy not to move furniture or fixtures (including works of art) outside its premises without having obtained the corresponding coverage.

On December 31, 2010, all the Company's real estate property remained free of any encumbrance, mortgage or pledge.

Depreciation is recorded using the straight line method based on the asset's estimated useful life in years. The annual depreciation rates for each type of asset are as follows:

	Annual % Rate
Buildings	5
Equipment, furniture and office fixtures	10
Computer equipment	20
Vehicles	20

Leased assets are recorded at a value equal to the present value of their rentals and purchase option, calculated on the date on which the lease begins and at the rate stipulated for such.

(j) Prepaid Expense and Deferred Charges

These mainly consist of pre paid expense such as insurance, interest, commissions paid to brokers on pending premiums and deferred charges relating to remodellings, computer programs, office stationery and supplies, improvements to leased assets, organization and pre operating expense, advertising and publicity, contributions and membership fees.

Prepaid expense are amortized during the period in which the benefit obtained with the payment is duly received.

Deferred charges are amortized as follows:

- Software programs up to a maximum of 3 years.
- Office stationery and suppliers, as these are depleted.
- Organization and pre operating expense up to a maximum of 5 years.
- Projects, during the time it takes for their completion.
- Brokerage commissions are amortized according to the term of the policy.
- Premiums for more than one year are amortized based on the term of the policy.
- Those corresponding to leased assets are amortized between the term of the contract and their probable useful life, whichever is the shortest.

- Advertising, publicity, contributions, membership fees, organization and pre operating expense are amortized over a 12 month period.

(k) Trust rights

Real estate and administrative trust received as part of liquidation and merger proceedings are recorded at the cost of their liquidation multiplied by the percentage stake held.

(l) Valuations

The accounting policies applicable to recognizing gains and losses are presented as follows:

Property, plant and equipment

Upon comparing their technical appraisals with their corresponding net book values, when their technical appraisal value is greater than their book value the difference is posted as a gain on the balance sheet, otherwise it is posted as a loss, initially charging the valuation accounts until their value is depleted and then any amount left over is charged to the income accounts.

Appraisals are performed at least every three years. In the interim these are updated based on either official indicators or the CPI applicable to the middle income bracket, as published by the Colombian Statistics Bureau (DANE).

Investments in Non Controlling Companies

Valuations of permanent investments in non controlling companies correspond to the higher value obtained from comparing their intrinsic value with their book cost which is then recorded in the valuation account crediting the valuation surplus account. Should their intrinsic value be less than their book cost the difference is firstly charged to the valuation account and then to the valuation surplus account, and should there remain any amount left over this is considered as a loss that affects the aforementioned accounts as a lower value of these, regardless of whether their net balances are quite the opposite.

Trusts

Trust valuations are posted according to the difference between the value appearing on the corresponding statement and their book cost.

(m) Deferred Income

This consists of deferred and prepaid income which is amortized during the period it accrues or when the services are provided.

(n) Estimated Liabilities and Provisions

The preparation of financial statements according to generally accepted accounting principles requires that Company Management recognizes estimates and provisions that affect the reported values of the Company's assets and liabilities as well as discloses assets and liabilities of a contingent nature on the date on which the financial statements are drawn up. The real results could therefore differ from the figures thus estimated.

(o) Retirement Pensions

Retirement pension liabilities are calculated based on actuarial studies, which are drawn up as required by law. Retirement pensions are amortized according to the percentages stipulated by law. The current portion is calculated on the estimated payments to be made during the following year.

For years ending December 31, 2010 and December 31, 2009, the Company amortized the total value of its retirement pensions. The payments made to retired personnel were charged to the provision.

(p) Memorandum Accounts

All events or circumstances which could give rise to rights or commitments affecting the Company's financial structure, as well as those accounts required to control assets, liabilities, shareholders' equity and differences between accounting records and tax returns are recorded in the memorandum accounts.

(q) Insurance Business

Provision for premiums pending collection

The companies set up a provision for premiums pending collection on earned premiums and policy issuing expense that have remained outstanding for more than 75 calendar days beginning on the date on which the technical term of the policy, as well as the certificates and exhibits issued based on such, begin. For this the policy to policy method is used as required by the Colombian Superintendency of Finance, except in the case of premiums to be collected from the State or Central Bank, providing there is a duly executed agreement with the State, a funds availability certificate has been obtained or the respective budget record has been made to proceed with its corresponding payment.

As for accounts receivable in the case of the insurance sector, as well as other related assets corresponding to the insurance business that are more than 6 months past due a provision for 100% of the value of these is set up and charged to the income accounts.

Provisions for premiums receivable are set up in accordance with that stipulated by the Colombian Superintendency of Finance in External Circulars No. 100 of 1995 and 036 of 2004, and charged to the income accounts.

The Workers Compensation Companies must set up a provision equivalent to one hundred percent (100%) of the amounts due and payable as of the first month in which the employer defaults on payment, charging this to the income accounts.

ARP Sura S.A. has set up the corresponding provisions for its accounts receivable that have remained outstanding up to a term of one year, this based on applicable legal and regulatory case law. It is worthwhile noting that Article 96 of Decree 1295 of 1994, subsequently amended by Article 18 of Law 776 of 2002, stipulates a statute of limitations of one year for all those benefits established by the Workers' Compensation System, which is why it is not appropriate to set up a provision for said accounts for a longer period of time, since the right to claim such benefits expire within a maximum term of one year, beginning on the date the employer defaults on the payment of these installments.

Recognition of Revenues, Costs and Expense

Revenues, costs and expense are recorded on the income accounts as they accrue.

Revenues on premiums issued are recognized when the respective policies are issued and said revenues are distributed throughout the term of the policy through the technical reserve. Revenues on premiums are reduced when the policies are either canceled or revoked. In the case of cancellations, the value recorded corresponds to the total value of the premium earned up to the moment it is cancelled upon its payment term having expired (Article 1068 of the Code of Commerce).

Savings with regard to life insurance policies are recorded as revenues as well as expensed to the reserve. The difference between the corresponding revenue and expense plus returns is posted on the income accounts.

In the case of each employer, the Workers' Compensation Company must estimate the value of all mandatory contributions bearing in mind the number of workers that were affiliated during all or part of the period (incoming and outgoing), the wages on which contributions are calculated and the type of risk, as reported on the last payment settlement or affiliation form. Should the employer not report any incident, the estimated value of the corresponding contributions cannot be lower than that contained on the last payment settlement form.

Breakdown of contributions received

- Contingency and other coverages.

Ninety four percent (94%) of the contributions received are assigned to cover workers' compensation contingencies or to pay the corresponding economic or health benefits, develop programs for the purpose of controlling and preventing occupational risk, providing comprehensive rehabilitation and managing the system.

- The ATEP Fund for prevention and research programs

Five percent (5%) of the contributions received are assigned to developing programs, campaigns, educational initiatives and conducting research into work related accidents and occupational disease, pursuant to Article 19 of Decree 1295 of 1994.

- Work related risk fund

This fund is allotted one percent (1%) of contributions received, pursuant to Article 19 of Decree 1295 of 1994. This sum is transferred on a monthly basis to the Fiduciaria la Previsora.

Technical Insurance Reserves

Technique for Ongoing Risk

Pursuant to Law 45 of 1990, and Decree No. 839 of 1991, the subsidiaries calculate the technical reserve for ongoing risks based on 80% of the premiums retained during the year, according to the "eighths" method, except for the following types of insurance:

Branch of Insurance	% Retained	Reserve	Frequency
Aviation, shipping, mining and oil risk	100	10	Annual
Global banking management & fidelity and financial risk	100	20	Annual
Transport	100	50	Quarterly

In the case of insurance for terms of less than one year, the reserve is calculated proportionately to the life of the insurance.

As of January 2007, Seguros de Vida Suramericana S.A., calculated its technical reserve for ongoing risk using the policy to policy method, as authorized by the Colombian Superintendency of Finance, taking 80% as a basis for its calculation for the first year, 90% for the second and 100% as of the third year. At the Company's request, the Colombian Superintendency of Finance, by means of Filing N° 2007 000886 001 00 dated February 08, 2007, authorized the Company to continue using 80% as the basis for this calculation.

As of January 2005, the Company calculated its technical reserve for ongoing risk using the policy to policy method on 100% of the premiums retained. Subsequently the Colombian Superintendency of Finance, by means of Filing N° 2007 000886 001 00 dated February 08, 2007, authorized the Company to continue using 80% as the basis for this calculation.

At the request of Seguros Generales Suramericana S.A., the Colombian Superintendency of Finance by means of Filing N° 2007073701 001 000 dated December 31, 2007, authorized the setting up of this reserve using as a basis for its calculation 80% of all those policies entering into full force and effect as of December 1, 2007, except in the case of transport insurance which is governed by the special system regulated by Decree 839 of 1991.

Pursuant to that stipulated in the paragraph contained in Article 3 of Resolution 1555 issued July 30, 2010, by means of which the mortality tables were updated for recipients of annuities, Seguros de Vida Suramericana S.A., gave notice that differences had been obtained between the value of the mathematical reserve at December 31, 2010 calculated by applying the Table RV08 in its entirety and the reserve calculated using the gradual adjustments contained in Law 100, Pension changeovers and voluntary pensions and these were still pending due recordal.

The Company also stated that in the case of Educational Annuity Insurance Products (Filing No 2003036515-0 dated July 14, 2003) and Pension Annuity Insurance (Filing No. 2005014623-0 dated March 22, 2005) pertaining to Branch 41 (Voluntary Pensions), the adjustment required in calculating the reserve due to the change in the mortality table is not significant, since this has to do with Temporary Short-Term Annuities, and therefore the gradual adjustment provided by said Resolution was not considered necessary, which was shy in October 2010 the Company proceeded to set up 100% of the reserve applying the Table RV08 in its entirety.

Agricola brand of products were included in this calculating this reserve using the "eights" method.

Technical Reserve for EPS Sura

As of 2007 and pursuant to Decree N° 574 of 2007, subsequently amended by Decrees Nos. 1698 of 2007 and 2353 of 2008 the Colombian Superintendency of Health required that technical reserves be calculated, set up and maintained for service authorizations, technical reserves for services charged and reserves for contingencies.

Technical reserves for service authorizations are equal to 100% of all authorized health services pending collection, up to a maximum term of 12 months or until, a minimum of four months have elapsed since authorization was given without the service having been provided. Once this term has elapsed, without the corresponding invoice having been received, the reserve is duly freed up. This reserve is set up based on the entire amount of components that make up the authorized healthcare service, taking into account the historic average for the previous year of the total amount paid for the service(s) included in the authorization issued. In the case of capitalization agreements, a reserve must be set up within the first five days of each month for an amount equal to a month of the term of the contract. Payments are made charging the reserve thus set up.

In the case of deposits retained from overseas reinsurers

The reserve for deposits for premiums assigned as part of overseas reinsurance arrangements is determined based on the following percentages: aviation, shipping, and mine and oil risks, 10%; global banking management & fidelity and financial risk, 10%; transport and other types of insurance, 20%. It is possible to set up, for the Company's own account, retained deposits that would otherwise be for the account of the reinsurer with regard to aviation, navigation, mining, and oil, and global banking management insurance, in the case of the parties agreeing not to do so, or using a lower percentage.

In the case of reported claims pending settlement

The reserve for reported claims pending settlement is set up and charged to the income accounts for the estimated amount of individual reported claims, both for those retained by the Company and for accepted reinsurance arrangements.

For reported survivors' and disability claims, the estimated amount of the settlement to be paid by the Company is recorded for each reported claim pending settlement.

In the case of unreported claims incurred

A reserve is established for claims incurred and not reported, for the sum resulting from the average amount paid out on unreported claims over the previous three year period, the retained portion, in real terms, being calculated using the CPI corresponding to the previous year.

In the case of Workers' Compensation insurance, the reserve for non reported claims is set up on a quarterly basis based on the difference between 94% of the 50% of the payments accruing (net retained premiums) during this same period, and the total amount of claims paid out, increases in the mathematical reserve and reported claims pending settlement recorded during that quarter.

In any event, this reserve cannot be less than 5% of the payments accruing during the quarter, nor greater than 25% of the payments accruing over the previous 12-month period.

The balance of the reserve set up until November 1998 may not be reduced nor freed up. Pursuant to Decree 4310 issued December 21, 2004 by the Colombian Ministry of Finance and Public Credit, which amended Decree 231 of 2002: "beginning on January 1, 2010, the reserve for unreported claims incurred with regard to Workers' Compensation insurance shall be subject to the general framework stipulated in Article 7, Decree, 839 of 1991, or any other regulatory decree that should amend, extend or replace such".

The reserve for pending unreported claims from previous periods with respect to disability and survivors' insurance is adjusted on a quarterly basis and calculated for each policy on the earned portion of the risk, as stipulated in Decree 2345 of 1995.

For deviations with the claims rate

This reserve is set up on 40% of the net retained premiums in the case of earthquake risk which may accrue until reaching twice the maximum probable loss from the cluster retained by the Company within the seismic area with the greatest exposure.

The reserve for deviations with the claims rate in the case of Workers' Compensation insurance is cumulative and is increased on a quarterly basis in an amount equal to 4% of the premiums earned during that period, on the retained portion of the risk without the accumulated balance of the reserve exceeding 25% of the payments received over the last 12 months, less one half of the insured amount for excess catastrophic losses that cover these risks.

Pursuant to Decree 2347 of 1995, the reserve may be used to pay claims that, due to their amount or nature, can reasonably be considered as being catastrophic.

Mathematical Reserve

In the case of the life insurance companies, a mathematical reserve is set up using the policy to policy method and based on actuarial calculations, this based on the technical note submitted to the Colombian Superintendency of Finance, using the same technical interest and mortality table for calculating the premiums for each type of insurance.

In the case of Workers' Compensation insurance, the reserve is set up on an individual basis, beginning on the date on which the obligation to pay the disability or survivors' pension is determined. The total amount of this reserve is the expected current value of the monthly outlays on the part of the Workers' Compensation Firm.

This reserve is calculated using the system of fractionated annuities in arrears, pursuant to Resolutions 585 and 610 of 1994 issued by the Colombian Superintendency of Finance, or any new rules and regulations that should supersede these.

In the case of the mathematical reserve corresponding to the savings fund, this is calculated based on the net balance available per client, and includes the amounts added and withdrawn by each holder, in addition to the interest payable to each.

In the case of the savings fund the value of the unit is calculated on a daily basis, this serving as a daily adjustment for said Fund.

- Law 100 Pensions
- Pensions subject to the Pension Changeover
- Voluntary Pensions
- Pension annuities
- Education annuities

The mathematical reserve corresponds to the present actuarial value of the obligation acquired by the insurance company, calculated based on a real technical interest rate of 4%, as stipulated by the Colombian Superintendency of Finance in Resolution 0610 issued April 14, 1994.

Special Reserves – Workers' Compensation

External Circular No. 052 of 2002 issued by the Colombian Superintendency of Finance stipulates a gradual framework for setting up a Workman's Compensation Reserve, which can only be used to cover the sums transferred by the Company to other Workers' Compensation Administrators claiming economic benefits for occupational sickness.

This reserve is cumulative and represents two percent (2%) of the monthly payments earned.

(r) Materiality

All economic events are recognized and presented according to their relative importance. An economic event is deemed material when due to its nature or the amount it represents, it may significantly alter the economic decisions made by all those using related information (whether such event is known or unknown). When preparing the Company's consolidated financial statements, materiality was established applying a 5% threshold with regard to total assets, total liabilities, working capital, shareholders' equity and net revenues, as appropriate.

(s) Bonds and Commercial Paper

This is funding received by the Company as a result of issuing and selling bonds and commercial paper defined as credit securities for financing working capital.

(t) Net earnings per share in pesos

Net earnings per share for the years 2010 and 2009 were calculated based on 469,037,260 shares outstanding.

(3) Investments

The following is a breakdown of investments held at December 31:

	2010	2009
Temporary:		
Negotiable debt securities:		
International Government securities issued and guaranteed by the State	COP 15,169	302,231

Pension Bond		
International Government securities issued and guaranteed by the State TES Bond	546,007	48,032
International Government securities issued and guaranteed by the State TIDIS	578	4,371
External Government securities issued and guaranteed by the State	4,325	343
Other Government securities, Stock Company Bonds	8,376	13,084
International Government securities issued and guaranteed by the Republic Bond	30,527	284,413
International Government securities issued and guaranteed by the State Constant Value Bond	5,090	132,713
Securities Issued Derivative Securities Securitization Process	7,985	-
International Bonds issued and guaranteed (oversight) Stock Company Bonds	107,847	11,869
International securities issued and guaranteed longer term IFI CDs	197,781	118,616
International Bonds issued and guaranteed (non-oversight) Stock Company Bonds	73,179	-
Securities issued and guaranteed by Government External Structured Notes	15,756	-
Securities issued and guaranteed external bank stock company bonds	112,787	-
Securities issued and guaranteed external bank acceptances stock company bonds	16,750	-
Securities issued and guaranteed external bank acceptances IFI CDs	36,785	26,787
Securities issued and guaranteed multilateral banking stock company credit	35,238	6,464
Other Stock Company Bonds	7,184	80,417
	1,221,364	**1,029,340**
Investments held for sale in debt securities:		
International Government security issued and guaranteed by the State Pension Bond	357	54,193
International Government security issued and guaranteed by the State TES	125,585	-
Other Government securities, Stock Company Bonds	9,312	-
Securities issued by credit establishments	-	7,437
International securities issued and guaranteed (oversight) IFI CDs	22,973	149,151
International securities issued and guaranteed (oversight) Stock Company Bonds	83,445	96,029
International securities issued and guaranteed (non-oversight) Company Bonds	76,387	12,336
Securities issued and guaranteed external bank acceptances stock company bonds	5,054	998
Foreign investment securities	-	1,915
Credit securities originating in securitization operations	448	4,555
	323,561	**326,614**
Available for sale investments in equity securities:		
Shares with a high degree of market liquidity	177,506	251,358
Shares with a low or minimum degree of market liquidity	1,842	5,079
	179,348	**256,437**

	2010	2009
Negotiable investments in equity securities:		
Shares		
Shares with a high degree of market liquidity	16,149	50,121
Participations in mutual funds	22,364	-
Participations in special mutual funds	94,395	-
Participations in equity funds	59,017	72,128
Equity securities obtained from securitizations	11,587	171,577
Equity securities obtained from securitizations	3,695	5,002
Participations in internal mutual funds	36,175	3,457
Participations in internal equity investment funds	9,715	20,175
Repos on investments	40,416	14,190
Commercial paper	11,435	-
Trust rights…..	549,332	-
	854,280	**336,650**
Less provision	**(690)**	**(1,301)**
Total temporary investments:	**2,577,863**	**1,947,740**

	2010	2009
Permanent investments in equity securities		
Shares		
Finance sector	3,411,214	3,064,101
Real sector	68,224	403,216
Other investments:		
Others	93	238
Trust rights	138,517	155,257
	3,618,048	**3,622,812**
Held to maturity investments in debt securities:		
International Government securities issued and guaranteed by the State Pension Bond	43,020	214,729
International Government securities issued and guaranteed by the State TES	89,966	27,467
International Government securities issued and guaranteed by the State Red. Bond	26,373	77,791
International Government securities issued and guaranteed by the State Republic Bond	13,358	41,486
International Government securities issued and guaranteed by the State	9,027	555,364
Other Government securities, Stock Companies	131,246	424,064
Securities Issued Derivative Securities Securitization Process	45,483	7,059
International securities issued and guaranteed (oversight) Stock Company Bonds	477,283	13,838
International Bonds issued and guaranteed (oversight) IFI CDs	459,064	13,685
International securities issued and guaranteed (oversight) Stock Company Bonds	31,056	-
International securities issued and guaranteed Stock Company Bonds	557,216	-
Securities issued and guaranteed multilateral banking stock company credit	6,616	-
International securities issued and guaranteed (non-oversight) commercial paper	5,196	-
Securities issued and guaranteed by Government External Structured Notes	7,043	-
Securities issued and guaranteed external bank acceptances IFI CDs	5,643	13

	1,907,590	**1,375,496**
Total permanent investments	5,525,638	4,998,308
Less provision	(21,829)	(36,602)
Total permanent investments	**5,503,809**	**4,961,706**
Total investments	**8,081,672**	**6,909,446**

Provision for investments

Provisions for Investments at December 31 are broken down as follows:

	2010	2009
Opening Balance	COP 37,903	41,213
Provision charged to expenses	16,342	8,351
Reversed provisions	(3,282)	(2,899)
Cancellation of provision for sales:	(27,266)	(30,458)
Provision on transfers to memoranda accounts	(1,178)	(8,304)
Provisions	**22,519**	**37,903**
Temporary investments	690	1,301
Permanent investments	21,829	36,602
	22,519	**37,903**

The following is a breakdown of the Company's equity investments at December 31, 2010:

	Cost	No. Shares Held	% Stake
Finance	**1,325,651**		
Bancolombia S.A.	1,236,415	228,459,554	29.00%
Davivienda S.A.	9,207	400,631	0.10%
Protección S.A.	80,030	8,445,395	48.18%
Food	**755,532**		
GNCH S.A.	755,532	164,393,743	37.78%
Cement	**1,512,484**		
Inversiones Argos S.A.	1,495,407	232,932,858	36.09%
Cementos Argos S.A.	17,077	1,497,995	0.13%
Insurance and Social Security	**17,145**		
ARS Palic Salud	3,324	247,665	30.00%
Alianza Compañía – Bolivia	4,374	8,416	29.28%
Alianza Vida – Bolivia	962	4,559	32.63%
La Positiva Perú	8,354	23,389,902	12.33%
ESIMED IPS	131	31,444	2.61%
Retail	**16,591**		
Éxito S.A.	16,591	710,242	0.21%
Services	**23,678**		
Sodexo Soluciones de Motivación S.A.	1,310	261,343	49.00%
Sodexo S.A.	735	1,604,015	35.00%
Planeco	887	10,500	50.00%
Promotora de Proyectos S.A.	476	1,458,617	38.76%
Hábitat Adulto Mayor S.A.	1,427	624,999	34.75%
Tipiel S.A.	1,363	18,216,104	41.40%
Subocol S.A.	914	3,663	45.00%
Brinks de Colombia S.A.	13,698	3,377,445	36.95%
Promotora Nacional Zona Franca S.A.	2,309	85,589,810	22.45%
Cesvicolombia S.A.	546	182,682	3.07%
Inverfas S.A.	13	25,110	4.37%

	Cost	No. Shares Held	% Stake
Textiles	**26,206**		
Enka S.A.	18,384	1,558,592,962	13.24%
Confecciones Colombia S.A. Everfit	7,822	46,182,356	42.49%
Real Estate	**7,488**		
Inverseguros S.A.	60	7,727	7.73%
Predios del Sur S.A.	6,439	3,188,863,990	41.49%
Caribbean Tourist Development	932	20,000	20.00%
Promotora La Enseñanza S.A.	57	232,525	1.18%
Others	**123,665**		
Artesanías de Colombia S.A.	50	384,923	0.77%
Pizano S.A.	10,983	6,491,397	10.02%
Holding Concord S.A.	3,400	1,650,000	5.84%
Apple	9	15	0.00%
Fogansa S.A.	1,357	678,704	1.22%
Tablemac S.A.	10,232	1,044,052,049	4.11%
Ecopetrol S.A.	13,501	3,292,806	0.01%
Isagen S.A.	5,774	2,218,169	0.08%
ISA S.A.	14,480	1,026,259	0.11%
Inversiones El Volador – Subject to Liquidation	1	2	0.00%
Pacific Rubiales	5,881	93,050	0.04%
Banco Bogotá Fond	14,812	255,816	0.11%
Grupo Aval S.A.	4,137	2,433,432	0.02%
Corficolombiana S.A.	1,052	30,636	0.02%
Colinversiones S.A.	10,386	1,800,000	0.25%
EEB ESP	23,604	135,265	0.16%
Mineros S.A.	2,585	328,855	0.13%
ETB	1,340	2,000,000	0.06%
Conconcreto S.A.	84	39,459	0.01%
Total equity investments	**3,808,442**		

In appraising and recording equity investments, the Company follows the guidelines contained in the Section 2 c of the investment policy. These are all ordinary shares, except in the case of Bancolombia where 68.180 preferred shares are held at a cost of COP 1.988.

(4) Accounts receivable

The following is a breakdown of Accounts Receivable at December 31:

	2010	2009
Loan portfolio	COP 104,440	98,180
Advance payments	2,086	2,167
Deposits	2,769	3
Interest receivable	61,281	61,196
Prepaid taxes and contributions	56,762	50,809
Accounts receivable due from employees	9,935	978
Accounts receivable due from insurance business	772,621	697,065
Loans to private individuals	139,828	120,412
Credit cards	242	97
Miscellaneous receivables	36,693	19,046
	1,186,657	1,049,953
Provisions	(59,009)	(57,230)
	1,127,648	992,723

Less long-term portion	31,798	33,596
Current portion	**1,095,850**	**959,127**

Provision for Accounts Receivable

The provision for accounts receivable at December 31 is broken down as follows:

	2010	2009
Opening balance	COP 57,230	46,789
Provision charged to expenses	15,923	20,715
Reversed provisions	(14,144)	(10,274)
Closing balance	**59,009**	**57,230**

The following is a breakdown of the accounts receivable corresponding to the Company's insurance business at December 31:

Accounts receivable due from insurance business

	2010	2009
Coinsurance current accounts –accepted amounts	COP 2,564	1,518
Coinsurance current accounts – transferred amounts	2,493	330
Foreign assignor companies' current account	101	60
Domestic reinsurers' current account	851	768
Foreign reinsurers' current account	16,946	7,630
Claims pending reinsurance portion	135,679	113,707
Reserve deposits corresponding to foreign reinsurers:	515	-
Premiums pending collection	613,472	573,052
Total	**772,621**	**697,065**
Provision for premiums pending collection	(32,647)	(30,610)

It is important to note that Seguros Generales Suramericana S.A. holds provision coverage in the case of foreign reinsurers for considerable balances due to current and new reinsurance firms that enter the claims current account payable on the part of the reinsurance firms that have not registered with the Colombian registry for foreign reinsurers REACOEX. The figure corresponding to foreign assignors showed a year-end increase for 2010 corresponding to more business accepted from Costa Rica (Instituto Nacional de Seguros de Costa Rica) and Panama (Seguros Generales Panamá) Also the balance of the claims reserve on the part of our reinsurers increased as a consequence of the rise in claims during Q4, 2010 given the damage caused by heavy rainfall throughout the country, amongst others.

The following is a breakdown of accounts receivable in the form of employee loans at December 31:

	2010	2009
Secured with collateral		
Housing	COP 19,165	14,790
Vehicles	11,744	11,627
Other loans	-	609
	30,909	27,026
Secured with personal guarantee		
Financing for premiums	83,819	71,182
Personal	20,292	16,758
Consumer	-	62
Subsidiary employee insurance	4,808	5,384
	108,919	93,386

Total loans to private individuals	**139,828**	**120,412**

Maturity Period

- The maturity period for premiums pending collection is one month after delivery of the policy, except when otherwise stipulated by any legal or contractual provision.
- The balances corresponding to the accepted coinsurance current account are paid within 30 days following the receipt of the account cut off forms as sent by the leader Company.
- The balances corresponding to the assigned coinsurers' current account are paid in the same month in which the account cut off forms are sent.
- Balances corresponding to foreign reinsurers' current account are paid and collected within 90 days following the quarterly cut-off date.
- Losses pending the reinsurer's portion are paid once the losses are settled or upon a court ruling being given exonerating the reinsurer from all responsibility.

(5) Realizable Assets and Assets Received As Payment

The following is a breakdown of the Realizable Assets and Assets Received As Payment account at December 31:

	2010	2009
Cost	COP 6,467	6,539
Provision	(1,135)	(962)
	5,332	**5,578**

(6) Prepaid Expense and Deferred Charges

The following is a breakdown of the Prepaid Expense and Deferred Charges Account at December 31:

	2010	2009
Pre-paid Expense	COP 731	856
Deferred charges		
Brokerage commissions	118,880	91,517
Non proportional contract costs	11,363	14,070
Projects	1,533	4,236
Others	626	4,316
	133,133	114,995
Less long-term portion	2,171	4,421
Current portion	**130,962**	**110,574**

(7) Property, plant and equipment

The following is a breakdown of the Property, Plant and Equipment account at December 31:

	2010	2009
Land, buildings and construction in progress	COP 35,155	114,868
Equipment, furniture and office fixtures	48,003	44,915
Computer equipment	74,145	77,686
Transport fleet and equipment	2,909	2,220
Machinery and medical equipment	16,245	8,432
Others	4,011	3,439

	2010	2009
	280,468	251,560
Depreciation	(121,781)	(117,983)
Provision	(79)	(123)
	158,608	**133,454**

(8) Other Assets

The following is a breakdown of the Other Assets account at December 31:

	2010	2009
Works of art and cultural collections	COP 2,367	2,301
Permanent contributions	500	500
Judicial bonds	7,032	5,376
Others	7,129	7,305
	17,028	15,482
Provision	(54)	(54)
	16,974	**15,428**

(9) Valuations

The following is a breakdown of the Valuation account at December 31:

	2010	2009
Pertaining to investments	COP 11,764,343	9,879,372
Property, plant and equipment	1,053,731	46,331
Pertaining to other assets	9,219	7,647
	12,827,293	**9,933,350**

(10) Financial Obligations

The following is a breakdown of the Financial Obligations account at December 31:

	2010	2009
Checking account overdrafts	COP 86	7,224
Loans from banks and financial institutions	57,565	130,100
Foreign banks	38,280	-
Leasing obligations	6,945	11,627
Repos on investments	43,558	-
Other entities	8,315	5,441
	154,749	154,392
Less long-term portion	-	49,000
Current portion	**154,749**	**105,392**

(11) Accounts Payable

The following is a breakdown of the Accounts Payable account at December 31:

	2010	2009
Insurance Business	COP 159,593	121,688
Costs and expense payable	46,091	95,736
Dividends or distributions payable	7,422	30,643
Withholding tax	22,090	19,317
Sales tax	27,323	27,214

	2010	2009
Contributions and membership fees	18,970	15,899
Withholdings and payroll contributions	9,496	5,124
Miscellaneous payables	38,215	28,189
	329,200	**343,810**

(12) Retirement Pensions

The following is a breakdown of the accumulated value of the Company's retirement pensions at December 31:

	2010	2009
Actuarial calculations	COP 17,159	14,806
Current portion	(1,898)	(1,845)
	15,261	**12,961**
Number of persons covered	131	138

Actuarial liabilities corresponding to retirement pensions were drawn up according to the parameters contained in Article 2 of Decree 02984 dated August 12, 2009, and technically based on the new mortality tables for holders of annuities as approved by the Colombian Superintendency of Finance by means of Resolution 1555 issued July 30, 2010.

Bases:

1. Legal. Those applicable at the date the corresponding evaluation is performed. The methodology used includes the additional monthly payments payable in June and December of each year, as well as the actuarial value of the funeral subsidy due on all those former employees who were directly pensioned off by the Company, according to Section b) of Article 2 of Decree 1517 dated August 4, 1998.

2. Technical. The technical bases used for this study included:

   a) Mortality tables: corresponding to male and female annuitant data for 2005-2008 as approved by the Colombian Superintendency of Finance according to Resolution N° 1555 issued July 30, 2010. In those groups that include invalids, the tables stipulated in Resolution 0585 issued on April 11, 1994 were used.

   b) Pension Adjustment Rate: 4.51%. This corresponds to the average weighted inflation rate for the years 2007, 2008 and 2009 with the following weightings: 3 points for 2009, 2 points for 2008 and 1 point for 2007, pursuant to Article 2 of Decree 02984 dated August 12, 2009 as well as Section 11 of Article 1 of Decree 2783 dated December 20 2001.

   c) Technical interest rate: 4.80%. Pursuant to Article 1 of Decree 02984 dated August 12, 2009 as well as Section 2 of Article 1 of Decree 2983 dated December 20 2001.

(13) Technical Insurance Reserves:

The following is a breakdown of the Technical Insurance Reserves at December 31:

	2010	2009
Ongoing risk	COP 2,181,183	1,855,840
Deposits retained from foreign reinsurers:	71,511	59,953
Reserve for deviations with the claims rate	152,219	143,528
Reserve for the Company's portion of pending claims	907,919	751,985
Special Workers' Compensation reserves	56,705	113,706
Reserve for the reinsurers' portion of pending claims	135,678	39,097

	3,505,215	**2,964,109**

(14) Estimated Liabilities and Provisions

The following is a breakdown of the Estimated Liabilities and Provisions account at December 31:

	2010	**2009**
Labor liabilities	COP 4,785	1,072
Tax liabilities	15,342	15,415
Commissions accruing on premiums pending collection	72,571	53,716
Industry and commerce tax	16,816	17,996
Income and complementary tax	16,766	14,051
High-cost sicknesses and diseases – mandatory healthcare services	28,061	19,551
Others	3,974	4,189
	158,315	**125,990**

(15) Bonds and Commercial Paper

The following lists the outstanding bonds and commercial paper issued by the Company as of December 31:

Grupo de Inversiones Suramericana S.A.

Bonds and Commercial Paper

On November 25, 2009, the Grupo de Inversiones Suramericana S.A., with due authorization from the Colombian Superintendency of Finance placed COP 250,000 in ordinary bonds maturing in 2049.

Bids received came to COP 1,323,711 (for a bid-to-cover ratio of 5.29) and finally these bonds were placed as follows:

Series	**Principal**	**Maturities of more than one year**	**Index**	**Cut-Off Rate Spread**
C10	54,500	54,500	CPI	4.40%
C20	98,000	98,000	CPI	5.90%
C40	97,500	97,500	CPI	6.98%
Total	**250,000**	**250,000**		**5.99%**

On March 10, 2010, Grupo de Inversiones Suramericana S.A., with the due authorization from the Colombian Superintendency of Finance placed COP 233,652 million in commercial paper maturing on March 8, 2011 on the Colombian securities exchange.

A total of COP 150,000 million was offered with the possibility of allotting up to COP 250,000 million, bids received came to COP 334,252 million (for a bid-to-cover ratio of 2,23) and finally this issue was placed as follows:

Series	**Principal**	**Index**	**Cut-Off Rate Spread**
A363	233,652	Fixed rate	4.64%

(16) Other Liabilities

The following is a breakdown of the Other Liabilities account at December 31:

	2010	2009
Advance payments received	COP 2,919	3,938
Joint accounts	42	37
Surpluses from premiums	18,190	-
Others	2,692	2,862
	23,843	**6,837**

(17) Common Stocks

The share capital of GRUPOSURA consists of 460,037,260 subscribed and paid-in shares, each with a nominal value of one hundred and eighty-seven pesos with fifty cents (COP 187.50) for the years 2010 and 2009.

(18) Capital Surplus

The following is a breakdown of the Capital Surplus account at December 31:

	2010	2009
Additional paid-in capital	COP 358,026	358,026
Accumulated unrealized gains or losses on investments held for sale	27,375	185,683
	385,401	**543,709**

(19) Reserves

The following is a breakdown of the reserves held at December 31:

	2010	2009
Mandatory	COP 381,894	338,777
Statutory	6,148	4,849
Voluntary	2,689,317	2,369,490
	3,077,359	**2,713,116**

(20) Equity Revaluation

Equity revaluation cannot be distributed in the form of profits but may be capitalized on a tax-exempt basis. Pursuant to Law 1111 of 2006, the book value of this account as of January 1, 2007 is not subject to the aforementioned tax benefit given the elimination of inflation adjustments for tax purposes.

As stipulated in the paragraph contained in Article 25 Chapter II of Law 1111 passed December 27, 2006, taxpayers may offset wealth tax against the equity revaluation account without affecting the results for the period.

(21) Memorandum Accounts

The following is a breakdown of the Memorandum Accounts at December 31:

	2010	2009
Debtors:		
Contingent rights	COP 384,654	247,930
Tax receivable	6,275,174	5,354,748
Debtors control account	10,360,913	5,366,077

	2010	2009
	17,020,741	**10,968,755**
Credit accounts		
Contingent liabilities	427,313,962	375,459,062
Tax payable	17,510,571	8,938,868
Creditors control account	297,184,069	271,996,712
	742,008,602	**656,394,642**

(22) Income tax

Income tax expense totaling COP 20,898 and COP 29,914 for the years 2010 and 2009 respectively correspond to the calculations made individually by each company included in the consolidation.

For the fiscal years of 2007 through to 2010, wealth tax must be paid by all taxpayers with equities greater than three thousand million pesos (COP 3.000). Said wealth tax accrues on January 1st of each year, and a tax rate of 1.2% is applied to net equity on January 1st, of the fiscal year of 2007.

Decree-law 4825 issued on December 29, 2010 extended this wealth tax to taxpayers with equities lower than that previously required, this based on the faculties conferred by the state of economic emergency declared by means of Decree 4580 dated December 7, 2010. The tax rate to be applied is 1.4% on equities carrying a taxable basis of between COP 2,000 and COP 3,000; and 1% of all net equities with a taxable base of between COP 1,000 and COP 2,000.

A surtax was levied on all wealth tax payable corresponding to 25% of equities of more than COP 3,000. Law 1430 issued December 29, 2010 eliminated as of 2011 the special tax deduction on investments in real productive assets.

(23) Contingencies

The following are the most significant contingencies existing:

EPS y Medicina Prepagada Suramericana S.A. - EPS Sura

In 2010, a total of 164 civil liability lawsuits were filed against EPS y Medicina Prepagada Suramericana S.A.-EPS Sura nationwide: 120 lawsuits in Medellin, 19 lawsuits in Barranquilla, 11 lawsuits in Bogotá, 12 lawsuits in Cali and 2 lawsuits in Manizales. This represented an increase of 49 lawsuits compared to 2009, when 115 lawsuits were filed. The 2010 lawsuits represent claims totaling COP 536,050. Our estimated loss for claims assessed is COP 27, 285.

The majority of these lawsuits (78%) involved civil liability claims on the grounds of diagnostic errors, lack of timeliness and medical negligence and 10% were disability claims. In 2010, rulings were given in 22 lawsuits with claims totaling COP 4,167. However, the total amount paid by the EPS y Medicina Prepagada Suramericana S.A.-EPS Sura due to these rulings was COP 87.

In 2010, EPS y Medicina Prepagada Suramericana S.A.-EPS Sura continued its legal strategy to obtain compensation for damages caused by unlawful conduct by the State as a result of actions taken by the Scientific Technical Committees. Thus we are attempting to recover the benefits authorized by the Scientific Technical Committees as well as rulings given as part of judicial protection orders.

Currently, 9 lawsuits, with claims totaling more than 20,000 COP, are in trial. The three primary claims are (i) failure to pay the total value of medicine not included in the Mandatory Healthcare Plan (POS); (ii) failure to pay benefits that have been locked into a grey zone, which are benefits the Colombian Ministry of Social Proteccion considers included in the Mandatory Healthcare Plan but that are not taken into account in the weighting of the Unit of Payment Received (URC); and (iii) failure to pay the listed benefits given their untimely presentation pursuant to the interpretation given by the Colombian Constitutional Court.

EPS y Medicina Prepagada Suramericana S.A.-EPS Sura are involved in a number of proceedings, involving claims totaling more than 9 billion COP, to challenge and re-establish rights agreements and resolutions that regulate the redistribution of resources due to high-cost pathologies, including the re-establishment of the inclusion of abortions in the Mandatory Healthcare Plan without it being weighted in the UPC.

Additionally, there are a number of lawsuits challenging the constitutionality of articles contained in Law 1122 of 2007, which provide for special payment procedures for Healthcare Service Provider Institutions, and payments for medicine authorized by the Scientific Technical Committees. There are also a number of lawsuits seeking the annulment of the regulations, term and membership prevention procedures for the payment of medication authorized by the Scientific Technical Committees. In 2010, EPS y Medicina Prepagada Suramericana S.A.-EPS Sura continued to defend its interests by challenging rules and regulations that it believed were issued without considering the legal criteria required for guaranteeing the stability of the system. It also has initiated a direct redress suit claiming a total of COP 6,118 to reestablish its rights as a result of the violation of its rights by the Scientific Technical Committees. EPS y Medicina Prepagada Suramericana S.A.-EPS Sura is covered under a mandatory civil liability insurance policy required from all Healthcare Service Provider Institutions to cover these risks and their respective professionals and other employees.

Servicios de Salud IPS Suramericana S.A.

This Healthcare Provider Institution is currently defending 15 civil liability lawsuits, with estimated claims totally COP 502, for alleged damages caused by medical personnel. Servicios de Salud IPS Suramericana S.A. is covered under a civil liability insurance policy that covers these risks.

Servicios de Salud IPS Suramericana S.A. has a contingency totaling COP 305 arising from 16 labor suits filed by employees who worked for Cooperativa Profesalud, a firm hired by Servicios de Salud IPS Suramericana S.A.

(24) Reclassifications

For presentation and comparative purposes, some figures contained in the financial statements for the previous year were reclassified.

(25) Subsequent Events

On December 16, 2010, GRUPOSURA gave notice to one of its subsidiaries to place an issue of bonds for up to COP 300 million in order to help facilitate international expansion.

All the studies and procedures required to list the GRUPOSURA share on the LATIBEX market were duly performed.

On January 21, 2011, GRUPOSURA gave notice of Resolution No 610-000004 issued January 19, 2011 by the Colombian Superintendency for Companies, authorizing an amendment to the Company’s by-laws. The change allowed for the winding up of Portafolio de Inversiones Suramericana S.A. subject to liquidation, and all of its equity to be transferred to the beneficiary company, GRUPOSURA. We are continuing to work to obtain due authorization from the Colombia Superintendency of Finance.

On January 24, 2011, GRUPOSURA disclosed that its subsidiary Enlace Operativo S.A. is working to obtain authorization from the Colombian Superintendency for Industry and Commerce to acquire the entire share capital of the Compuredes S.A., a Colombian company that provides outsourcing services in the area of technological solutions. Once the Superintendency provides due authorization, the entire amount of shares in Compuredes S.A. will be purchased by Enlace Operativo S.A. from Negocios Belvedere S.A.S., the parent company of Compuredes S.A., for an approximately COP 35,000. The funds required for this acquisition shall be obtained from a shareholder capitalization of Enlace Operativo S.A. The acquisition is intended to further GRUPOSURA’s growth strategy in Business Process Outsourcing.

On January 27, 2011, GRUPOSURA announced that its subsidiary Suramericana S.A. had signed an agreement to purchase Progreso Compañía de Seguros S.A. ("Proseguros"), an insurance company based in the Dominican Republic. Proseguros' annual premiums as of December 2010 were $72 million. The total value of the acquisition is $22.5 million. This acquisition forms part of the international expansion strategy that GRUPOSURA is pursuing in conjunction with its subsidiaries.

On February 7, 2011, GRUPOSURA announced that its subsidiary Suramericana S.A. had signed a contract to acquire Aseguradora Suiza Salvadoreña S.A. ("ASESUISA"), which belongs to Banagrícola, a subsidiary of Grupo Bancolombia. ASESUISA leads the insurance market in El Salvador, with annual premiums of $88 million. The total value of this acquisition is $98 million. This transaction is subject to obtaining approval from regulatory authorities.

On February 23, 2011, GRUPOSURA's shares were accepted on to the Market For Latin-American Stocks In Euros ("LATIBEX"), hosted by Spain's BME (Spanish Stock Exchanges and Markets). GRUPOSURA is scheduled to begin trading on the LATIBEX on February 28, 2011. LATIBEX is a market specializing in Latin American stocks and has been operating in Spain since December 1999. GRUPOSURA will be the first Colombian company to be listed with LATIBEX, joining other issuers from Mexico, Puerto Rico, Peru, Chile, Argentina and Brazil. Its shares are listed as ordinary stock and are traded under the symbol XGSUR. Santander Investment shall act as Specialist Arranger in Spain while Santander Investment Trust Colombia acts as custodian agent in Colombia.

STATUTORY AUDITOR'S REPORT

To the Shareholders,
Grupo de Inversiones Suramericana S.A.
(Formerly Suramericana de Inversiones S.A. Suramericana)

I have audited the consolidated balance sheets of Grupo de Inversiones Suramericana S.A. and its subsidiaries at December 31, 2009 and 2008, and the related Consolidated Statements of Income, Changes in stockholders Equity, Changes to the Financial Position and Cash Flows, the summary of significant accounting polices and other explanatory notes, for the years then ended.

The consolidated financial statements at December 31, 2009 and 2008 corresponding to the subsidiaries listed in Note 1 to the consolidated financial statements were audited by other statutory auditors or certified by the subsidiaries' Senior Management as applicable. My opinion, insofar as it relates to the amounts included for those subsidiaries are based solely on the reports of the other Statutory Auditors and on the certified financial statements.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally-accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation, fair presentation and disclosure of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I obtained the necessary information and carried out my audits in accordance with auditing standards generally accepted in Colombia. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements. In making those risk assessments, the statutory auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate under the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of balances and accounting estimates made by Management as well as evaluating the overall presentation of the consolidated financial statements. I believe that my audits provide a reasonable basis for my audit opinion.

In my opinion, based on my audit, the reports received from other statutory auditors and the certified financial statements mentioned in the second paragraph of this report, the above-mentioned consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Grupo de Inversiones Suramericana S.A. and its subsidiaries at December 31, 2009 and 2008, the consolidated results of its operations, changes in the financial position and its consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in Colombia, applied on a consistent basis.

Consultoría en Gestión de Riesgos Suramericana S.A. had operational losses for the years ended on December 31, 2009 and 2008 and net loss for 2008, however, 97 percent and 98 percent of its operational income during 2009 and 2008, respectively, came from its major shareholder. Consequently, management considers that the cash flow required to maintain the operations of and to comply with the obligations of Consultoría en Gestión de Riesgos Suramericana S.A. is sufficient.

Servicios de Salud IPS Suramericana S.A. had operational losses of COP 2.840 and COP 2,856 millions for the years ended December 31, 2009 and 2008, and a net loss of COP 2.424 millions for the year 2008. However, 79 percent of its operational income during 2009 came from its major shareholder and related parties. Management considers that during 2010 this entity will maintain the same income level and in this way will generate enough cash flow to continue its operation and to comply with its obligations.

Susana Contreras Poveda
Statutory Auditor of Grupo de Inversiones Suramericana S.A.
(Formerly Suramericana de Inversiones S.A. Suramericana)
Registration11017 – T
Member of KPMG Ltda.

February 18, 2010

Grupo de Inversiones Suramericana S.A. and Subsidiaries
(Formerly Suramericana de Inversiones S.A. Suramericana and Subsidiaries)
Consolidated Balance Sheets
December 31, 2009 and 2008
(In millions of COP)

ASSETS	**2009**	**2008**
Current assets:		
Cash and cash equivalents	COP 287,174	259,273
Short-term investments (notes 3 and 9)	1,947,740	1,936,469
Accounts receivable, net (note 4)	945,288	973,081
Inventories	35,566	6,066
Realizable assets and assets received as payment (note 5)	5,578	5,964
Prepaid expenses and deferred charges (note 6)	107,150	122,339
Total current assets	3,328,496	3,303,192
Permanent investments (note 3)	4,961,706	4,447,933
Accounts receivable, net (note 4)	33,596	13,090
Property, plant and equipment (notes 7 and 9)	133,454	156,340
Intangibles	1,134	10,464
Prepaid expenses and deferred charges (note 6)	4,421	2,795
Other assets (notes 8 and 9)	31,566	50,520
Excess cost on reciprocal investments	245,693	260,422
Valuations (note 9)	9,933,350	4,380,904
Total assets	18,673,416	12,625,660
LIABILITIES, MINORITY INTERESTS, AND EQUITY		
Current liabilities:		
Financial obligations (note 10)	105,392	278,118
Suppliers	15,768	25,539
Accounts payable (note 11)	342,685	397,176
Taxes, fees & duties	2,326	3,404
Employee benefit liabilities	31,891	27,648
Retirement pensions (note 12)	1,845	1,754
Technical insurance reserves (note 13)	2,964,109	2,704,452
Estimated liabilities and provisions (note 14)	125,990	116,352
Deferred income	11,927	13,417
Bonds and commercial paper (note 15)	-	95,000
Other liabilities (note 16)	6,837	37,792
Total current liabilities	3,608,770	3,700,652
Financial obligations (note 10)	49,000	144,240
Accounts payable (note 11)	-	2,819
Bonds and commercial paper (note 15)	250,000	43,489
Retirement pensions (note 12)	12,961	13,175
Total liabilities	3,920,731	3,904,375
Minority interest	177,673	144,837
Total liabilities and minority interest	4,098,404	4,049,212
Shareholders' equity:		
Common stock (note 17)	87,945	87,945
Capital surplus (note 18)	543,709	458,620
Reserves (note 19)	2,713,116	2,540,415

<u>Shareholders' equity</u>:		
Equity revaluation (note 20)	969,083	961,831
Losses from previous periods	(139,577)	(135,366)
Net income for the year	467,386	282,099
Valuations (note 9)	9,933,350	4,380,904
Net shareholders' equity	14,575,012	8,576,448
Total liabilities, minority interests and shareholders' equity	18,673,416	12,625,660
Memorandum accounts (note 21)		
Debtors	10,968,755	12,176,274
Creditors	656,394,642	597,914,617

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries
(Formerly Suramericana de Inversiones S.A. Suramericana and Subsidiaries)
Consolidated Income Statements
Years ended December 31, 2009 and 2008
(In millions of COP)

	2009	2008
Operating revenues		
Insurance businesses	COP 4,690,073	4,546,078
Health plans	873,285	744,615
Interests, monetary correction, amortized discount	62,405	40,609
Exchange difference	1,188	5,782
Dividends and stakes	316,025	229,733
Earnings from sale of investments, net	59,870	4,412
Investments valuations, net	380,042	241,628
Reimbursement provision for investments	2,899	53,902
Commissions	4,109	4,069
Salvaged goods	20,623	16,801
Vehicle assessment and inspection	12,187	13,982
Data processing	17,628	10,685
Others	7,031	425
	6,447,365	5,912,721
Operating administrative expenses		
Insurance businesses	4,212,141	4,052,595
Health plans	785,909	622,206
Interests, monetary correction, amortized discount	25,252	56,532
Payroll expenses	259,997	290,425
Fees	126,985	104,996
Taxes	54,587	36,915
Rent	41,296	32,299
Contributions and memberships	39,194	42,198
Insurance	6,047	4,312
Services	77,860	67,323
Maintenance and repairs	11,210	8,005
Supplies	5,969	6,284
Advertising	18,224	12,094
Office supply	6,806	9,674
Banking Services	50,146	40,006
Medical services - life insurance	6,310	7,541
Others	80,582	76,508
	5,808,516	5,469,913
Operating income before provisions, depreciations and amortizations	638,849	442,808
Provisions:		
Investments	38,351	4,105
Accounts receivable	20,715	16,045
Others	5,519	5,242
	64,585	25,392
Depreciations	16,051	20,903
Amortizations	22,048	78,658
Net operating income	536,165	317,855
Other income (expenses), net		
Income	24,451	38,130
Expenses	(23,857)	(14,687)
	594	23,443

Income before taxes and minority interest	536,759	341,298
Income taxes (note 22)	29,914	35,880
Income before minority interest	506,845	305,418
Minority interest	(39,459)	(23,319)
Net income for the year	467,386	282,099
Net earnings per share, in pesos	996.48	610.28

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries
(Formerly Suramericana de Inversiones S.A. Suramericana and Subsidiaries)
Consolidated Cash Flow Statements
Years ended December 31, 2009 and 2008
(Expressed in millions of COP)

	2009	2008
Cash flow from operating activities		
Net income for the year	COP 467,386	282,099
Reconciliation between the net income for the year and the net cash flow provided (used) by operating activities:		
Depreciation		
Amortizations	16,051	20,903
Provisions	22,048	78,658
Recoveries	64,585	25,392
Increase in technical insurance reserves	(9,720)	(68,168)
Earnings from sale of investments	259,657	211,186
Valuations of investments, net	(59,870)	(4,411)
Minority interest	(380,042)	(229,642)
	39,459	23,319
	419,555	339,336
Changes in operating items		
Accounts receivable		
Other assets	27,793	(98,171)
Realizable assets and assets received as payment	19,216	(16,379)
Prepaid expenses and deferred charges	258	(3,811)
Inventories	38,863	80,499
Retirement pensions	(29,500)	(826)
Accounts payable	(123)	(57)
Estimated liabilities and provisions	(59,512)	93,859
Suppliers	12,398	4,066
Other liabilities	(9,771)	(1,162)
Taxes, duties and fees	(30,955)	25,999
Deferred revenues	(1,078)	(3,008)
Employee benefit liabilities	(1,490)	(27,618)
Minority interest	4,243	2,807
Earnings from sale of assets	(6,623)	(247,704)
Investments acquisitions	1,532,419	588,761
Excess cost in reciprocal investments, net	(1,268,486)	(571,812)
Bonds and commercial paper	(14,729)	(141,360)
	111,511	19,500
Net cash provided by operating activities	743,988	42,919
Cash flow from investing activities		
Decrease in property, plant and equipment	2,271	50,463
Cash flow from financing activities		
Financial obligations	(267,966)	120,156
Dividends paid	(123,824)	(106,828)
Share issuance	-	2,183
Additional paid-in capital	-	149
Net cash provided (used) by financing activities	(391,790)	15,660
Net cash increase in cash and cash equivalents	354,469	109,043
Cash and cash equivalents at the beginning of the year	329,813	220,770
Cash and cash equivalents at the end of the year	684,282	329,813

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries
(Former Suramericana de Inversiones S.A. Suramericana and Subsidiaries)
Consolidated Statements of Changes in Financial Position
Years ended December 31, 2009 and 2008
(Expressed in millions of COP)

	2009	2008
Sources of working capital		
Net income for the year	COP 467,386	282,099
Items that do not use (provide) working capital		
Depreciation	16,051	20,903
Amortization	22,048	78,658
Provisions	64,585	25,392
Recoveries	(6,960)	(61,934)
Earnings from sale of investments	(59,870)	(4,435)
Minority interest	39,459	23,319
Working capital provided by operations	542,699	364,002
Earnings from sale of assets	1,532,419	587,043
Share issuance	-	2,183
Additional paid-in capital	-	149
Decrease in long term accounts receivable	-	(867)
Decrease in prepaid expenses and deferred charges	23,674	72,281
Decrease in other assets	19,216	-
Decrease of intangibles	9,330	41,777
Increase in bonds and commercial papers	206,511	-
Excess cost in reciprocal investments	14,729	141,360
	2,348,578	1,207,928
Uses of working capital		
Acquisition of permanent investments	1,954,705	1,326,062
Increase in long term accounts receivable	43,494	-
Increase in other assets	-	16,379
Increase in property, plant and equipment	2,271	50,463
Decrease in retirement pensions, excluding current portion	214	121
Decrease in financial obligations	95,240	64,978
Decrease in accounts payable	2,819	10,995
Dividends paid	126,026	109,837
Decrease in minority interest	6,623	247,704
Increase (Decrease) in working capital	(117,186)	618,611
Increase (decrease) in current assets:		
Cash	27,901	94,125
Investments in available-for-sale securities	11,271	(287,623)
Accounts receivable	(27,793)	99,038
Inventories	29,500	826
Realizable assets and assets received as payment	(386)	1,839
Prepaid expenses and deferred charges	(15,189)	(8,218)
	25,304	(100,013)
Increase (decrease) in current liabilities:		
Financial obligations	(172,726)	185,134
Suppliers	(9,771)	(1,162)
Accounts payable	(54,491)	107,239
Taxes, duties and fees	(1,078)	(3,008)
Employee benefit liabilities	4,243	2,807
Current portion of retirement pensions	91	64

	2009	2008
Technical insurance reserves	259,657	211,186
Estimated liabilities and provisions	9,638	(1,543)
Unearned revenues	(1,490)	(27,618)
Bonds and commercial papers	(95,000)	19,500
Other liabilities	(30,955)	25,999
	(91,882)	518,598
Increase (decrease) in working capital	117,186	(618,611)

See notes to the consolidated financial statements.

Grupo de Inversiones Suramericana S.A. and Subsidiaries
(Formerly Suramericana de Inversiones S.A. Suramericana and Subsidiaries)
Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2009 and 2008
(Expressed in millions of COP)

	Common stock	Additional paid-in capital	Reserves	Equity revaluation	Net income for the year	Losses from previous periods	Valuation	Total shareholders' equity
	COP 85,762	477,989	2,456,068	866,006	247,105	(142,676)	6,347,394	10,337,648
Distribution of 2006 results according to General Shareholders' Meeting Minutes # 12, dated March 29, 2007:								
Release of reserve for protection of investments	-	-	(1,880,885)	-	1,880,885	-	-	-
Donations for Fundación Suramericana	-	-	-	-	(1,500)	-	-	(1,500)
Reserve available for the Board Members	-	-	2,003		(2,003)	-	-	-
Release of reserve available for the Board Members	-	-	(1,350)	-	-	-	-	(1,350)
Reserve for the protection of investments	-	-	2,020,764	-	(2,020,764)	-	-	-
Payment of dividends (COP 232.00 per share)	-	-	-	-	(106,116)	-	-	(106,116)
Common stock (11,640,638 shares at COP 187.50 per share)	2,183	-	-	-	-	-	-	2,183
Additional paid-in capital	-	(2,176)	-	-	-	-	-	(2,176)
Merger movement	-	2,326	148,761	128	5,375	-	261,254	417,844
Revaluation used for payment of equity tax	-	-	-	(360)	-	-	-	(360)
Vaulations	-	-	-	-	-	-	(1,319,283)	(1,319,283)
Net Income for the year	-	-	-	-	267,639	-	-	267,639
Consolidation net variations	-	(19,519)	(204,946)	96,057	11,478	7,310	(908,461)	(1,018,081)
Balance on December 31, 2008	87,945	458,620	2,540,415	961,831	282,099	(135,366)	4,380,904	8,576,448
Distribution of 2008 results according to General Shareholders' Meeting Minutes # 13 dated March 26, 2009:								
Release of reserve for protection of investments	-	-	(2,020,764)	-	2,020,764	-	-	-
Donations for Fundación Suramericana	-	-	-	-	(1,650)	-	-	(1,650)
Release of reserve available for the Board Members	-	-	(2,003)	-	2,003	-	-	-
Reserve for the protection of investments	-	-	2,175,933	-	(2,175,933)	-	-	-
Payment of dividends (COP 252.00 per share)	-	-	-	-	(118,197)	-	-	(118,197)
Revaluation used for payment of equity tax	-	-	-	(360)	-	-	-	(360)
Vaulations	-	-	-	-	-	-	2,982,332	2,982,332
Net Income for the year	-	-	-	-	446,050	-	-	446,050
Consolidation net variations	-	85,089	19,535	7,612	12,250	(4,211)	2,570,114	2,690,389
Balance on December 31, 2009	COP 87,945	543,709	2,713,116	969,083	467,386	(139,577)	9,933,350	14,575,012

See notes to the consolidated financial statements.

(Expressed in millions of COP)

(1) Business Purpose

Grupo de Inversiones Suramericana S.A. ("GRUPOSURA" or the "Company") (formerly Suramericana de Inversiones S.A. Suramericana) was incorporated as a result of a spin off from Compañía Suramericana de Seguros S.A., by means of Public Deed No. 2295 drawn up on December 24, 1997 before the Notary Public No. 14 of the Circuit of Medellin. All of the corresponding accounting formalities were completed by January 1, 1998. GRUPOSURA's primary business address is in Medellin, but it is entitled to set up branches, agencies, offices and representations in other parts of the country as well as abroad, should its Board of Directors decide. The Company is legally authorized to carry out its business purpose until the year 2102.

Its business purpose is to invest in real estate and movable property. It may carry out its business purpose by means of shares, quotas or participation in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Additionally, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad.

GRUPOSURA's reporting period follows the normal calendar year, ending on December 31 of each year. Pursuant to its by-laws, GRUPOSURA shall close its books on December 31 of each year, in order to develop its balance sheet and income statement for the corresponding fiscal year.

The Company is overseen by the *Superintendencia de Sociedades* (the "Colombian Superintendency of Companies") and subject to the regulations of the *Superintendencia Financiera de Colombia* (the "Colombian Superintendency of Finance"), and is registered as an issuer of securities with the *Registro Nacional de Valores y Emisores* (the "Colombian National Registry of Securities").

Rebranding

By means of Public Deed No. 0722 drawn up on April 27 2009, the by-laws of Suramericana de Inversiones S.A., Suramericana were amended to show that its corporate name had been changed to: Grupo de Inversiones Suramericana S.A. Taxpayer ID No: 811.012.271-3 The names of its subsidiaries were also modified as shown below:

New Company Name	Previous Company Name
Suramericana S.A.	Inversiones en Seguros y Seguridad Social Suramericana S.A. Inversura
Seguros Generales Suramericana S.A.	Compañía Suramericana de Seguros S.A.
Seguros de Vida Suramericana S.A.	Compañía Suramericana de Seguros de Vida S.A.
Administradora de Carteras Colectivas Suramericana S.A.	Administradora de Fondos de Inversion Suramericana S.A.
Servicios Generales Suramericana S.A.	Inversiones GVCS S.A.
Servicios de Vehiculos Suramericana S.A.	Servicio de Reparacion Integral Automotriz S.A. Seriauto
Seguros Suramericana S.A.	Interoceanica
EPS y Medicina Prepagada Suramericana S.A.	Compañía Suramericana de Servicios de Salud S.A. Susalud Medicina Prepagada
Seguros de Riesgos Profesionales Suramericana S.A.	Compañía Suramericana Administradora de Riesgos Profesionales y Seguros de Vida S.A. Suratep
Servicios de Salud IPS Suramericana S.A.	I.P.S. Punto de Salud S.A.
Consultoría en Gestión de Riesgos IPS Suramericana S.A.	CPT Asesoría Centro para los Trabajadores S.A.

ADR Level 1 Program

GRUPOSURA is registered with the ADR – Level 1 program in the United States, and its shares are available to international investors through the over-the-counter market. GRUPOSURA's ADR is traded under the symbol GIVSY. Each ADR represents two of the Company's ordinary shares.

GRUPOSURA appointed the Bank of New York Mellon as its depository bank for transactions conducted on the US market. It is the leading bank in this field of the US market. Additionally, Bank of New York Mellon also has ample experience in Latin America where it works with more than two hundred companies. In Colombia, GRUPOSURA appointed Fiduciaria Bancolombia as the local custodian bank for its ADRs.

By registering with the ADR – Level 1 program, as authorized by GRUPOSURA's Board of Directors on July 31, 2008, GRUPOSURA gained access to the international capital markets and also became much more visible to potential foreign investors. This thereby extended and diversified its shareholder base and provided greater liquidity to its shares. In addition to this, the Company has the option of scaling up to Levels II and III of the ADR program, which would further its international presence.

The ADR - Level I program allows for foreign shares to be traded in the United States on the OTC market, and not on the US stock exchanges, such as NYSE, AMEX and NASDAQ. The corresponding quotes are listed on the Pink Sheets (www.pinksheets.com).

This has been an important step for the Company in its strategy to gain greater international exposure. GRUPOSURA has been strengthening its position as a holding company, with important investments in leading Colombian companies as well as significant stakes held in other countries within the Americas. Its investment portfolio is mainly concentrated in strategic sectors including financial services, insurance and social security. This is complemented by investments held in other service, food and cement sectors, amongst others. With its active involvement in the management of these different companies, GRUPOSURA strives to provide its shareholders with greater added-value applying a global vision that ensures that synergies are promptly identified and developed. Additionally, GRUPOSURA strives to create opportunities for new businesses to grow.

Consolidation Principles

The consolidated financial statements include the statements of the subsidiary companies (defined as companies in which GRUPOSURA holds more than a 50.0% of their share capital or over which it has full control). When consolidating we apply the global integration method in which we incorporate into GRUPOSURA's financial statements the assets, liabilities, shareholders' equity, and results of the subsidiaries, after eliminating any reciprocal investments, shareholders' equity, transactions and balances. As a result, any significant reciprocal balances and transactions between companies were eliminated during the consolidation.

Corporate Government and Risk Management

The Corporate Governance Code (the "Code"), including standards from Colombian law and GRUPOSURA's by-laws, sets out fundamental provisions for managing and running GRUPOSURA. It contains standards that are recognized on a national and international level for optimum and responsible corporate management. Additionally, the Code specifically focuses on the rights of minority shareholders, guaranteeing their investments in the Company. One of the Code's fundamental principles is to protect investor rights.

GRUPOSURA, through its subsidiaries' Boards of Directors and Senior Executives, define risk management as an organization's responsibility to provide for the proper assessment of risks that a subsidiary presents as well as the risk management policies applicable to the various business operations. The Board of Directors and Senior Executives receive support and advice from the Management, Audit, Investment and Risk Committees in managing risk for the Company. Risk management policies have been issued by Senior Management based on different studies carried out by the Company's business and investment risk areas. These studies are based on periodic reports carried out by such areas which allow for appropriate management and operating decisions to be made. The policies have been officially drawn up in the form of manuals, which have been approved and are regularly updated by the Board of Directors and the Senior Management.

(Expressed in millions of COP)

The risk positions taken by business and treasury management are periodically reported to the Board of Directors and Senior Management. Daily reports and special reports prepared for the Board of Directors and the various committees describe in detail the metrics concerning risk exposure. We perform follow-ups on our risk exposure and any breaches of the risk limits set are reported whenever they occur.

As part of our internal initiatives, we are creating a project designed to develop and implement a Liquidity Risk Management System for which we have identified our main risk variables and are working on defining a metrics methodology. The Liquidity Risk Management System includes calculating a prospective Liquidity Risk Indicator ("LRI") for different bands of time in the future, as well as defining different scenarios against which our liquidity performance is evaluated. With these changes we will be able to implement the tools, procedures and policies required to enhance our liquidity management.

GRUPOSURA's technological infrastructure allows the control and risk management areas to access clear and timely information. There are certain dynamics in measuring risk based on methodologies that make it possible to identify, with a high degree of reliability, the Company's exposure to various risks. Our Board of Directors and Senior Management have been informed of the priority risk matrix. Our current organizational structure allows for greater autonomy between the business, investment, risk management and control areas. In addition, the personnel who work in each of these areas have the required skills and capabilities to carry out their functions and responsibilities. Operating controls are exercised using optimum security systems which confirm that transactions are carried out according to their stipulated terms and conditions.

The Internal Auditing Department has access to GRUPOSURA's operations. It also reviews recommendations made in terms of compliance, completion of operations, the relationship between market conditions and the terms of the operations carried out between the GRUPOSURA and its related parties.

The following is a breakdown of the companies included in the consolidated financial statements:

Company	**Direct Participation (%)**	**Total Participation 2009 (%)**	**Total Participation 2008 (%)**
Directly:			
Portafolio de Inversiones Suramericana S.A. subject to liquidation	100.00	100.00	100.00
Suramericana S.A.	40.14	81.13	81.13
Grupo de Inversiones Suramericana Panama S.A. (Formerly Suramericana (B.V.I.) Corporation)	35.82	100.00	100.00
Enlace Operativo S.A.	55.00	73.25	73.25
Inversiones y Construcciones Estrategicas S.A.	65.88	100.00	100.00
Indirectly:			
Seguros Generales Suramericana S.A.		81.13	81.13
Seguros de Vida Suramericana S.A.		81.13	81.13
Inversiones CS Suramericana S.A.		-	81.13
Administradora de Carteras Colectivas Suramericana S.A.		81.13	81.13
Seguros de Riesgos Profesionales Suramericana S.A. - ARP Sura		81.13	81.13
Servicios de Salud IPS Suramericana S.A.		81.13	81.13
Consultoria en Gestion de Riesgos IPS Suramericana S.A.		81.13	81.13
EPS y Medicina Prepagada Suramericana S.A. - EPS Sura		81.13	81.13

(Expressed in millions of COP)

Company	Direct Participation (%)	Total Participation 2009 (%)	Total Participation 2008 (%)
Servicios de Vehículos Suramericana S.A. - Autos Sura		81.13	81.13
Seguros Suramericana S.A.		76.41	81.13
Servicios Generales Suramericana S.A.		81.13	81.13
Inversura Panamá Internacional S.A. (Antes Inversura (B.V.I.) Corporation)..		81.13	81.13
Dinámica IPS...		81.13	81.13

Below are brief descriptions of each of the companies included in the consolidation, including their main business purpose, place of domicile, nationality, geographical operating area and date of incorporation:

- **Seguros Generales Suramericana S.A.**

  Seguros Generales Suramericana S.A.'s business purpose consists of carrying out property insurance and reinsurance operations, according to the types and branches permitted by Law. Seguros Generales Suramericana S.A. was incorporated by means of Public Deed No. 4438, drawn up December 12, 1944 before the Notary Public No. 2 of the Circuit of Medellin. Its duration expires in December 2024 and the administrative deed that authorized is functioning was Resolution No. 01045 issued December 5, 1944 by the Colombian Superintendency of Finance.

  Seguros Generales Suramericana S.A. is headquartered in Medellin, Colombia and provides nationwide coverage.

  Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1756 issued October 4, 2007, Seguros Generales Suramericana S.A. registered with the Colombian Registry of Securities Exchange Agents and Brokers. As a result of the registration, Seguros Generales Suramericana S.A. may only purchase and sell securities directly and on its own account.

  On May 13, 2009 by means of Public Deed No. 822 drawn up before Public Notary No. 14 of the Circuit of Medellin, the company changed its name from Compañía Suramericana de Seguros S.A. to Seguros Generales Suramericana S.A.

  Seguros Generales Suramericana S.A. entered into a Legal Stability agreement with the Colombian Government, for a term of 20 years, during which time Seguros Generales Suramericana S.A. is shielded from certain tax laws. Furthermore, the company must ensure compliance with all the commitments it has acquired. For example, paying out premiums and carrying out pending investments, amongst others.

- **Seguros de Vida Suramericana S.A.**

  Seguros de Vida Suramericana S.A. offers personal life and complementary insurance and reinsurance. The company was incorporated by means of Public Deed No. 2381 drawn up on August 4, 1947 before the Notary Public No. 3 of the Circuit of Medellin.

  Its main place of business is located in the city of Medellin. It provides national coverage.

  Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1812 issued October 13, 2006, Seguros de Vida Suramericana S.A. registered with the Colombian Registry of Securities Exchange Agents and Brokers. As a result, the company may only purchase and sell securities directly and on its own account. As stipulated by Section 3 of Article 1.5.1.1. of Resolution 400 of 1995.

On May 13, 2009 by means of Public Deed No. 821 drawn up before Public Notary No. 14 of the Circuit of Medellin, the Company changed its name from Compañía Suramericana de Seguros Vida S.A. to Seguros de Vida Suramericana S.A..

Seguros de Vida Suramericana S.A entered into a Legal Stability agreement with the Colombian Government, for a term of 20 years, during which time Seguros de Vida Suramericana S.A is shielded from certain tax laws. Furthermore, the company must ensure compliance with all the commitments it has acquired. For example, paying out premiums and carrying out pending investments, amongst others.

- **Inversiones CS Suramericana S.A. (previously Compañía Suramericana de Capitalización S.A.)**

Inversiones C.S. Suramericana S.A. formerly known as Compañía Suramericana de Capitalization S.A. is a Colombian corporation domiciled in Medellin. It was incorporated by means of Public Deed No. 1396 drawn up March 10, 1958 before Notary Public No. 2 of the Circuit of Medellin. In 2009, Servicios Generales Suramericana S.A. took over Inversiones CS Suramericana S.A. The purpose of this take-over merger was to optimize and make more efficient the managing of both companies and their respective investment portfolios, as well as to reorganize the subsidiaries belonging to Suramericana S.A. By means of Public Deed No. 1060 drawn up June 16, 2009, before the Notary Public No. 14 of the Circuit of Medellín, the merger became official.

- **Administradora de Carteras Colectivas Suramericana S.A.**

The business purpose of Administradora de Carteras Colectivas Suramericana S.A. consists of receiving money and subscriptions from the public in order to establish and manage one or several investment funds. It may purchase, using subscriptions from the public, shares in corporations as well as partnerships limited by shares, mining companies, other securities or shares issued by Colombian companies, Government debt securities as well as debt securities issued by departmental or district authorities, public establishments, (providing these are duly secured), mortgage-backed securities and mortgage loans granted or assigned by companies dedicated to the real estate business.

Domiciled in Medellín Colombia and providing nationwide coverage this company was incorporated on July 24, 1964.

Decree 2175 of 2007 came into effect on July 1, 2008. The Decree regulates the management of collective investment portfolios handled by investment management firms. This Decree stipulates that the Colombian Superintendency of Finance must issue rules and regulations that prescribe how to determine the value of the interest held in collective investment portfolios together with the value of each respective collective portfolio.

Administradora de Carteras Colectivas Suramericana S.A., manages both Suramericana's open-ended equity securities collective investment portfolio as well as Suramericana's open-ended fixed-income collective investment portfolio.

By means of Communication No. 2007050527 dated December 19, 2007, the Colombian Superintendency of Finance approved the changes to the names of Fondo Suramericana de Inversiones (the Suramericana de Inversiones Fund) now known as Cartera Colectiva Abierta Suramericana Renta Variable (the Suramericana Open-Ended Collective Equity Securities Fund) and the Fondo de Renta Fija y Crecimiento now known as Cartera Colectiva Abierta Suramericana Renta Fija (an open-ended fixed income and growth fund) in order to comply with paragraph 2, Article 108, Decree 2175 of 2007.

- **Portafolio Suramericana de Inversiones S.A. Subject to Liquidation**

Portafolio Suramericana de Inversiones S.A. subject to Liquidation's business purpose is to invest in real estate and movable property, and may do so by means of shares, quotas or holdings in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Likewise, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad. This company was incorporated on September 15, 1997.

On December 29, 2009, its Shareholders approved its dissolution and liquidation proceedings were commenced. On January 21, 2011, GRUPOSURA received notification of Resolution No 610-000004 issued January 19, 2011 by the Colombian Superintendency for Companies, authorizing an amendment to GRUPOSURA's by-laws with regard to winding up Portafolio de Inversiones Suramericana S.A. Subject to liquidiation. All of the company's equity will be transferred to the beneficiary company GRUPOSURA.

- **Suramericana S.A.**

Suramericana S.A.'s business purpose is to invest in real estate or movable property on the stock exchange and in public or private and domestic or foreign entities. Suramericana S.A is domiciled in Medellín, Colombia, and provides nationwide coverage. Suramericana S.A was incorporated on May 25, 1999.

Business Group: as a result of a recommendation received from the Colombian Superintendency of Finance, in July 2008, Suramericana S.A. (formerly Inversura S.A.) registered its Business Group together with its subsidiaries, pursuant to Law 222 of 1995.

On May 14, 2009, by means of Public Deed No. 831 drawn up before Notary Public No 14 of the Circuit of Medellin, the company changed its name from INVERSURA S.A. to SURAMERICANA S.A.

- **Servicios de Salud IPS Suramericana S.A.**

The business purpose of Servicios de Salud IPS Suramericana S.A. is to provide medical, paramedical and dental services, for which it may perform the following activities: healthcare, disease prevention, diagnostics and treatment by means of general and specialized medical consultations, emergency services, clinical lab tests, medical imaging, surgical procedures, hospitalization, dental consultation and treatment, oral surgery, and other activities necessary in providing comprehensive healthcare services. Servicios de Salud IPS Suramericana S.A. is domiciled in Medellin, Colombia, provides nationwide coverage and was incorporated on December 19, 1996.

On May 19, 2009 by means of Public Deed No. 857 drawn up before Notary Public No. 14 of the Circuit of Medellin, the company changed its name from I.P.S. Punto de Salud S.A. Asistencia Medica y Odontologica to Servicios de Salud IPS Suramericana S.A.

Its main shareholders include: EPS y Medicina Prepagada Suramericana S.A., which holds a 44.98% stake, Seguros de Riesgos Profesionales Suramericana S.A. which holds a 27.23% stake and Suramericana S.A. which holds a 26.42%; this EPS as a GRUPOSURA provides Servicios de Salud IPS Suramericana S.A. with 68.96% of its operating revenue.

- **Grupo de Inversiones Suramericana Panama S.A. (Formerly Suramericana (B.V.I.) Corp.)**

  Grupo de Inversiones Suramericana Panama S.A.'s business purpose is to invest in negotiable securities. It is domiciled in the British Virgin Islands and provides local coverage. Grupo de Inversiones Suramericana Panama S.A. was incorporated on April 29, 1998.

- **Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura**

  Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura's business purpose consists of managing workers' compensation risks. It is domiciled in Medellin, Colombia and provides nationwide coverage. Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura was incorporated on November 9, 1995.

  Its business purpose also extends to conducting individual insurance and life reinsurance operations specifically in regard to its workers' compensation business.

  Pursuant to instructions received from the Colombian Superintendency of Finance, by means of Resolution N° 1812 issued October 13, 2007. By virtue of this registration, Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura may only purchase and sell securities directly and on its own account, in keeping with that stipulated in Section 3 of Article 1.5.1.1. of Resolution 400 of 1995.

  Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura entered into a Legal Stability agreement with the Colombian Government, for a term of 19 years, during which time Seguros de Riesgos Profesionales Suramericana S.A. – ARP Sura shall be shielded from the tax laws therein stipulated. Furthermore it shall ensure compliance with all the commitments it has acquired such as paying out premiums, carrying out pending investments, amongst others.

  On May 12, 2009 by means of Public Deed No. 821 drawn up before Public Notary No. 14 of the Circuit of Medellin, the company changed its name from Compañía Suramericana Administradora de Riesgos Profesionales y Seguros de Vida S.A. to Seguros de riesgos Profesionales Suramericana S.A.

- **Consultoría en Gestión de Riesgos IPS Suramericana S.A.**

  The business purpose of Consultoría en Gestión de Riesgos IPS Suramericana S.A. is to provide healthcare services in the areas of human health. This includes emergency room services, general and specialized outpatient consultation, diagnostic and therapeutic medicine, surgery, and diagnostic tests. Its purpose also extends to importing and purchasing drugs, medicine and medical equipment, and leasing prosthesis and other complementary therapeutic devices. Consultoría en Gestión de Riesgos IPS Suramericana S.A. may also act as representative for other domestic or foreign companies with similar purposes to those described. In doing so it must keep to the rules of the Colombian Superintendency of Health. Consultoría en Gestión de Riesgos IPS Suramericana S.A. is domiciled in Medellin, Colombia and provides coverage in Medellín and Bogotá and was incorporated on April 15, 1996.

  Seguros de Riesgos Profesionales Suramericana S.A. "ARP SURA" is the company's majority shareholder with a 94.99% stake in its share capital, from which is sources 96.31% of its total revenues. GRUPOSURA is its controlling parent company.

  This company changed its name by means of Public Deed No. 902 drawn up May 28, 2009, before the Notary Public No. 14ª of the Circuit of Medellin, which was subsequently registered before the Chamber of Commerce on May 26, 2009 in Folio No. 9, Reg. No. 6950.

- **EPS y Medicina Prepagada Suramericana S.A. - EPS Sura**

  EPS y Medicina Prepagada Suramericana S.A. - EPS Sura's business purpose consists of providing healthcare services as a healthcare and prepaid medicine entity. It is domiciled in Medellín, Colombia, and provides national coverage and was incorporated on January 31, 1990.

  Its shareholders at an annual meeting held February 28, 2006, duly authorized amendments to EPS y Medicina Prepagada Suramericana S.A. - EPS Sura's bylaws. The by-laws changed its name to Compañía Suramericana de Servicios de Salud S.A. Susalud Suramericana Medicina Prepagada, (Susalud), commonly known by the abbreviation EPS Sura.

  EPS y Medicina Prepagada Suramericana S.A. - EPS Sura's main business purpose is to organize, guarantee and provide healthcare services as well as comprehensive medical and dental services, either on a prepaid basis in which case EPS y Medicina Prepagada Suramericana S.A. - EPS Sura shall act as a prepaid healthcare entity, or as part of a program called Susalud Empresa Promotora de Salud, in which case Empresa Promotora de Salud will operate as a regular healthcare entity.

  On May 22, 2009, by means of Public Deed No. 884 drawn up before the Notary Public No. 14 of the Circuit of Medellin the company changed its name from Compañía Suramericana de Servicios de Salud S.A. SUSALUD Medicina Prepagada to EPS y Medicina Prepagada Suramericana S.A.

- **Servicios de Vehículos Suramericana S.A. – Autos Sura**

  The business purpose of Servicios de Vehículos Suramericana S.A. – Autos Sura is to operate repair shops for all types of cars; importing, purchasing and selling auto parts and accessories; purchasing and selling cars, and conducting vehicle inspections and check-ups. It is domiciled in Medellín, Colombia, and provides nationwide coverage and was incorporated on December 9, 1976.

  On May 21, 2009, by means of Public Deed No. 6783 drawn up before the Notary Public No. 14 of the Circuit of Medellin the company changed its name from SERVICIOS DE REPARACION INTEGRAL AUTOMOTRIZ SERIAUTO S.A. to SERVICIOS DE VEHICULOS SURAMERICANA S.A.

- **Seguros Suramericana S.A. (Panamá)**

  The business purpose of Seguros Suramericana S.A. (Panamá) is to provide property and life insurance and reinsurance according to the types and branches permitted by law. It is domiciled in Panama City, Panama and was incorporated on July 11, 1972.

- **Servicios Generales Suramericana S.A.S.**

  This Servicios Generales Suramericana S.A.S.'s business purpose is to invest in personal property, especially, shares, quotas or holdings in companies. It is domiciled in Medellin, Colombia provides nationwide coverage and was incorporated on December 6, 2002.

  By means of Public Deed No. 2428 dated December 27, 2008 Inversiones GVCS S.A. merged with Representaciones Inmobiliarias y Mobiliaria S.A. RMI. The purpose of this merger was to optimize and make more efficient the managing of both companies and their respective investment portfolios, as well as reorganizing of the subsidiaries belonging to Suramericana S.A.

  By means of Public Deed No. 1060 drawn up June 16, 2009, before the Notary Public No. 14 of the Circuit of Medellín, the merger became official. As a result Servicios Generales Suramericana S.A. took over Inversiones CS Suramericana S.A.

The purpose of this merge was to optimize and make more efficient the managing of both companies and their respective investment portfolios, as well as reorganizing the subsidiaries belonging to Suramericana S.A.

By means of Public Deed No. 1060 drawn up June 16, 2009, before the Notary Public No. 14 of the Circuit of Medellin, this merger was duly made official by means of which Servicios Generales Suramericana S.A. took over Inversiones CS Suramericana S.A.

- **Inversura Panama Internacional S.A. (Formerly Inversura (BVI) Corporation)**

Inversura Panama Internacional S.A.'s business purpose of Inversura Panamá Internacional S.A. is to invest in negotiable securities. It is domiciled in the British Virgin Islands providing local coverage. This company was incorporated on December 24, 2002.

- **Enlace Operativo S.A.**

Enlace Operativeo S.A.'s main business purpose is to provide and perform data-processing services for social security, labor, tax, accounting and administrative purposes and generally speaking all ancillary services relating to such and which can be outsourced. The company provides nationwide coverage and was incorporated on June 08, 2006.

- **Diagnostico y Asistencia Medica S.A. Institución Prestadora de Servicios de Salud Dinamica IPS.**

The main business purpose of Diagnóstico y Asistencia Médica S.A. Institución Prestadora de Servicios de Salud Dinámica IPS. is to provide diagnostic services such as clinical lab and pathological tests, endoscopes, sonograms, medical imaging and mammographies, amongst others. Diagnóstico y Asistencia Médica S.A. Institución Prestadora de Servicios de Salud Dinámica IPS. provides nationwide coverage and was incorporated on February 24, 1994.

Its majority shareholders are EPS y Medicina Prepagada Suramericana S.A and Suramericana S.A. holding stakes of 50.98% and 49.01% respectively. The controlling parent company is GRUPOSURA.

- **Inversiones y Construcciones Estrategicas S.A.**

At a meeting held on August 27, 2007, its Board of Directors, by means of Minutes No. 2241 approved the a partial spin-off for Compañía Suramericana de Construcciones S.A., and the incorporation of Inversiones y Construcciones Estrategicas S.A.

By means of Public Deed No. 1566 drawn up August 30, 2007, before the Notary Public No. 14 of the Circuit of Medellin, this company was partially spun off from Compañía Suramericana de Construcciones S.A., and Inversiones y Construcciones Estrategicas S.A. was duly incorporated.

Inversiones y Construcciones Estrategicas S.A.'s business purpose is to invest in real estate and movable property, and may do so by means of shares, quotas or participations in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Likewise, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. In any case, the corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad. This company was incorporated on August 31, 2007.

(Expressed in millions of COP)

The following companies were not audited by the firm KPMG Limitada who are GRUPOSURA's Statutory Auditors:

- Grupo de Inversiones Suramericana Panamá S.A. (Formerly Suramericana (B.V.I.) Corp.)
- Enlace Operativo S.A.
- Inversiones y Construcciones Estrategicas S.A.
- Servicios de Vehiculos Suramericana S.A.
- Inversura Panama Internacional S.A. (Formerly Inversura (BVI) Corporation)
- Seguros Suramericana S.A. (Panama)

At December 31, 2008, the assets and liabilities product of having spun off Compañía de Inversiones la Merced S.A. were still pending consolidation, since this is still being approved by the Colombian Superintendence of Companies.

A breakdown of GRUPOSURA's individual financial statements vs. its consolidated statements at December 31, 2009 is as follows:

		Individual	Consolidated	Consolidation Effect
Total assets	COP	14,695,316	18,673,416	3,978,100
Total liabilities		357,009	4,098,404	3,741,395
Shareholders' equity		14,338,307	14,575,012	236,705
Minority Interest		-	177,673	177,673
Results for the year		446,050	467,386	21,336

The following is a reconciliation of GRUPOSURA's net income with the consolidated net income at December 31:

		2009	2008
Net earnings for Parent Company	COP	446,050	273,014
Net earnings from subsidiaries		760,217	393,394
		1,206,267	**666,408**
Eliminations affecting consolidated results			
Equity method		(665,845)	(327,094)
Minority interest		(39,459)	(23,319)
Losses on sales of investments		(36,196)	(35,024)
Provision for investments, adjustments for exchange differences, dividends amongst the consolidated companies		2,619	1,128
Consolidated net income		**467,386**	**282,099**

The following is a breakdown of the Consolidated Headcount Data at December 31:

	2009	2008
Total Number of Employees	5,467	5,283
Management personnel	5,246	4,066
Others	221	1,217

(Expressed in millions of COP)

	2009	2008
Personnel Expense:		
Management personnel	253,377	256,117
Others	6,620	34,308
	259,997	**290,425**

The following is a breakdown of the assets, liabilities, shareholders' equity, profit and (loss) pertaining to the consolidated companies:

	Assets		Liabilities		Shareholders' Equity		Net income	
	2009	2008	2009	2008	2009	2008	2009	2008
Seguros Generales Suramericana S.A.	COP1,150,624	1,142,048	789,285	892,081	361,339	249,967	40,535	5,427
Seguros de Vida Suramericana S.A.	2,583,054	2,264,373	1,935,682	1,764,339	647,372	500,034	132,507	97,837
Inversiones CS Suramericana S.A.	-	63,631	-	19,192	-	44,439	-	2,903
Administradora de Carteras Colectivas Suramericana S.A.	8,983	7,750	808	511	8,175	7,239	1,120	(145)
Inversiones y Construcciones Estrategicas S.A.	185,676	11,209	22,072	6,386	163,604	4,823	26,051	623
Servicios de Riesgos Profesionales Suramericana S.A.	688,125	578,939	531,896	465,532	156,229	113,407	61,361	53,497
Consultoria en Gestion de Riesgos IPS Suramericana S.A.	3,552	2,279	2,706	1,586	846	693	153	(68)
Grupo de Inversiones Suramericana Panama S.A.	36,804	711,085	4,053	341,727	32,751	369,358	19,173	(14,593)
Portafolio de Inversiones Suramericana S.A. – subject to liquidation	6,560,494	4,191,167	43,247	71,436	6,517,247	4,119,731	244,765	129,229
EPS y Medicina Prepagada Suramericana S.A.	177,714	151,382	132,286	109,400	45,428	41,982	2,647	(5,976)
Servicios de Salud IPS Suramericana S.A.	21,033	23,274	17,134	20,591	3,899	2,683	(2,424)	1,497
Suramericana S.A.	1,211,309	973,488	26,106	26,696	1,185,203	946,792	213,980	124,933
Servicios de Vehículos Suramericana S.A.	4,366	4,514	1,331	1,480	3,035	3,034	36	37
Seguros Suramericana S.A.	74,378	73,811	62,354	55,437	12,024	18,374	(9,457)	(4,903)
Servicios Generales Suramericana S.A.	223,480	226,350	31,127	60,198	192,353	166,152	32,102	979
Inversura Panama Internacional S.A.	31,348	33,823	-	-	31,348	33,823	(948)	(2,797)
Enlace Operativo S.A.	7,525	2,763	2,793	1,394	4,732	1,369	(1,637)	130
Dinamica IPS	15,502	12,653	9,963	7,297	5,539	5,356	252	508
	12,983,967	**10,474,539**	**3,612,843**	**3,845,283**	**9,371,124**	**6,629,256**	**760,216**	**389,118**
Grupo de Inversiones Suramericana S.A.	**14,695,316**	8,702,243	357,009	317,003	14,338,307	8,385,240	446,050	273,014
Eliminations	**(9,005,867)**	(6,551,122)	(49,121	(257,911)	(8,956,746)	(6,293,211)	**(778,339)**	(356,714)
Minority interest			177,673	144,837	(177,673)	(144,837)	**39,459**	(23,319)
Net consolidated	**COP18,673,416**	**12,625,660**	**4,098,404**	**4,049,212**	**14,575,012**	**8,576,448**	**467,386**	**282,099**

(2) Summary of principal accounting policies

(a) Basis for Preparing and Presenting the Financial Statements

GRUPOSURA's financial statements have been drawn up and presented pursuant to generally accepted accounting principles in Colombia as well as with the consolidation rules and regulations contained in External Circular No. 002 of 1998 of the Colombian Superintendency of Finance.

(b) Cash equivalents

In its statement of cash flows, the Company considers trust rights on ordinary trusts and repurchase rights on investments as cash equivalents given their respective degrees of liquidity.

(c) Investments

In the case of all those subsidiaries issuing securities:

For valuation purposes, investments are classified according to the following criteria:

- Intent and purpose: negotiable or permanent.
- Corresponding yield: fixed, variable or a combination thereof.
- Control held over the issuer: controlling or non-controlling investments.
- Reason for the investment: voluntary or mandatory.
- Rights granted by the security: participating or non-participating.

Investments are appraised and posted as follows:

- **Negotiable investments:** These investments are posted at market value. All variations in regard to their latest value are posted in books in which the income accounts are recorded alongside each investment.

- **Controlling investments:** These are companies in which more than a 50% stake is held and which appear in the Colombian Commercial Registry as controlled by GRUPOSURA. The book value of these companies is either increased or decreased depending on any changes in the companies' equity subsequent to their acquisition by GRUPOSURA. This calculation is based upon the percentage stake held by us, and any adjustments made thereto. Adjustments are recorded in the income statement in the valuation account.

  The equity method is used, pursuant to Joint Circular No. 11 issued August 18, 2005 by the Colombian Superintendency of Companies and the Colombian Superintendency of Finance.The difference between the book value of controlling investments and their intrinsic value is posted as a gain or a provision (which is charged to the income accounts) as applicable.

  According to Decree No. 4918 issued December 26, 2007 equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any other authority that should replace such Superintendency, posting the difference between the book value of said assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

- **Permanent (non-controlling) investments:** If the value of the investments sold is higher than their corresponding book value, the difference represents an increase in their value for the period and is posted in the valuation offset accounts (valuation against surplus for revaluation). If the value for which such investments are sold becomes lower than their book value, the difference is charged first to the valuation account and then to the valuation surplus account, up to the total value of any surplus gained. If the difference exceeds the surplus obtained, this qualifies as a loss in the value of the investment. We charge this excess to the aforementioned accounts as a lower value, regardless of whether their net balance is the negative.

Valuation procedure for entities coming under the oversight of the Colombian Superintendency of Finance.

Debt securities or instruments

Debt securities or instruments classified as negotiable or held for sale are appraised according to the following procedure:

Wherever on the date on which these investments are appraised, fair market prices exist based on actual market transactions, calculated by means of the transactional systems or modules managed by Central Bank or by entities subject to the oversight of the Colombian Superintendency of Finance.

Wherever the methodology used to determine such prices has been previously approved by the Colombian Superintendency of Finance as evidenced by a general-purpose official act issued by this same authority.

Wherever on the date on which these investments are appraised fair market prices exist based on benchmark rates and margins determined by actual category-aggregated market transactions, as calculated by the transactional systems or modules managed by Central Bank or by entities subject to the oversight of the Colombian Superintendency of Finance.

In the absence of a fair market price, the market value of the respective debt security or instrument must be either estimated or approximated by calculating the sum of the present value of future flows of interest and principal, using the following procedure:

Estimating future flows of interest and principal: future flows for debt securities or instruments must correspond to the expected value to be received from the interest and principal stipulated for each instrument.

Yields are calculated as follows:

Fixed rate debt securities or instruments: returns corresponding to each payment date shall be those resulting from applying the rate stipulated for each instrument on each payment date or the contractually-stipulated payments, as applicable.

Floating-rate debt securities or instruments: Returns on each payment date shall be the values resulting from applying the value of the stipulated indicator or index rate to the principal, increasing or reducing this according to the fixed percentage points established as part of the terms and conditions for the corresponding debt security or instrument, as applicable.

When the terms and conditions for the debt issue in question stipulate the value of the indicator to be applied on the date on which the payment period begins, this being used to calculate the next and all subsequent flows, the value of the indicator applicable on the valuation date shall be used.

When the terms and conditions for the debt issue in question stipulate the value of the indicator on the date on which the payment period expires, the value of the indicator applicable on the valuation date shall be used to calculate all corresponding flows.

In the case of CPI-indexed securities, such as local treasury bonds (TES) Class B carrying a floating rate, future flows are calculated using the annualized CPI rate applicable on the date on which such securities are appraised as well as the agreed contractual percentage, this based on the following formula:

$$\text{Annual yield in pesos} = \text{NV} * \left[\left((1 + \text{Annual CPI Variance}) * (1 + \text{ACP})\right) - 1\right]$$

Where:

NV : is the security's Nominal Value Annual CPI

Variance : is the latest variance published by the Colombian Statistics Bureau (DANE)

ACP : Agreed Contractual Percentage, that is to say the security's real annual yield component

Determining the discount factor. In order to calculate the present value of future flows, an annual effective discount factor is used calculated on the basis of a year containing 365 days.

The discount factor is made up of a benchmark rate and a margin that reflect the different risks that are not included in said rate, as shown in the following formula:

$$\text{FD} = \left((1 + \text{TR}) * (1 + \text{M})\right)^{\frac{n}{365}}$$

Where:

DF : Discount Factor

BR : Annual effective benchmark rate

M : Margin corresponding to the category of the respective security

n : Number of days between the valuation date and the due date for the flow in question, this calculated on a basis of a year containing 365 days.

The benchmark rates and margins used for the different categories of securities shall be those published on a daily basis by the Colombian Stock Exchange or any other entity that the Colombian Superintendency of Finance should appoint for such purpose.

When the valuation is performed on a non-business day, the discount rate shall be that applicable for the immediately preceding business day.

Calculating the market value: The market value shall be the sum resulting from the present value of future flows discounted using the respective discount factors.

Should this not be available on the date on which these investments are appraised, fair market prices shall be used according to the methodology employed for this purpose.

These are appraised exponentially based on the IRR calculated on the date of purchase.

When the terms and conditions of the issue in question stipulate the use of the value of the indicator at the date on which the payment period begins, the IRR shall be recalculated each time the value of the indicator used for the next flow changes. The present value on the date on which the indicator is repriced, excluding the returns that are due and payable and have not as yet been collected, must be taken as a purchase price.

When the terms and conditions of the issue in question stipulate the use of the value of the indicator at the date on which the payment period expires, the IRR shall be recalculated each time the value of the stipulated indicator changes.

This procedure must be followed until such a time the debt security or instrument may be appraised.

This valuation procedure is also used for debt securities and instruments held to maturity.

Special cases

Securities in foreign currency, pegged to units of real value (UVR in Spanish) or other units. Firstly the present or market value of the security or instrument is calculated in its respective denominated currency.

Should the debt security or instrument be denominated in a currency other than the US dollar the value calculated according to the preceding section shall be converted to the currency in question based on the exchange rates duly authorized by the Colombian Superintendency of Finance.

The value thus obtained must be multiplied by the local exchange rate applicable on the date the security is appraised and duly certified by the Colombian Superintendency of Finance on said date, or by the value officially recorded for the unit on this same day, as applicable.

Derivatives

Foreign exchange forwards are appraised on a daily basis, as stipulated in External Circular No. 014 of 1998 issued by the Colombian Superintendency of Finance.

The steps to be taken on the date these forwards are appraised in order to quantify the corresponding earnings or losses are as follows:

Estimating the market COPUSD rate (MPDRτ)

This value should be estimated based on the market COP/USD rate for the date on which the appraisal is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market COPUSD rate as follows:

$$\mathrm{TFC} = \frac{\mathrm{TMPD}}{\left[\frac{(1+r_i)}{(1+j_c)}\right]^{\left(\frac{k}{365}\right)}}$$

MPDRτ	: Estimated market peso/dollar rate.
SER	: The stipulated exchange rate in pesos per dollar.
k	: Number of days between the valuation date and the specified delivery date.
jc	: Interest rate applicable to the entity for loans in US dollars, for an approximate term of k days.
ri	: Interest rate applicable to the entity in making low-risk investments in local currency, for an approximate term of k days.

For calculating the value of earnings (losses) obtained

$NA = US$N * (TMPDτ - TMPDspot)

$NA : Net for entity A, who assumes the exchange rate on the corresponding delivery date.

US$N : Nominal value in dollars

TMPDspot : Spot peso/dollar rate calculated on the valuation date, benchmark rate stipulated in the forward contract.

When the entity is purchasing dollars (long in dollars) in exchange for COP (short in pesos).

Steps to be taken for the corresponding valuation:

Estimating the value of the market representative rate for the sale (MRRV=).

This value should be estimated based on the market representative rate for the sale on the date on which the appraisal is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market COP/USD rate for selling pesos in exchange for dollars as follows:

$$\text{MRR/Selling}\tau = \frac{\text{SER}}{[(1+\text{ri})/(1+\text{jc})](\text{k}/365)}$$

MRR/Sellingτ : Estimated value of the market representative selling rate.

SER : The stipulated exchange rate in pesos per dollar.

K : Number of days between the valuation date and the specified delivery date.

jc : Interest rate applicable to the entity for loans in US dollars, for an approximate term of k days.

ri : Interest rate applicable to the entity in making low-risk investments in local currency, for an approximate term of k days.

Calculating the value of net earnings (losses) in pesos on the date on which the appraisal is performed.

$Net = (US$N) * (MRR/selling – MRR/Sellingτ)

US$N : Nominal value in dollars.

MRR/Sellingτ = : Estimated value based on the market representative selling rate.

MRR/selling : Market representative rate for selling dollars in exchange for pesos, as calculated on the day the appraisal is performed and as published by the Colombian Superintendence of Finance.

When the entity is selling dollars (short in dollars) in exchange for COP (long in pesos).

Steps to be taken for the corresponding valuation:

Estimating the value of the market representative rate for the purchase (MRR/Buying=).

This value should be estimated based on the market representative rate for the purchase on the date on which the appraisal is performed so as to obtain a forward exchange rate equal to that stipulated in the forward contract.

The entity should estimate the market COP/USD rate for purchasing pesos in exchange for dollars as follows:

$$\text{MRR/Buying}\tau = \frac{\text{SER}}{[(1+\text{ri})/(1+\text{jc})](\text{k}/365)}$$

MRR/Buyingτ = Estimated value of the market representative buying rate.

SER : The stipulated exchange rate in pesos per dollar.

k : Number of days between the valuation date and the specified delivery date.

ji : Interest rate applicable to the entity in making low-risk investments in US dollars, for an approximate term of k days.

rc : Interest rate applicable to the entity for loans in local currency, for an approximate term of k days.

Calculating the value of net earnings (losses) in pesos on the date on which the appraisal is performed.

$Net = (US$N) * (MRR/Buyingτ - MRR/buying)

US$N : Nominal value in dollars specified in the forward contract.

MRR/Buyingτ : Estimated value of the market representative buying rate.

MRR/buying : Market representative rate for purchasing dollars in exchange for pesos, as calculated on the day the appraisal is performed. This rate is published on a daily basis by the Colombian Superintendence of Finance.

Derivatives - Value, Term, Yields

Hedging operations averaged out at between COP 3,500,000 and COP 7,000,000, the corresponding yields came to 2.11% and terms ranged from between 15 to 180 days.

According to that stipulated in the Company's investment and risk management, these operations are carried out to hedge the effect of fluctuations in the dollar on its investment portfolios.

General Policies Governing Derivative Operations

The Company's Board of Directors authorized the Risk and Investment Committee to define the policies, methodologies, procedures, controls and limits deemed convenient for managing both investment and risk, including forward operations.

Therefore in 2009, this Committee proceeded to define attributions for traders responsible for conducting hedging operations using forwards that represent up to 40% of the Company's exposure in dollars. The Chief Finance Officer must authorize hedging operations that represent between 40% and 60% of the Company's exposure, any operation going beyond such limit must be approved by the Risk and Investment Committee. In 2009, the Risk Department, implemented these controls

As of July 2009, derivatives were appraised according to External Circular No. 025 issued in 2008 by the Colombian Superintendency of Finance.

Charges, Constraints and Encumbrances

Derivative operations reported to date are free of any encumbrance as well as legal and financial constraints.

Valuation frequencies

Investment must be appraised on a daily basis, unless otherwise indicated by that stated in External Circular No. 25 or any other rule or regulation.

Investments in mutual funds or trust funds managed by trust firms, other than stand-alone trust funds or fiduciary arrangements set up to handle social security pension funds and ordinary and special mutual funds, must be appraised at least every month and their values recorded at this same frequency. However, should it be necessary to report these figures in a term shorter than a month, the corresponding valuations are posted within the required timeframe.

Derivative Operations

Forward sales of currencies

These transactions are posted pursuant to Sections 7.1.1, 7.1.2, 7.1.3 of Chapter XVIII of External Circular No. 100 issued in 1995 by the Colombian Superintendency of Finance and according to the Single Chart of Accounts stipulated for the Colombian insurance sector.

In appraising and posting these values in books, the total amounts of the put right and put obligation shall be equal to the TMPD, and recorded as stipulated in Section 7.1.1 at the outset and according to that stipulated in Section 7.1.2 for all subsequent postings. The difference between the put right and the put obligation corresponds to either a gain or a loss for said derivative, which is then posted on the income accounts.

The method for determining the values of the put right, the put obligation and the gains or losses for each currency forward is stipulated in Section 7.1.4.

The balances corresponding to the value of the put right, put obligation and any difference thereof shall be paid on the delivery date and shall be posted as a gain or a loss upon appraising such derivatives.

Frequency at which appraisals are posted in books

The values obtained from appraising these investments must be recognized and posted in books at the same frequency as their valuations are performed.

Provisions for losses due to credit risk ratings

As a result of a credit risk evaluation, the Company's investments are classified in the following categories: "A" Normal, "B" Acceptable, higher than normal, "C" Appreciable, "D" Significant Risk and "E" Irrecoverable.

The price of debt securities or instruments, as well as those of equity securities or instruments with low or minimum liquidity, or which are unlisted, must be adjusted on the date these are appraised based on their corresponding credit rating, as follows:

Investments with a "B", "C", "D" and "E" rating cannot be recorded for a net value of more than eighty percent (80%), sixty percent (60%), forty percent (40%) and zero percent (0%), respectively, of the nominal net value of all amortizations made until the valuation date in the case of debt securities or instruments or the purchase cost of equity securities or instruments.

Government debt securities, placed at home or abroad or guaranteed by the State, those issued by Central Bank and those issued or guaranteed by the Financial Institutions' Guarantee Fund (FOGAFIN) are not subject to these adjustments.

The Company implements an investment provision policy similar to that of insurance companies. Investments rated lower than a "BBB" are posted at values not to exceed the following percentages:

RATING	MAXIMUM VALUE OF PROVISION
LONG TERM:	
BB+, BB, BB-	80%
B+, B, B-	60%
CCC	40%
DD, EE	0%
SHORT TERM:	
3	80%
4	50%
5 y 6	0%

If investments are not rated by external rating agencies, they are rated through our internal risk management process according to their inherent risk and posted at a percentage of their commercial value, as shown below:

A: Normal Risk: 100%

B: Acceptable Risk: 80%

C: Appreciable Risk: 60%

D: Significant Risk: 40%

E: Unrecoverable Investment: 0%

According to Decree 574 of 2007, subsequently amended by Decree 1698 of 2007 issued by the Colombian Superintendency of Health as well as Decree 4789 of 2009 issued by the Colombian Ministry for Social Protection, the Company must guarantee that reserves are set up with mandatory investments in domestic Government debt securities, issued or guaranteed by the State, securities issued or guaranteed by the Financial Institutions' Guarantee Fund (Fogafin), fixed-income securities accepted, guaranteed or endorsed by entities coming under the oversight of the Colombian Superintendency of Finance, including mandatory bonds or convertible bonds, mortgage-backed bonds or securities issued pursuant to Law 546 1999 and other credit securities originating in the securitization of mortgage portfolios, and investments in securities and investment funds, corresponding to a participation in special mutual funds managed by fiduciary firms and in securities and investments funds managed by entities subject to the oversight of the Colombian Superintendency of Finance.

(d) Accounts receivable

The provision for this account is based on the estimated collectability of the balances outstanding, according to their particular nature. The following is the most relevant information:

For subsidiaries pertaining in the finance sector, the provision for loan portfolios and their collection is established by the Colombian Superintendency of Finance.

For accounts receivable in the case of the insurance sector, that are more than 6 months past due, a 100% provision of the value of the account is set up and charged to the income accounts.

Provisions are charged against the income accounts if there is any doubt concerning the collection of the amounts outstanding. The Colombian Superintendency of Health, by means of Resolution 1424 of 2008, requires that a provision is recorded to cover eventual losses on revenues due from pre-paid healthcare services and/or complementary healthcare plans that have remained outstanding for more than 90 days for the amounts owed. As for amounts outstanding corresponding to judicial protection and CTC orders, maternity leave, private individuals, and Workers' Compensation, the Company sets up a provision of 5% of the amounts that are between 90 and 180 days outstanding, 10% for between 181 and 360 days outstanding, and 100% for amounts more than 360 days outstanding.

The general provision set up on accounts receivable, based on the amount of days outstanding is as follows:

Provision %	**Days outstanding**
5	Between 90 and 180 days
10	Between 181 and 360 days
15	More than 360 days

The rest of our subsidiaries record provisions based on Management estimates.

(e) Transactions and Balances in Foreign Currency

Transactions in foreign currency included in the consolidation are converted to COP using the market representative rate as certified by the Colombian Superintendence of Finance Balances in foreign currency are adjusted using the market representative rate applicable on the last day of the month, which at December 31, 2009 and December 31, 2008 came to COP 2.044,23 and COP 2.243,59 respectively. Exchange differences are posted in the income accounts.

Pursuant to Decree No. 4918 issued on December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any successor. We post the difference between the book value of such assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

(f) Inventories

Inventories are managed using the permanent inventory system. These are appraised using the average inventory method and their depletion is recognized by charging the respective service providing cost account.

Inventories of real estate for sale and plots of land for subsequent development, whether wholly or partly owned (both land and construction in progress together with buildings), are recorded at cost, which shall not exceed its market price.

(g) Realizable Assets and Assets Received as Payment

All realizable assets for sale and those received in the form of payment for outstanding balances on obligations due to subsidiaries were posted at their inflation-adjusted value until December 31, 2006.

Real estate assets surrendered in payment of obligations are received based on their technically-appraised commercial value and all personal property, shares and holdings are received based on their corresponding market value.

A provision is set up and charged to expenses for the fiscal year in question when the appraised or market value drops below the cost of the asset, otherwise an account payable is drawn up in favor of the debtor.

(h) Intangibles

Intangibles are recorded at their acquisition cost and consist of rights to assets surrendered as part of commercial trust arrangements.

(i) Property, plant and equipment

Property, plant and equipment are recorded at their adjusted cost, including costs and expenses accruing up to the moment the asset is ready for use.

Any extensions, improvements and extraordinary repairs that significantly increase the useful life of the asset in question are recorded as an added cost and maintenance and repair costs are charged to expenses, as these accrue.

With regard to performing maintenance on furniture and fixtures, there exists a maintenance program and a team of subcontractors in charge of carrying out repairs and attending incidents as these arise. Visits are scheduled on a regional level each year, and a general check is performed on all our premises.

In the case of property, both operating and non-operating throughout the country, when these are occupied, maintenance and repairs are performed upon request, and once the initial evaluation is completed and depending on the extent of the damage or malfunction, repair or maintenance work must be completed within four days of having been reported. In the case of unoccupied property a person has been assigned (not for this exclusive purpose) in every city in order to conduct periodic inspections and resolve all issues regarding such property.

Both real estate and personal property are duly insured against fire, low voltage and theft, as applicable. Real estate is insured against earthquake and fire for its commercial value. Works of art are insured for their appraised commercial value however, it is the Company's policy not to move furniture or fixtures (including works of art) outside its premises without having obtained the corresponding coverage.

On December 31, 2009, all the Company's property remained free of any encumbrance, mortgage or pledge.

Depreciation is recorded using the straight-line method based on the asset's estimated useful life in years. The annual depreciation rates for each type of asset are as follows:

	Annual % Rate
Buildings	5
Equipment, furniture and office fixtures	10
Computer equipment	20
Vehicles	20

Leased assets are recorded at a value equal to the present value of their rentals and purchase option, calculated on the date on which the lease begins and at the rate stipulated for such.

(j) Prepaid Expense and Deferred Charges

These mainly consist of pre-paid expense such as insurance, interest, commissions paid to brokers on pending premiums and deferred charges relating to remodeling, computer programs, office stationery and supplies, improvements to leased assets, organization and pre-operating expense, advertising and publicity, contributions and membership fees.

Prepaid expense is amortized during the period in which the benefit obtained with the payment is duly received.

Deferred charges are amortized as follows:

- Software programs up to a maximum of 3 years.
- Office stationery and suppliers, as these are depleted.
- Organization and pre-operating expense up to a maximum of 5 years.
- Projects, during the time it takes for their completion.
- Brokerage commissions are amortized according to the term of the policy.
- Premiums for more than one year are amortized based on the term of the policy.
- Those corresponding to leased assets are amortized between the term of the contract and their probable useful life, whichever is the shortest.
- Advertising, publicity, contributions, membership fees, organization and pre-operating expense are amortized over a 12-month period.

(k) Trust rights

Real estate and administrative trust received as part of liquidation and merger proceedings are recorded at the cost of their liquidation multiplied by the percentage stake held.

(l) Valuations

The accounting policies applicable to recognizing gains and losses are presented as follows:

Property, plant and equipment

Upon comparing their technical appraisals with their corresponding net book values, when their technical appraisal value is greater than their book value the difference is posted as a gain on the balance sheet, otherwise it is posted as a loss, initially charging the valuation accounts until their value is depleted and then any amount left over is charged to the income accounts.

Valuations are performed at least every three years. In the interim these are updated based on either official indicators or the CPI applicable to the middle income bracket, as published by the Colombian Statistics Bureau (DANE). Investments in Non-Controlling Companies Valuations of permanent investments in non-controlling companies correspond to the higher value obtained from comparing their intrinsic value with their book cost which is then recorded in the valuation account crediting the valuation surplus account. Should their intrinsic value be less than their book cost the difference is firstly charged to the valuation account and then to the valuation surplus account, and should there remain any amount left over this is considered as a loss that affects the aforementioned accounts as a lower value of these, regardless of whether their net balances are quite the opposite.

Trusts

Trust valuations are posted according to the difference between the value appearing on the corresponding statement and their book costare posted according to the difference between their statement value and their book cost.

(m) **Deferred Income**

This consists of deferred and prepaid income which is amortized during the period it accrues or when the services are provided.

(n) **Estimated Liabilities and Provisions**

The preparation of financial statements according to generally-accepted accounting principles requires that Company Management recognizes estimates and provisions that affect the reported values of the Company's assets and liabilities as well as discloses assets and liabilities of a contingent nature on the date on which the financial statements are drawn up. The real results could therefore differ from the figures thus estimated.

(o) **Retirement Pensions**

Retirement pension liabilities are calculated based on actuarial studies, which are drawn up as required by law. Retirement pensions are amortized according to the percentages stipulated by law. The current portion is calculated on the estimated payments to be made during the following year.

For years ending December 31, 2009 and December 31, 2008, the Company amortized the total value of its retirement pensions. The payments made to retired personnel were charged to the provision.

(p) **Memorandum Accounts**

All events or circumstances which could give rise to rights or commitments affecting the Company's financial structure, as well as those accounts required to control assets, liabilities, shareholders' equity and differences between accounting records and tax returns are recorded in the memorandum accounts.

(q) **Insurance Business**

Provision for premiums pending collection

The Companies set up a provision for premiums pending collection on earned premiums and policy-issuing expense that have remained outstanding for more than 75 calendar days beginning on the date on which the technical term of the policy, as well as the certificates and exhibits issued based on such, begin. For this the policy-to-policy method is used as required by the Colombian Superintendency of Finance, except in the case of premiums to be collected from the State or Central Bank, providing there is a duly executed agreement with the State, a funds availability certificate has been obtained or the respective budget record has been made to proceed with its corresponding payment.

As for accounts receivable in the case of the insurance sector, as well as other related assets corresponding to the insurance business that are more than 6 months past due a provision for 100% of the value of these is set up and charged to the income accounts.

Provisions for premiums receivable are set up in accordance with that stipulated by the Colombian Superintendency of Finance in External Circulars No. 100 of 1995 and 036 of 2004, and charged to the income accounts.

The Workers Compensation Companies must set up a provision equivalent to one hundred percent (100%) of the amounts due and payable as of the first month in which the employer defaults on payment, charging this to the income accounts.

ARP Sura S.A. has set up the corresponding provisions for its accounts receivable that have remained outstanding up to a term of one year, this based on applicable legal and regulatory case law. It is worthwhile noting that Article 96 of Decree 1295 of 1994, subsequently amended by Article 18 of Law 776 of 2002, stipulates a statute of limitations of one year for all those benefits established by the Workers'

Compensation System, which is why it is not appropriate to set up a provision for said accounts for a longer period of time, since the right to claim such benefits expire within a maximum term of one year, beginning on the date the employer defaults on the payment of these installments.

Recognition of Revenues, Costs and Expense

Revenues, costs and expense are recorded on the income accounts as they accrue.

Revenues on premiums issued are recognized when the respective policies are issued and said revenues are distributed throughout the term of the policy through the technical reserve. Revenues on premiums are reduced when the policies are either canceled or revoked. In the case of cancellations, the value recorded corresponds to the total value of the premium earned up to the moment it is cancelled upon its payment term having expired (Article 1068 of the Code of Commerce).

Savings with regard to life insurance policies are recorded as revenues as well as expensed to the reserve. The difference between the corresponding revenue and expense plus returns is posted on the income accounts.

In the case of each employer, the Workers' Compensation Company must estimate the value of all mandatory contributions bearing in mind the number of workers that were affiliated during all or part of the period (incoming and outgoing), the wages on which contributions are calculated and the type of risk, as reported on the last payment settlement or affiliation form. Should the employer not report any incident, the estimated value of the corresponding contributions cannot be lower than that contained on the last payment settlement form.

Breakdown of contributions received

- Contingency and other coverages.

Ninety-four percent (94%) of the contributions received are assigned to cover workers' compensation contingencies or to pay the corresponding economic or health benefits, develop programs for the purpose of controlling and preventing occupational risk, providing comprehensive rehabilitation and managing the system.

- The ATEP Fund for prevention and research programs

Here five percent (5%) of the contributions received are assigned to developing programs, campaigns, educational initiatives and conducting research into work-related accidents and occupational disease, pursuant to Article 19 of Decree 1295 of 1994.

- Work-related risk fund

This fund is allotted one percent (1%) of contributions received, pursuant to Article 19 of Decree 1295 of 1994. This sum is transferred on a monthly basis to the Fiduciaria la Previsora.

Technical Insurance Reserves:

Technique for Ongoing Risk

Pursuant to Law 45 of 1990, and Decree No. 839 of 1991, the subsidiaries calculate the technical reserve for ongoing risks based on 80% of the premiums retained during the year, according to the "eighths" method, except for the following types of insurance:

Branch of Insurance	% Retained	Reserve	Frequency
Aviation, shipping, mining and oil risk	100	10	Annual
Global banking management & fidelity and financial risk	100	20	Annual
Transport	100	50	Quarterly

In the case of insurance for terms of less than one year, the reserve is calculated proportionately to the life of the insurance.

As of January 2007, Seguros de Vida Suramericana S.A., calculated its technical reserve for ongoing risk using the policy-to-policy method, as authorized by the Colombian Superintendency of Finance, taking 80% as a basis for its calculation for the first year, 90% for the second and 100% as of the third year. At the company's request, the Colombian Superintendency of Finance, by means of Filing N° 2007 000886-001-00 dated February 08, 2007, authorized the company to continue using 80% as the basis for this calculation.

As of January 2005, the company calculated its technical reserve for ongoing risk using the policy-to-policy method on 100% of the premiums retained. Subsequently the Colombian Superintendency of Finance, by means of Filing N° 2007 000886-001-00 dated February 08, 2007, authorized the company to continue using 80% as the basis for this calculation.

At the request of Seguros Generales Suramericana S.A., the Colombian Superintendency of Finance by means of Filing No. 2007073701- 001-000 dated December 31, 2007, authorized the setting up of this reserve using as a basis for its calculation 80% of all those policies entering into full force and effect as of December 1, 2007, except in the case of transport insurance which is governed by the special system regulated by Decree 839 of 1991.

The company also stated that in the case of Educational Annuity Insurance Products (Filing No 2003036515-0 dated July 14, 2003) and Pension Annuity Insurance (Filing No. 2005014623-0 dated March 22, 2005) pertaining to Branch 41 (Voluntary Pensions), the adjustment required in calculating the reserve due to the change in the mortality table is not significant, since this has to do with Temporary Short-Term Annuities, and therefore the gradual adjustment provided by said Resolution was not considered necessary.

Technical Reserve for EPS Sura

As of 2007 and pursuant to Decree N° 574 of 2007, subsequently amended by Decrees Nos. 1698 of 2007 and 2353 of 2008 the Colombian Superintendency of Health required that technical reserves be calculated, set up and maintained for service authorizations, technical reserves for services charged and reserves for contingencies.

Technical reserves for service authorizations are equal to 100% of all authorized health services pending collection, up to a maximum term of 12 months or until, a minimum of four months have elapsed since authorization was given without the service having been provided. Once this term has elapsed, without the corresponding invoice having been received, the reserve is duly freed up. This reserve is set up based on the entire amount of components that make up the authorized healthcare service, taking into account the historic average for the previous year of the total amount paid for the service(s) included in the authorization issued. In the case of capitalization agreements, a reserve must be set up within the first five days of each month for an amount equal to a month of the term of the contract. Payments are made charging the reserve thus set up.

In the case of deposits retained from overseas reinsurers:

The reserve for deposits for premiums assigned as part of overseas reinsurance arrangements is determined based on the following percentages: aviation, shipping, and mine and oil risks, 10%; global banking management & fidelity and financial risk, 10%; transport and other types of insurance, 20%. It is possible to set up, for the Company's own account, retained deposits that would otherwise be for the account of the reinsurer with regard to aviation, navigation, mining, and oil, and global banking management insurance, in the case of the parties agreeing not to do so, or using a lower percentage.

In the case of unreported claims incurred

The reserve for reported claims pending settlement is set up and charged to the income accounts for the estimated amount of individual reported claims, both for those retained by the Company and for accepted reinsurance arrangements.

For reported survivors' and disability claims, the estimated amount of the settlement to be paid by the Company is recorded for each reported claim pending settlement.

In the case of unreported claims incurred

A reserve is established for claims incurred and not reported, for the sum resulting from the average amount paid out on unreported claims over the previous three-year period, the retained portion, in real terms, being calculated using the CPI corresponding to the previous year.

In the case of Workers' Compensation insurance, the reserve for non reported claims is set up on a quarterly basis based on the difference between 94% of the 50% of the payments accruing (net retained premiums) during this same period, and the total amount of claims paid out, increases in the mathematical reserve and reported claims pending settlement recorded during that quarter.

In any event, this reserve cannot be less than 5% of the payments accruing during the quarter, nor greater than 25% of the payments accruing over the previous 12-month period.

The balance of the reserve set up until November 1998 may not be reduced nor freed up. Pursuant to Decree 4310 issued December 21, 2004 by the Colombian Ministry of Finance and Public Credit, which amended Decree 231 of 2002: "beginning on January 1, 2010, the reserve for unreported claims incurred with regard to Workers' Compensation insurance shall be subject to the general framework stipulated in Article 7, Decree, 839 of 1991, or any other regulatory decree that should amend, extend or replace such".

The reserve for pending unreported claims from previous periods with respect to disability and survivors' insurance is adjusted on a quarterly basis and calculated for each policy on the earned portion of the risk, as stipulated in Decree 2345 of 1995.

For deviations with the accident rate

This reserve is set up on 40% of the net retained premiums in the case of earthquake risk which may accrue until reaching twice the maximum probable loss from the cluster retained by the Company within the seismic area with the greatest exposure.

The reserve for deviations with the claims rate in the case of Workers' Compensation insurance is cumulative and is increased on a quarterly basis in an amount equal to 4% of the premiums earned during that period, on the retained portion of the risk without the accumulated balance of the reserve exceeding 25% of the payments received over the last 12 months, less one-half of the insured amount for excess catastrophic losses that cover these risks.

Pursuant to Decree 2347 of 1995, the reserve may be used to pay claims that, due to their amount or nature, can reasonably be considered as being catastrophic.

Mathematical Reserve

In the case of the life insurance companies, a mathematical reserve is set up using the policy-to-policy method and based on actuarial calculations, this based on the technical note submitted to the Colombian Superintendency of Finance, using the same technical interest and mortality table for calculating the premiums for each type of insurance.

In the case of Workers' Compensation insurance, the reserve is set up on an individual basis, beginning on the date on which the obligation to pay the disability or survivors' pension is determined. The total amount of this reserve is the expected current value of the monthly outlays on the part of the Workers' Compensation Firm.

This reserve is calculated using the system of fractionated annuities in arrears, pursuant to Resolutions 585 and 610 of 1994 issued by the Colombian Superintendency of Finance, or any new rules and regulations that should supersede these.

In the case of the mathematical reserve corresponding to the savings fund, this is calculated based on the net balance available per client, and includes the amounts added and withdrawn by each holder, in addition to the interest payable to each.

In the case of the savings fund the value of the unit is calculated on a daily basis, this serving as a daily adjustment for said Fund.

- Law 100 Pensions
- Pensions subject to the Pension Changeover
- Voluntary Pensions
- Pension annuities
- Education annuities

The mathematical reserve corresponds to the present actuarial value of the obligation acquired by the insurance company, calculated based on a real technical interest rate of 4%, as stipulated by the Colombian Superintendency of Finance in Resolution 0610 issued April 14, 1994.

Special Reserves – Workers' Compensation

External Circular No. 052 of 2002 issued by the Colombian Superintendency of Finance stipulates a gradual framework for setting up a Workman's Compensation Reserve, which can only be used to cover the sums transferred by the Company to other Workers' Compensation Administrators claiming economic benefits for occupational sickness.

This reserve is cumulative and represents two percent (2%) of the monthly payments earned.

(r) Materiality

All economic events are recognized and presented according to their relative importance. An economic event is deemed material when due to its nature or the amount it represents, it may significantly alter the economic decisions made by all those using related information (whether such event is known or unknown). When preparing the Company's consolidated financial statements, materiality was established applying a 5% threshold with regard to total assets, total liabilities, working capital, shareholders' equity and net revenues, as appropriate.

(s) **Bonds and Commercial Paper**

This is funding received by the Company as a result of issuing and selling bonds and commercial paper defined as credit securities for financing working capital.

(t) **Net earnings per share in pesos**

Net earnings per share for 2009 and 2008 were calculated based on a total of 469,037,260 shares outstanding.

(3) Investments

The following is a breakdown of investments held at December 31:

	2009	2008
Temporary:		
Negotiable debt securities:		
Internal Government debt securities	COP 302,231	275,099
External Government debt securities	48,032	23,902
Other public debt securities	4,371	11,280
Securities issued, backed or guaranteed by the Financial Institutions' Guarantee Fund (Fogafin)	343	773
Credit securities originating in securitization operations	13,084	24,622
Securities issued and backed by institutions coming under the oversight of the Colombian Superintendence of Finance	284,413	322,304
Securities issued by entities not subject to the oversight of the Colombian Superintendence of Finance	132,713	285,394
Other foreign investment securities	-	31,514
Securities issued, backed or guaranteed by foreign governments	11,869	-
Securities issued, backed or guaranteed by foreign banks	118,616	93,121
Securities issued, backed or guaranteed by Multilateral Credit Organizations	26,787	34,712
Securities issued by foreign residents	6,464	9,433
Other securities	80,417	12,117
	1,029,340	**1,124,271**
Available for sale Investments in debt securities:		
Internal Government debt securities	54,193	71,871
Securities issued by government entities	7,437	7,333
Securities issued and backed by institutions coming under the oversight of the Colombian Superintendence of Finance	149,151	171,196
Securities issued by entities not subject to the oversight of the Colombian Superintendence of Finance	96,029	84,876
Securities issued, backed and guaranteed by multilateral credit organizations	12,336	10,221
Foreign investment securities	998	-
Securities originating in securitization operations	1,915	-
Other securities	4,555	5,202
	326,614	**350,699**
Repo rights on investments in equity securities:		
Shares with a high degree of market liquidity	-	6,833
Transfer rights on available for sale investments in equity securities:		
Shares with a high degree of market liquidity	-	19,304
Available for sale investments in equity securities:		
Shares with a high degree of market liquidity	251,358	120,513

	2009	2008
Shares with a low or minimum degree of market liquidity	5,079	6,123
Other securities	-	50
	256,437	**126,686**

	2009	2008
Negotiable investments in equity securities:		
Shares		
High degree of liquidity	50,121	94,649
Medium degree of liquidity	-	368
Other investments:		
Participations in common and ordinary equity funds	72,128	28,464
Participations in equity funds	171,577	39,997
Equity securities originating in securitization operations	5,002	-
Equity securities originating in securitization operations	3,457	3,295
Participations in mutual internal equity investment funds	20,175	6,291
Participations in internal equity investment funds	14,190	-
Participations in stand-alone trust funds	-	138,001
	336,650	**311,065**
Less provision	**(1,301)**	**(2,389)**
Total temporary investments:	**1,947,740**	**1,936,469**

	2009	2008
Permanent investments in equity securities		
Shares		
Finance sector	3,064,101	3,152,915
Real sector	403,216	111,338
Other foreign residents	-	7,457
Other investments:		
Others	238	17,542
Trust rights	155,257	254,137
	3,622,812	**3,543,389**
Held to maturity investments in debt securities:		
Internal Government debt securities	214,729	221,282
External Government debt securities	27,467	11,622
Other public debt securities	77,791	35,850
Credit securities originating in securitization operations	41,486	2,563
Securities issued and backed by institutions coming under the oversight of the Colombian Superintendence of Finance	555,364	447,715
Securities issued by entities not subject to the oversight of the Colombian Superintendence of Finance	424,064	170,523
Securities issued, backed or guaranteed by foreign governments	7,059	6,951
Securities issued, backed or guaranteed by banks	13,838	4,572
Securities issued, backed and guaranteed by Multilateral Credit Organizations	13,685	13,879
Other securities	13	28,411
	1,375,496	**943,368**
Total permanent investments	4,998,308	4,486,757
Less provision	(36,602)	(38,824)
Total permanent investments	**4,961,706**	**4,447,933**
Total investments	**6,909,446**	**6,384,402**

Provision for investments

The provision for Investments at December 31, 2009 and 2008 is broken down as follows

	2009	2008
Opening balance	COP41,213	102,436
Provision charged to expenses	38,351	4,105
Reversed provisions	(2,899)	(53,902)
Cancellation of provision for sales:	(30,458)	(16,563)
Provision on transfer to memoranda accounts	(8,304)	
Provision on merger and assignment of assets	-	5,137
Provisions	**37,903**	**41,213**
Temporary investments	1,301	2,389
Permanent investments	36,602	38,824
	37,903	**41,213**

(4) Accounts receivable

The following is a breakdown of Accounts Receivable at December 31:

	2009	2008
Loan portfolio	COP 98,180	89,007
Forward contracts	(1,125)	(4,511)
Advance payments	2,167	6,642
Deposits	3	-
Interest receivable	61,196	54,369
Prepaid taxes and contributions	38,095	36,278
Accounts receivable due from employees	978	860
Accounts receivable due from insurance business	697,065	721,557
Loans to private individuals	120,412	104,411
Credit cards	97	133
Miscellaneous receivables	19,046	24,214
	1,036,114	1,032,960
Provisions	(57,230)	(46,789)
	978,884	986,171
Less long-term portion	33,596	13,090
Current portion	**945,288**	**973,081**

Provision for Accounts Receivable

The provision for accounts receivable for the years ending December 31, 2009 and 2008 is broken down as follows:

	2009	2008
Opening balance	COP 46,789	45,144
Provision charged to expenses	20,715	16,045
Reversed provisions	(10,274)	(14,400)
Closing balance	**57,230**	**46,789**

The following is a breakdown of the accounts receivable corresponding to the company's insurance business at December 31:

Accounts receivable due from insurance business

	2009	2008
Coinsurers accepted current accounts	COP 1,518	320
Coinsurers assigned current accounts	330	375
Domestic assignor companies' current account	-	17
Foreign assignor companies' current account	60	289
Domestic reinsurers' current account	768	672
Foreign reinsurers' current account	7,630	11,633
Claims pending reinsurance portion	113,707	157,078
Reserve deposits corresponding to foreign reinsurers:	-	18
Premiums pending collection	573,052	551,155
Total	**697,065**	**721,557**
Provision for premiums pending collection	(30,610)	(33,439)

Maturity Period

- The maturity period for premiums pending collection is one month after delivery of the policy, except when otherwise stipulated by any legal or contractual provision.
- The balances corresponding to the accepted coinsurers' current account are paid within 30 days following the receipt of the account cut off forms as sent by the leader company.
- The balances corresponding to the assigned coinsurers' current account are paid in the same month in which the account cut off forms are sent.
- Balances corresponding to foreign reinsurers' current account are paid and collected within 90 days following the quarterly cut off date.
- Losses pending the reinsurer's portion are paid once the losses are settled or upon a court ruling being given exonerating the reinsurer from all responsibility.

(5) Realizable Assets and Assets Received As Payment

The following is a breakdown of the Realizable Assets and Assets Received As Payment account at December 31:

	2009	2008
Cost	COP 6,539	6,798
Provision	(962)	(834)
	5,578	**5,964**

(6) Prepaid Expense and Deferred Charges

The following is a breakdown of the Prepaid Expense and Deferred Charges Account at December 31:

	2009	2008
Pre-paid Expense	COP 622	5,448
Deferred charges		
Brokerage commissions	91,517	91,767
Non proportional contract costs	10,880	11,752

	2009	2008
Projects	4,236	11,559
Others	4,316	4,608
	111,571	125,134
Less long-term portion	4,421	2,795
Current portion	**107,150**	**122,339**

(7) Property, plant and equipment

The following is a breakdown of the Property, Plant and Equipment account at December 31:

	2009	2008
Land, buildings and construction in progress	COP 114,868	136,508
Equipment, furniture and office fixtures	44,915	42,651
Computer equipment	77,686	76,894
Transport fleet and equipment	2,220	4,703
Machinery and medical equipment	8,432	8,294
Others	3,439	1,147
	251,560	270,197
Depreciation	(117,983)	(113,741)
Provision	(123)	(116)
	133,454	**156,340**

(8) Other Assets

The following is a breakdown of the Other Assets account at December 31:

	2009	2008
Works of art and cultural collections	COP 2,301	2,256
Permanent contributions	500	500
Bailments	5,376	1,746
Capitalization security trust	-	17,960
Real estate trust	-	9,940
Surpluses, advance payments and retentions	-	10,804
Others	23,443	7,376
	31,620	50,582
Provision	(54)	(62)
	31,566	**50,520**

(9) Valuations

The following is a breakdown of the Valuation account at December 31:

	2009	2008
Pertaining to investments	COP 9,879,372	4,320,016
Property, plant and equipment	46,331	54,197
Pertaining to other assets	7,647	6,691
	9,933,350	**4,380,904**

(10) Financial Obligations

The following is a breakdown of the Financial Obligations account at December 31:

	2009	2008
Checking account overdrafts	COP 7,224	1,550
Loans from banks and financial institutions	130,100	53,272
Foreign banks	-	201,570
Leasing obligations	11,627	12,078
Repos on investments	-	14,906
Other entities	5,441	138,982
	154,392	422,358
Less long-term portion	49,000	144,240
Current portion	**105,392**	**278,118**

A long term credit totaling COP 49,000 is guaranteed with shares held in Grupo Nacional de Chocolates and Inversiones Argos S.A until September 2012 at an interest rate of 9.27%.

(11) Accounts Payable

The following is a breakdown of the Accounts Payable account at December 31:

	2009	2008
Insurance Business	COP 121,688	155,822
Costs and expense payable	95,736	107,242
Dividends or distributions payable	30,643	28,441
Withholding tax	19,317	17,011
Sales tax	27,214	24,212
Contributions and membership fees	15,899	13,659
Withholdings and payroll contributions	5,124	7,634
Transfer agreements on repo operations	-	15,162
Miscellaneous payables	27,064	30,812
	342,685	399,995
Less long-term portion	-	2,819
Current portion	**342,685**	**397,176**

(12) Retirement Pensions

The following is a breakdown of the accumulated value of the company's retirement pensions at December 31:

	2009	2008
Actuarial calculations	COP 14,806	14,929
Current portion	(1,845)	(1,754)
	12,961	**13,175**
Number of Persons Covered	138	139

The pension readjustment rate used was 7.63%. This corresponds to the average inflation rate calculated for the previous 10 years at January 1, 2008, according to a Section 1, Article 2, of Decree 2783 issued December 20, 2001, together with the information provided by the Actuarial Office of the Colombian Superintendence of Finance.

The benefits covered by these calculations are received by those that have been fully pensioned off by the Company as well retirees with shared pensions and substituted life annuities.

(13) Technical Insurance Reserves:

The following is a breakdown of the Technical Insurance Reserves at December 31:

	2009	2008
Ongoing risk	COP 1,855,840	1,635,652
Deposits retained from foreign reinsurers	59,953	53,406
Reserve for deviations with the accident rate	143,528	134,749
Reserve for the Company's portion of pending claims	751,985	691,258
Special Workers' Compensation reserves	113,706	157,079
Reserve for the reinsurers' portion of pending claims	39,097	32,308
	2,964,109	**2,704,452**

(14) Estimated Liabilities and Provisions

The following is a breakdown of the Estimated Liabilities and Provisions account at December 31:

	2009	2008
Labor liabilities	COP 1,072	827
Tax liabilities	15,415	17,321
Commissions accruing on premiums pending collection	53,716	64,868
Industry and commerce tax (1)	17,996	6,426
Income and complementary tax	14,051	18,866
Others	23,740	8,044
	125,990	**116,352**

(1) Includes a provision of COP 4.381 for industry and commerce tax on the part of Seguros de Riesgos Profesionales Suramericana S.A.

(15) Bonds and Commercial Paper

The following lists outstanding bonds and commercial paper issued by the Company as of December 31:

Portafolio de Inversiones Suramericana S.A subject to liquidation.

The Colombian Superintendence of Finance authorized an issue of 150.000 ordinary bonds each for a nominal value of $1.000 (pesos), which were duly registered with the Colombian Registry of Securities and Brokers at December 31, 1999. These were duly placed in their entirety, and were given a Triple A rating by the rating firm Investor Services S.A. These bonds matured on August 24, 2009, and were fully repaid.

Grupo de Inversiones Suramericana S.A.

Ordinary Bonds

On November 25, 2009, GRUPOSURA, with due authorization from the Colombian Superintendence of Finance placed a total of COP 250.000 million in ordinary bonds on the Colombian Stock Exchange. Bids worth COP 1.323.711 million were received and the bonds were finally allotted as follows:

Series	Principal	Maturities of more than one year	Index	Cut off Rate Spread	Maximum Rate Spread
C10	54,500,000	54,500,000	CPI	4.40%	5.40%
C20	98,000,000	98,000,000	CPI	5.90%	6.70%
C40	97,500,000	97,500,000	CPI	6.98%	8.00%
TOTAL	**250,000,000**	**250,000,000**		**5.99%**	
Bid to Cover Ratio		**5.294844**			

On March 13, 2008, a total of COP 46,000 in commercial paper was placed on the Colombian Stock Exchange.

Bids totaling COP 338,168 were received and finally a total of COP 14,521 was placed at 90 days at a rate of 10.34% and another COP 31,479 at 180 days at a rate of 10.70%.

On June 18, 2008, a total of COP 75,000 in commercial paper was placed on the Colombian Stock Exchange.

Bids totaling COP 346,146 were received and finally a total of COP 40,000 was placed at 180 days at a rate of 10.79% and another COP 35.000 at 364 days at a rate of 10.95%.

On December 11, 2008, a total of COP 60,000 in commercial paper was placed on the Colombian Stock Exchange.

2008

Principal		Interest	Series	Current maturities of less than one year	
COP	60,000,000	10.78%	B180-2	COP	60,000,000
	35,000,000	10.95%	B364-2		35,000,000
COP	95,000,000			COP	95,000,000

(16) Other Liabilities

The following is a breakdown of the Other Liabilities account at December 31:

	2009	2008
Advance payments received	COP 3,938	1,359
Joint accounts	37	37
Surplus premiums	-	16,508
Trust for liabilities w/ bondholders	-	16,946
Others	2,862	2,942
	6,837	**37,792**

(17) Common Stocks

The share capital of GRUPOSURA, the Parent Company, consists of 460,037,260 and 457,396,624 ordinary subscribed and paid-in shares each with a nominal value of one hundred and eighty-seven pesos with fifty cents (COP 187.50) for the years 2009 and 2008.

(18) Capital Surplus

The following is a breakdown of the Capital Surplus account at December 31:

	2009	2008
Additional paid-in capital	COP 358,026	358,026
Accumulated unrealized gains or losses in available for sale investments	185,683	100,594
	543,709	**458,620**

(19) Reserves

The following is a breakdown of the reserves held at December 31:

	2009	2008
Mandatory	COP 338,777	332,592
Statutory	4,849	5,003
Voluntary	2,369,490	2,202,820
	2,713,116	**2,540,415**

(20) Equity Revaluation

Equity revaluation cannot be distributed in the form of profits but may be capitalized on a tax-exempt basis. Pursuant to Law 1111 of 2006, the book value of this account as of January 1, 2007 is not subject to the aforementioned tax benefit given the elimination of inflation adjustments for tax purposes.

As stipulated in the paragraph contained in Article 25 Chapter II of Law 1111 passed December 27, 2006, taxpayers may offset wealth tax against the equity revaluation account without affecting the results for the period.

(21) Memorandum Accounts

The following is a breakdown of the Memorandum Accounts at December 31:

	2009	2008
Debtors:		
Contingent rights	COP 247,930	1,526,952
Tax receivable	5,354,748	5,227,860
Debtors control account	5,366,077	5,421,462
	10,968,755	**12,176,274**
Creditors:		
Contingent liabilities	375,459,062	347,306,194
Tax payable	8,938,868	12,294,650
Creditors control account	271,996,712	238,313,773
	656,394,642	**597,914,617**

(22) Income tax

Income tax expense totaling COP 29,914 and COP 35,880 for the years 2009 and 2008 respectively correspond to the calculations made individually by each companies included in the consolidation.

For the fiscal years of 2007 through to 2010, wealth tax must be paid by all taxpayers with an equity greater than three thousand million Columbian pesos (COP 3,000). Said wealth tax accrues on January 1st of each year, and a tax rate of 1.2% is applied to net equity on January 1st, of the fiscal year of 2007.

Transfer Prices

Pursuant to Laws 788 of 2002 and 863 of 2003, GRUPOSURA drew up a study of transfer prices pertaining to operations carried out with its related parties based abroad in 2008. This study did not give rise to any adjustments affecting GRUPOSURA's tax income, costs and expense.

Although GRUPOSURA is still in the process of drawing up a study of transfer prices for 2009, no significant change is expected with regard to the previous year.

(23) Contingencies

The following are the most significant contingencies existing:

EPS y Medicina Prepagada Suramericana S.A. - EPS Sura

In 2009, a total of 128 civil liability lawsuits were filed against EPS y Medicina Prepagada Suramericana S.A.-EPS Sura nationwide: 96 lawsuits in Medellin, 14 lawsuits in Barranquilla, 9 lawsuits in Bogotá, and 4 lawsuits in Cali. This represented an increase of 15 lawsuits compared to 2008, when 113 lawsuits were filed. The 2009 lawsuits represent claims totaling $53,940. Our estimated loss for these claims is $3,712.

The majority of these lawsuits (80%) involved civil liability claims on the grounds of diagnostic errors, lack of timeliness and medical negligence and 12% were disability claims. In 2009, rulings were given in 22 lawsuits with claims totaling $12,379. However, the total amount paid by the EPS y Medicina Prepagada Suramericana S.A.-EPS Sura due to these rulings was $238.

In 2009, EPS y Medicina Prepagada Suramericana S.A.-EPS Sura continued its legal strategy to obtain compensation for damages caused by unlawful conduct by the State as a result of actions taken by the Scientific Technical Committees. Thus we are attempting to recover the benefits authorized by the Scientific Technical Committees as well as rulings given as part of judicial protection orders.

Currently, 9 lawsuits, with claims totaling more than 20,000 COP, are in trial. The three primary claims are (i) failure to pay the total value of medicine not included in the Mandatory Healthcare Plan (POS); (ii) failure to pay benefits that have been locked into a grey zone, which are benefits the Colombian Ministry of Social Proteccion considers included in the Mandatory Healthcare Plan but that are not taken into account in the weighting of the Unit of Payment Received (URC); and (iii) failure to pay the listed benefits given their untimely presentation pursuant to the interpretation given by the Colombian Constitutional Court.

EPS y Medicina Prepagada Suramericana S.A.-EPS Sura are involved in a number of proceedings, involving claims totaling more than 9 billion COP, to challenge and re-establish rights agreements and resolutions that regulate the redistribution of resources due to high-cost pathologies, including the re-establishment of the inclusion of abortions in the Mandatory Healthcare Plan without it being weighted in the UPC.

Additionally, there are a number of lawsuits challenging the constitutionality of articles contained in Law 1122 of 2007, which provide for special payment procedures for Healthcare Service Provider Institutions, and payments for medicine authorized by the Scientific Technical Committees. There are also a number of lawsuits seeking the annulment of the regulations, term and membership prevention procedures for the payment of medication authorized by the Scientific Technical Committees. In 2010, EPS y Medicina Prepagada Suramericana S.A.-EPS Sura continued to defend its interests by challenging rules and regulations that it believed were issued without considering the legal criteria required for guaranteeing the stability of the system. It also has initiated a direct redress suit claiming a total of COP 6,118 to reestablish its rights as a result of the violation of its rights by the Scientific Technical Committees. EPS y Medicina Prepagada Suramericana S.A.-EPS Sura is covered under a mandatory civil liability insurance policy required from all Healthcare Service Provider Institutions to cover these risks and their respective professionals and other employees.

Servicios de Salud IPS Suramericana S.A.

This Healthcare Provider Institution is currently defending 14 civil liability lawsuits, with estimated claims totally $474, for alleged damages caused by medical personnel. Servicios de Salud IPS Suramericana S.A. is covered under a civil liability insurance policy that covers these risks. Servicios de Salud IPS Suramericana S.A. has a contingency totaling $280 arising from 17 labor suits filed by employees who worked for Cooperativa Profesalud, a firm hired by Servicios de Salud IPS Suramericana S.A.

(24) Reclassifications

For presentation and comparative purposes, some figures contained in the financial statements for the previous year were reclassified.

GRUPO DE INVERSIONES SURAMERICANA S.A.

Audited Unconsolidated Financial Statements

As of December 31, 2010 and 2009
and for the years ended December 31, 2010 and 2009

Contents

As of December 31, 2009 and 2008
and for the years ended December 31, 2009 and 2008

Contents

STATUTORY AUDITOR'S REPORT

To the Shareholders
Grupo de Inversiones Suramericana S.A.:

I have audited the balance sheet of Grupo de Inversiones Suramericana S.A. at December 31, 2010 and the related Statements of Income, Changes in Equity, Changes in the Financial Position and Cash Flows, the summary of significant accounting policies and other explanatory notes, for the year then ended. The financial statements for the year 2009 were audited by another certified public accountant, member of KPMG Ltda., who expressed an unqualified opinion in her report dated on February 12, 2010.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audit. I obtained the necessary information and carried out my exam in accordance with auditing standards generally accepted in Colombia. Those standards require that I comply with ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making those risk assessment, the statutory auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of balances and accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. I believe that the audits evidence provides a reasonable basis for my audit opinion.

In my opinion, the above-mentioned financial statements, taken accurately from books and attached to this report, present fairly in all material respects, the financial position of Grupo de Inversiones Suramericana S.A. at December 31, 2010, the results of its operations, changes in the financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Colombia, applied on a consistent basis with the prior year.

As indicated in note (23) to the financial statements, at January 21, 2011 the Company was notified, by the Superintendence of Companies, of Resolution Number 610-000004 of January 19, 2011, which authorizes the statutory reform consistent with the winding up of Portafolio de Inversiones Suramericana S.A - En Liquidación, to transfer all of its equity to the beneficiary Grupo de Inversiones Suramericana S.A. The Company will continue with the necessary procedures in order to obtain the authorization of Colombia's Superintendence of Finance.

Based on the results of my examination, in my concept during 2010:

a. The Company's bookkeeping has been performed in conformity with legal rules and accounting pronouncements.

b. The operations recorded in the books and management performance are in conformity with the bylaws and decisions of General Shareholders' Meeting.

c. The correspondence, the vouchers of accounts and the minutes and records of shares books have been properly maintained.

d. There are adequate internal control measurements, prevention and control of money laundering, maintenance and custody of the Company's and third parties' assets in its possession.

e. The administration report prepared by management agrees with the accompanying financial statements.

f. The information contained in the contribution returns submitted to the Social Security System, specifically the information on affiliates and their salary base for determining contributions, has been prepared from the accounting records and supporting documentation. The Company is up to date in payment of contributions to the Social Security System.

Elvia María Bolívar Puerta
Statutory Auditor of Grupo de Inversiones Suramericana S.A.
Registration 15488 – T
Member of KPMG Ltda.

February 23, 2011

GRUPO DE INVERSIONES SURAMERICANA S.A.
Balance Sheets
At December 31, 2010

(With Comparative Figures at December 31,2009)
(In thousands of COP)

	2010	2009
Assets		
Current assets:		
Cash (note 3)	COP 118,195	5,444,606
Short-term investments (note 4)	81,998,970	161,390,128
Accounts receivable, net (notes 5 and 20)	77,334,851	42,217,934
Prepaid expenses and deferred charges	181991	173,325
Total current assets	159,634,007	209,225,993
Accounts receivable, net (note 5)	-	7,823,558
Permanent investments (notes 4 and 6)	10,644,902,253	9,484,775,927
Property, plant and equipment	390,885	104,987
Other assets	82,286	82,286
Valuations (notes 4 and 6)	7,363,600,136	4,993,303,492
Total assets	18,168,609,567	14,695,316,243
Liabilities and shareholders' equity		
Current liabilities:		
Financial obligations (note 7)	81,837,896	-
Commercial paper (note 8)	233,652,000	-
Other financial obligations (notes 9 and 20)	-	3,762,263
Accounts payable (notes 10 and 20)	23,804,421	37,810,691
Employee benefit liabilities (note 11)	241,954	139,809
Unearned revenues (note 12)	7,098,660	6,019,360
Estimated liabilities and provisions (note 13)	10,784,074	10,276,788
Total current liabilities	357,419,005	58,008,911
Long term financial obligations (note 7)	-	49,000,000
Ordinary Bonds (note 8)	250,000,000	250,000,000
Total liabilities	607,419,005	357,008,911
Shareholders' equity:		
Common stock (note 14)	87,944,486	87,944,486
Additional paid-in capital	358,025,576	358,025,576
Legal reserve (note 15)	138,795,051	138,795,051
Voluntary reserves (note 16)	2,639,324,329	2,322,476,052
Equity revaluation (note 17)	955,930,609	956,290,307
Surplus from the equity method (note 18)	5,321,304,469	5,035,422,105
Valuations (notes 4 and 6)	7,363,600,136	4,993,303,492
Net income	696,265,906	446,050,263
Shareholders' equity	17,561,190,562	14,338,307,332
Total liabilities and shareholders' equity	18,168,609,567	14,695,316,243
Contingent and memorandum accounts (note 19)		
Debtors	COP 1,170,598,517	1,320,570,279
Creditors	11,973,010,165	6,067,494,758

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
Income Statements
Year ended December 31, 2010

(With Comparative Figures for the year ended December 31, 2009)
(In thousands of COP)

	2010	2009
Operating revenues (note 20):		
Dividends	COP 140,898,673	139,300,331
Interests	14,436,438	5,478,464
Earnings from the equity method, net (note 4)	567,060,204	333,642,816
Earnings from sale of investments, net	51,410,202	25,140,208
Unrealized gains on marketable securities, net	19,970,509	7,841,237
Derivatives operations (note 21)	6,526,347	5,098,527
Reimbursement provision for investments (note 4)	15,199	159,624
	800,317,572	516,661,207
Operating and administrative expenses		
Provision for investments (note 4)	143,752	31,664,556
Tax Refund	(257,626)	(272,973)
Payroll expenses	4,948,753	3,784,221
Fees	1,834,995	2,595,056
Administrative expenses	6,277,023	8,867,602
Depreciation	77,755	82,625
	13,024,652	46,721,087
Operating Income	787,292,920	469,940,120
Non operating expenses (income) (note 20):		
Foreign-exchange	7,845,047	7,049,865
Interests	45,860,672	10,711,366
Bank expenses – commissions	915,148	541,541
Extraordinary expenses	176,294	152,070
Amortized premium	5,574,245	-
ADR call option compensation	23,113,312	-
Miscellaneous	(57,704)	(3,568)
	83,427,014	18,451,274
Income before taxes	703,865,906	451,488,846
Income tax provision (note 22)	(7,600,000)	(5,438,583)
Net Income	696,265,906	446,050,263
Earning per share, in pesos	1,484.46	950.99

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
Cash Flow Statements
Year ended December 31, 2010

(With Comparative Figures for the year ended December 31, 2009)
(In thousands of COP)

		2010	2009
Cash flow from operating activities			
Net income	COP	696,265,906	446,050,263
Reconciliation between the net income and the net cash			
Flow provided (used) by operating activities			
Provision for investments		143,752	31,664,556
Recovery of provision for investments		(15,199)	(159,624)
Tax Refund		(257,626)	(272,973)
Earnings from sale of investments, net		(51,410,202)	(25,140,208)
Earnings from equity method, net		(567,060,204)	(333,642,816)
Unrealized gains on marketable securities, net		(19,970,509)	(7,841,237)
Depreciation		77,755	82,625
		57,773,673	110,740,586
Changes in operating items			
Accounts receivable		(27,293,359)	(930,092)
Prepaid expenses		(8,666)	-
Other assets		-	(7,800)
Accounts payable		9,214,854	2,506,032
Employee benefit liabilities		102,145	28,708
Unearned revenues		1,079,300	434,528
Estimated liabilities and provisions		764,912	2,156,648
Earnings from sale of investments		166,034,297	107,771,702
Increase in investments, net		(397,260,500)	(192,224,331)
Dividends received from controlling companies		20,064,257	196,534,282
Net cash provided (used) by operating activities		(169,529,087)	227,010,263
Cash flow from financing activities			
Commercial paper		233,652,000	(95,000,000)
Increase in bank loans and other financial obligations		29,075,633	127,950,328
Equity revaluation used for payment of equity tax		(359,698)	(359,698)
Donations		(3,500,000)	(1,650,000)
Dividends paid		(148,923,110)	(115,995,168)
Cash provided (used) by financing activities		109,944,825	(85,054,538)
Net (increase) decrease in cash and cash equivalents		(59,947,915)	141,955,725
Cash and cash equivalents at the beginning of the year		142,065,080	109,355
Cash and cash equivalents at the end of the year		82,117,165	142,065,080

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
Statements of Changes in Financial Position
Year ended December 31, 2010

(With Comparative Figures for the year ended December 31, 2009)
(In thousands of COP)

	2010	2009
Sources of working capital		
Net income	COP 696,265,906	446,050,263
Items that do not use (provide) working capital		
Provision for investments	143,752	31,664,556
Recovery of provision for investments	(15,199)	(159,624)
Earnings from sale of investments, net	(51,410,202)	(25,140,208)
Earnings from the equity method, net	(567,060,204)	(333,642,816)
Depreciation	77,755	82,625
Working capital provided by operations	78,001,808	118,854,796
Earnings from sale of investments	166,034,297	107,771,702
Decrease in accounts receivable non-current portion	7,823,558	2,607,834
Dividends received from controlling companies	20,064,257	196,534,282
Increase in financial obligations	-	299,000,000
	271,923,920	724,768,614
Uses of working capital		
Increase in investments	442,000,663	255,292,392
Dividends paid	125,701,986	118,197,390
Donations	3,500,000	1,650,000
Equity Revaluation used for payment of equity tax	359,698	359,698
Property, plant and equipment	363,653	7,800
Decrease in financial obligations	49,000,000	-
	620,926,000	375,507,280
Increase (decrease) in working capital	(349,002,080)	349,261,334
	271,923,920	724,768,614
Changes in the components of working capital		
Increase (decrease) in current assets		
Cash and cash equivalents	(5,326,411)	5,336,872
Investments in available-for-sale equity securities	(79,391,158)	81,392,029
Accounts receivable	35,116,917	3,537,926
Prepaid expenses	8,666	-
	(49,591,986)	90,266,827
Increase (decrease) in current liabilities		
Financial obligations	81,837,896	(14,905,514)
Commercial paper	233,652,000	(95,000,000)
Other financial obligations	(3,762,263)	(156,144,158)
Accounts payable	(14,006,270)	4,708,254
Employee benefit liabilities	102,145	28,708
Unearned revenues	1,079,300	434,528
Estimated liabilities and provisions	507,286	1,883,675
	299,410,094	(258,994,507)
Increase (decrease) in working capital	(349,002,080)	349,261,334

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
Statement of Changes in Shareholders' Equity
Year ended December 31, 2010

(With Comparative Figures for the year ended December 31, 2009)
(In thousands of COP)

	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserves	Equity revaluation	Surplus from the equity method	Valuations	Net income	Total shareholders' equity
Balance at December 31, 2008	COP 87,944,486	358,025,576	138,795,051	2,169,309,754	956,650,005	2,390,529,551	2,010,971,867	273,013,688	8,385,239,978
Distribution of 2008 results according to General Shareholders' Meeting Minutes # 13 dated March 26, 2009:									
Release of reserves for the protection of investments	-	-	-	(2,020,763,702)	-	-	-	2,020,763,702	-
Donations for Fundación Suramericana		-	-	-	-	-	-	(1,650,000)	(1,650,000)
Release of reserve at disposal of the Board Members		-	-	(2,003,066)	-	-	-	2,003,066	-
Reserve for the protection of investments		-	-	2,175,933,066	-	-	-	(2,175,933,066)	-
Dividends over 469.037.260 (252.00 pesos per share)		-	-	-	-	-	-	(118,197,390)	(118,197,390)
Equity revaluation used for payment of equity tax	-	-	-	-	(359,698)	-	-	-	(359,698)
Equity method	-	-	-	-	-	2,644,892,554	-	-	2,644,892,554
Valuations	-	-	-	-	-	-	2,982,331,625	-	2,982,331,625
Net income for the year	-	-	-	-	-	-	-	446,050,263	446,050,263
Balance at December 31, 2009	87,944,486	358,025,576	138,795,051	2,322,476,052	956,290,307	5,035,422,105	4,993,303,492	446,050,263	14,338,307,332
Distribution of 2009 results according to General Shareholders' Meeting Minutes # 14 dated March 25, 2010:									
Donations for Fundación Suramericana		-	-	-	-	-	-	(3,500,000)	(3,500,000)
Reserve for the protection of investments		-	-	316,848,277	-	-	-	(316,848,277)	-
Dividends over 469.037.260 (268.00 pesos per share)		-	-	-	-	-	-	(125,701,986)	(125,701,986)
Equity revaluation used for payment of equity tax	-	-	-	-	(359,698)	-	-	-	(359,698)
Equity method	-	-	-	-	-	285,882,364	-	-	285,882,364
Valuations	-	-	-	-	-	-	2,370,296,644	-	2,370,296,644
Net income for the year	-	-	-	-	-	-	-	696,265,906	696,265,906
Balance at December 31, 2010	COP 87,944,486	358,025,576	138,795,051	2,639,324,329	955,930,609	5,321,304,469	7,363,600,136	696,265,906	17,561,190,562

See notes to the financial statements.

(1) Business Purpose

Grupo de Inversiones Suramericana S.A. ("GRUPOSURA" or the "Company") was incorporated as a result of a spin off from Compañía Suramericana de Seguros S.A., by means of Public Deed No. 2295 drawn up on December 24, 1997 before the Notary Public No. 14 of the Circuit of Medellin. All of the corresponding accounting formalities were completed by January 1, 1998. GRUPOSURA's primary business address is in Medellin, but it is entitled to set up branches, agencies, offices and representations in other parts of the country as well as abroad, should its Board of Directors decide. The Company is legally authorized to carry out its business purpose until the year 2102.

GRUPOSURA's business purpose is to invest in real estate and movable property. It may carry out its business purpose by means of shares, quotas or participation in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Additionally, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad.

GRUPOSURA's reporting period follows the normal calendar year, ending on December 31 of each year. Pursuant to its by-laws, GRUPOSURA shall close its books on December 31 of each year, in order to develop its balance sheet and income statement for the corresponding year.

The Company is overseen by the *Superintendencia de Sociedades* (the "Colombian Superintendency of Companies") and subject to the regulations of the *Superintendencia Financiera de Colombia* (the "Colombian Superintendency of Finance"), and is registered as an issuer of securities with the *Registro Nacional de Valores y Emisores* (the "Colombian National Registry of Securities").

As of December 31, 2010 the Company had a total of 29 employees based at its corporate headquarters.

ADR Level 1 Program

GRUPOSURA is registered with the ADR – Level 1 program in the United States, and its shares are available to international investors through the over-the-counter market. The GRUPOSURA ADR is traded under the symbol GIVSY. Each ADR represents two of the Company's ordinary shares.

(2) Summary of principal accounting policies

(a) Basis for Preparing and Presenting the Financial Statements

GRUPOSURA's financial statements have been prepared in accordance with generally accepted accounting principles in Colombia, or Colombian GAAP.

(b) Cash equivalents

In its statement of cash flows, the Company considers fiduciary rights on ordinary trusts and repurchase rights on investments as cash equivalents given their respective degrees of liquidity.

(c) Investments

For valuation purposes, investments are classified according to the following criteria:

- Intent and purpose: negotiable or permanent.

- Corresponding yield: fixed, variable or a combination thereof.

- Control held over the issuer: controlling or non-controlling interest.
- Reason for the investment: voluntary or mandatory.
- Rights granted by the security: participating or non-participating.

Investments are appraised and posted as:

- **Negotiable investments:** These investments are posted at market value. All variations in regard to their latest value are posted directly to income accounts.

- **Controlling investments:** These are companies in which more than a 50% stake is held and which appear in the Colombian Commercial Registry as controlled by GRUPOSURA. The book value of these companies is either increased or decreased depending on any changes in the companies' equity subsequent to their acquisition by GRUPOSURA. This calculation is based upon the percentage stake held by us, and any adjustments made thereto. Adjustments are recorded in the income statement in the capital surplus account.

  For accounting purposes we use the equity method, as directed by Joint Circular No. 11 issued August 18, 2005 by the Colombian Superintendency of Companies and the Colombian Superintendency of Securities (now known as the Superintendency of Finance). We post and calculate the value of the investment on a quarterly basis. The difference between the book value of these investments and their intrinsic value is posted as a gain or a provision (which is charged to the income accounts) as applicable.

  According to Decree, No. 4918 issued December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any equivalent authority. We post the difference between the book value of assets held in foreign subsidiaries and their restated value as an increase in the value of GRUPOSURA's equity. When the investments in question are sold, any adjustments in the exchange difference are recorded in the equity where equity variances are recorded. This affects the corresponding period's results.

- **Permanent (non-controlling) investments:** If the value of the investments sold is higher than their corresponding book value, the difference represents an increase in their value for the period and is posted in the valuation offset accounts (as a valuation against surplus from revaluation). If the value for which such investments are sold becomes lower than their book value, the difference is charged first to the valuation account and then to the valuation surplus account, up to the total value of any surplus gained. If the difference exceeds the surplus obtained, this qualifies as a loss in the value of the investment. We charge this excess to the aforementioned accounts as a lower value, regardless of whether their net balance is the opposite.

  The Company implements an investment provision policy similar to that of insurance companies. Investments rated lower than a "BBB" are posted at values not to exceed the following percentages:

Long Term	Maximum Value (%)	Short Term	Maximum Value (%)
BB+, BB, BB-	80	3	80
B+, B, B-	60	4	50
CCC	40	5-6	0
DD, EE	0		

If investments are not rated by external rating agencies, they are rated through our internal risk management process according to their inherent risk and posted at a percentage of their commercial value, as shown below:

A: Normal Risk: 100%

B: Acceptable Risk: 80%

C: Appreciable Risk: 60%

D: Significant Risk: 40%

E: Unrecoverable Investment: 0%

(d) Property and Equipment

Property and equipment is posted at purchase cost, and includes the all applicable adjustments for inflation occurring prior to December 31, 2006.

Depreciation is calculated based upon the inflation-adjusted value of the asset in question, using the straight-line method and is based on the asset's estimated useful life. The annual vehicle depreciation rate is 20%.

(e) Pre-paid Expense

The Company records insurance as a pre-paid expense which is amortized during the policy term.

(f) Derivatives

The value of all financial arrangements established for the purpose of handling risk relating to our liabilities is shown. These financial arrangements may be carried out in order to purchase or sell assets such as foreign currencies, shares, futures governing exchange and interest rates, and stock indices or any other agreed upon underlying asset. These arrangements are settled at a future date agreed upon between the parties.

The Company enters into hedging arrangements in order to protect itself from exchange rate fluctuations. Hedging is not used for speculative purposes and the arrangements are conducted with banks and other counterparties.

Derivative-based transactions are not subject to any general rules and regulations in Colombia governing the accounting treatment given to these transactions.

(g) Recognition of Revenues and Expense

Revenues and expenses from operations are recognized on an accrual basis.

(h) Transactions and Balances in Foreign Currency

Transactions conducted in foreign currencies are posted by applying the exchange rate applicable on the date the transaction is consummated. Asset and liability balances, stated in U.S. dollars, are converted to COP using the market exchange rate, as established by the Colombian Superintendency of Finance. The exchange rate was $1,913.98 pesos on December 31, 2010 and $2,044.23 pesos on December 31, 2009. The exchange difference is either capitalized or is posted on the income accounts depending upon how the exchange difference originated.

Pursuant to Decree No. 4918 issued on December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any equivalent authority. We post the difference between the book value of such assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

(i) Valuations

In the case of permanent, non-controlling investments, the difference between their cost and intrinsic value or stock market price is recorded in the same manner as described in Note 2 (c) above.

Trust valuations are posted according to the difference between their statement value and their book cost.

(j) Net earnings per share in pesos

Net earnings per share for 2010 and 2009 were calculated based on a total of 469,037,260 shares outstanding.

(k) Related parties

Related parties are companies under GRUPOSURA's direct or indirect control, as well as members of Boards of Directors and company management.

(l) Materiality

All economic events are recognized and presented according to their relative importance. An economic event is deemed material when due to its nature or the amount it represents, it may significantly alter the economic decisions made by all those using related information (whether such event is known or unknown). When preparing the Company's financial statements, materiality, was established applying a 5% threshold with regard to total assets, total liabilities, working capital, shareholders' equity and net revenues, as appropriate.

(m) Memorandum Accounts

These accounts contain transactions, circumstances, agreements and contracts that may entail certain rights and obligations that may affect the Company's financial position. These include control accounts used for general information and control purposes, as well as differences between accounting records and tax returns.

(n) Bonds and commercial paper

This is funds received by the Company as a result of issuing and selling bonds and commercial paper defined as credit securities for financing working capital.

(o) Estimated liabilities and provisions

The preparation of financial statements according to Colombian GAAP requires that the Company's management recognizes estimates and provisions that affect the reported values of the Company's assets and liabilities as well as discloses assets and liabilities of a contingent nature on the date on which the financial statements are presented. Therefore, actual results could differ from estimated figures.

(3) Cash

The following is a breakdown of the Cash at December 31:

		2010	2009
Cash and due from banks	COP	300	300
Petty cash – foreign currency		5,413	3,686
Banks – local currency		91,835	35,484
Banks – foreign currency		5,573	5,404,603
Savings accounts		15,074	533
		118,195	**5,444,606**

Cash is free from any constraint or encumbrance.

(4) Investments

The following is a breakdown of the Investments held at December 31:

	2010	2009
Negotiable Investments (1)	**COP 81,998,970**	**161,390,128**
Permanent investments (2)		
Non-controlling investments	2,695,993,690	2,375,413,398
Controlling investments	7,956,451,239	7,121,920,000
	10,652,444,929	9,497,333,398
Provision for permanent investments	(7,542,676)	(12,557,471)
	10,644,902,253	**9,484,775,927**

The following is a breakdown of Negotiable Investments at December 31, 2010:

Negotiable Investments

Company	No. Shares	Economic Activity	Book Balance
Term deposit certificates		Finance	81,674,198
Fiduciaria Bancolombia S.A. (a)		Finance	118
Mutual fund – Serfinco S.A.		Finance	218,179
Mutual fund – Valores Bancolombia S.A.		Finance	106,475
			81,998,970

(a) Certificate of deposits (“CDs”) and mutual fund instruments correspond to liquidity operations.

The following is a breakdown of Negotiable Investments at December 31, 2009:

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) -
Bancolombia Preferencial S.A.	1,020,000	Finance	COP 23,777,424	0.13	2,958,968
Term deposit certificates		Finance	41,248,568	-	80,857
Treasury bonds TES		Finance	23,569,036	-	-
Investment repurchase rights (b)		Finance	71,697,287	-	-
Progresa Capital Trust Fiducolombia		Finance	992,230	-	174,436
Valores Bancolombia S.A.		Finance	105,468	-	1,017,995
			161,390,128		**4,232,256**

(b) Repos, CDs and treasury securities correspond to liquidity operations, producing an average return of 3.02%

The following is a breakdown of Permanent Investments at December 31, 2010:

Non-controlling:

Company	No. Shares	Economic Activity	Book Balance	% Stake	No. shares Pledged As Collateral
Fondo Ganadero – Fogansa	176,000	Livestock	COP 352,000	0.32	-
Grupo Nacional de Chocolates S.A.	131,456,677	Investments	617,018,162	30.21	1,585,000
Inversiones Argos S.A.	150,773,017	Investments	1,209,655,930	23.36	8,875,000
Protección S.A.	8,445,395	Social Security	80,030,155	47.14	-
Bancolombia S.A.	109,857,539	Finance	776,403,715	13.94	1,500,000
Confecciones Colombia S.A.(1)	44,634,427	Manufacturing	7,534,874	41.07	-
Pizano S.A.(2)	1,852,313	Manufacturing	3,133,933	2.86	-
Progresa Capital Fiducolombia Trust		Finance	940,398	-	-
Escala Capital Fund			898,947	-	-
Country Clubs			25,576	-	-
			2,695,993,690		

(1) Confecciones Colombia S.A. has an internal credit rating of (C).
(2) Pizano S.A. has an internal credit rating of (B).

Controlling:

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) - Equity Method
Inversiones y Construcciones Estratégicas S.A.	873,371	Construction	COP 84,585,964	65.88	5,842,261
Portafolio de Inversiones Suramericana S.A. subject to liquidation	1,489,476	Investments	7,290,014,737	100.00	427,859,348
Suramericana S.A.	24,136	Investments	564,890,056	40.14	130,588,863
Enlace Operativo S.A.	10,780	Services	2,961,837	55.00	(1,299,206)
Grupo Inversiones Suramericana Panamá	25,569,462	Investments	14,934,651	35.82	4,068,938
			7,956,451,239		**567,060,204**

Of the total balance of GRUPOSURA's investments, COP 339,183,444 has been pledged as collateral for Company loans.

The following is a breakdown of Permanent Investments at December 31, 2009:

Non-controlling:

Company	No. Shares	Economic Activity	Book Balance	% Stake	No. shares Pledged As Collateral
Fondo Ganadero – Fogansa	75,000	Livestock	COP 150,000	0.10	-
Grupo Nacional de Chocolates S.A.	115,756,919	Investments	473,627,414	26.60	1,585,000
Almacenes Éxito S.A.	5,163,035	Retail	86,086,247	1.62	-
Inversiones Argos S.A.	134,546,583	Investments	1,102,582,307	20.85	8,875,000
Protección S.A.	8,137,636	Social Security	63,194,485	47.09	-
Bancolombia S.A.	89,160,631	Finance	619,687,569	11.32	1,500,000
Enka de Colombia S.A.[1]	43,424,655	Manufacturing	2,434,088	0.37	-
Confecciones Colombia S.A.[2]	37,754,062	Manufacturing	7,328,949	34.74	-
Pizano S.A.[3]	6,491,397	Manufacturing	10,982,800	10.02	-
Holding Concorde S.A.	1,650,000	Manufacturing	5,504,478	6.51	-
Promotora de Proyectos S.A.	1,059,736	Services	751,551	42.01	-
Sodexo Colombia S.A.	687,435	Services	736,941	15.00	-
Sodexo Pass de Colombia S.A.[4]	117,338	Services	786,666	22.00	-
Tipiel S.A.	18,216,104	Services	1,363,469	41.40	-
P.A. Promotora de Proyectos			61,998	9.95	-
Escala Capital Fund			108,860	23.62	-
Country Clubs			25,576	-	
			2,375,413,398		

(1) Enka de Colombia S.A. has an internal credit rating of (D).

(2) Confecciones Colombia S.A. has an internal credit rating of (D).

(3) Pizano S.A. has an internal credit rating of (B).

(4) Sodexo Pass de Colombia S.A. has an internal credit rating of (C).

Controlling:

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) - Equity Method
Inversiones y Construcciones Estratégicas S.A.	873,371	Construction	COP107,782,442	65.88	7,218,198
Portafolio de Inversiones Suramericana S.A. subject to liquidation	1,489,473	Investments	6,517,234,108	100.00	244,764,556
Suramericana S.A.	24,136	Investments	489,580,055	40.14	82,702,781

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) - Equity Method
Enlace Operativo S.A.	10,450	Services	2,602,465	55.00	(900,366)
Suramericana (B.V.I.) Corp,	25,569,462	Investments	4,720,930	35.82	(142,353)
			7,121,920,000		**333,642,816**

Of the total balance of GRUPOSURA's investments, COP 235,071,303 has been pledged as collateral for Company loans.

Provision for investments

The following is a breakdown of the Provisions for Investments held for the years ended December 31:

	2010	2009
Opening balance	COP 12,539,358	8,098,909
Provision – market	143,752	31,664,556
Reimbursed amounts on the income accounts	(15,199)	(159,624)
Cancelled sales	(5,143,348)	(27,064,483)
Closing balance	7,524,563	12,539,358
Provision for credit risk (opening and closing balances)	18,113	18,113
	7,542,676	**12,557,471**

The following is a breakdown of investments posted using the equity method:

2010

Company	Assets	Liabilities	Equity	Profit or Loss
Portafolio Suramericana de Inversiones S.A. subject to liquidation	COP 7,292,102,563	3,023,831	7,289,078,732	427,859,348
Inversiones y Construcciones Estratégicas S.A.S.	194,415,631	66,022,000	128,393,631	8,868,009
Suramericana S.A.	1,370,519,260	19,764,390	1,350,754,870	309,254,129
Enlace Operativo S.A.	8,294,286	2,909,126	5,385,160	(2,362,192)
Grupo Inversiones Suramericana Panamá	47,553,977	5,856,262	41,697,715	(1,196,235)
	8,912,885,717	97,575,609	8,815,310,108	742,423,059
Effect on the income accounts using the equity method, in terms of net income (losses)				567,060,204
Effect on assets				834,531,239
Effect on the valuation surplus account using the equity method				285,882,364

2009

Company	Assets	Liabilities	Equity	Profit or Loss
Portafolio Suramericana de Inversiones S.A. subject to liquidation	COP 6,560,494,367	43,247,133	6,517,247,234	244,765,047
Inversiones y Construcciones Estratégicas S.A.	185,676,120	22,072,392	163,603,728	26,051,101
Suramericana S.A.	1,211,309,359	26,106,255	1,185,203,104	213,979,748
Enlace Operativo S.A	7,524,409	2,792,654	4,731,755	(1,637)
Suramericana (B.V.I.) Corp,	36,804,162	4,053,018	32,751,144	19,172,802
	8,001,808,417	98,271,452	7,903,536,965	503,967,061
Effect on the income accounts using the equity method, in terms of net income (losses)				333,642,816
Effect on assets				2,976,933,289
Effect on the valuation surplus account using the equity method				2,644,892,554

The following is a breakdown of the shareholder equity structure for companies recorded using the equity method:

2010

Company	Capital	Reserves	Surplus	Profit or Loss from prior year	Profit or Loss for current year	Total Equity
Portafolio Suramericana de Inversiones S.A. subject to liquidation	COP 11,746,008	969,134,806	5,880,338,570	-	427,859,348	7,289,078,732
Suramericana S.A.	30,069	520,760,763	520,709,909	-	309,254,129	1,350,754,870
Inversiones y Construcciones Estratégicas S.A.S.	2,359,739	57,018,589	60,147,294	-	8,868,009	128,393,631
Enlace Operativo S.A.	1,960,000	13,041	8,670,680	(2,896,369)	(2,362,192)	5,385,160
Grupo Inversiones Suramericana Panamá	136,639,455	-	18,171,670	(111,917,175)	(1,196,235)	41,697,715

Stakes held in controlling companies consist of ordinary shares.

2009

Company	Capital	Reserves	Surplus	Profit or Loss from prior year	Profit or Loss for current year	Total Equity
Portafolio de Inversiones Suramericana S.A.	COP 11,746,008	724,369,759	5,536,366,420	-	244,765,047	6,517,247,234
Inversura S.A.	30,069	356,772,904	614,420,383	-	213,979,748	1,185,203,104
Inversiones y Construcciones Estratégicas S.A.	2,359,739	32,574,067	101,482,093	1,136,728	26,051,101	163,603,728
Enlace Operativo S.A.	1,900,000	13,041	5,715,083	(1,259,340)	(1,637,029)	4,731,755
Suramericana (B.V.I.) Corp.	145,938,031	-	6,346,466	(138,706,155)	19,172,802	32,751,144

Stakes held in controlling companies consist of ordinary shares.

(5) Accounts receivable

The following is a breakdown of the Accounts Receivable at December 31:

	2010	2009
Special commercial current accounts (1)	COP7,823,558	7,823,558
Related companies		
Inversiones y Construcciones Estratégicas S.A.S. (2)	10,178,255	-
Advance payments	-	33,872
Dividends receivable (3)	34,706,403	31,734,566
Interest receivable (4)	6,156,902	1,546,051
Deposits on share subscriptions – Grupo de Inversiones Suramericana S.A. Panamá S.A.	3,794,776	4,053,097
Prepaid tax	9,180,923	4,846,325
Miscellaneous receivables (5)	5,494,034	4,023
	77,334,851	50,041,492
Current maturities	77,334,851	42,217,934
Long-term maturities	-	7,823,558

(1) Special commercial current accounts totaling COP 7,823,558 represent the sale of stakes held in Makro Supermayorista S.A. and Comercializadora Inmobiliaria Internacional S.A., the payment of which is scheduled to be received in June 2011.

(2) Corresponds to the current account transactions between related companies.

(3) The following is a breakdown of the Dividends Receivable account at December 31:

	2010	2009
Bancolombia S.A.	COP17,202,495	14,068,178
Almacenes Éxito S.A.	-	309,782
Grupo Nacional de Chocolates S.A.	10,568,349	9,029,040
Protección S.A.	-	2,508,426
Inversiones Argos S.A.	6,935,559	5,819,140
	34,706,403	**31,734,566**

(4) The following is a breakdown of the Interest Receivable account at December 31:

	2010	2009
Bancolombia S.A.	COP 1,441,221	-
Portafolio Suramericana de Inversiones S.A. subject to liquidation	-	1,531,917
Inversiones y Construcciones Estratégicas S.A.	4,484,008	-
Valores Bancolombia S.A.	231,673	14,134
	6,156,902	**1,546,051**

(5) The following is a breakdown of the Miscellaneous Receivables account at December 31, 2010:

BBVA– forward – right	COP 83,163,268
BBVA– forward – obligation USD 41,815,555.26	(80,034,136)
JP Morgan – forward – right	119,911,179
JP Morgan – forward – obligation USD 61,415,555.33	(117,548,145)
Comisionista de bolsa Valores Bancolombia S.A.	1,868
	5,494,034

(6) Valuations

The following is a breakdown of the Valuation account at December 31:

	2010	2009
Permanent equity investments:		
Valuations	**COP 7,363,600,136**	**4,993,303,492**

The following companies recorded the below valuations for the year ended December 31, 2010:

2010

Company	Cost	Commercial Value	Valuation
Pizano S.A.	COP 3,133,933	4,763,438	1,629,505
Protección S.A.	80,030,156	207,510,449	127,480,293
Bancolombia S.A.	776,403,715	3,216,584,799	2,440,181,084
Grupo Nacional de Chocolates S.A.	617,018,162	3,513,401,855	2,896,383,693
Inversiones Argos S.A.	1,209,655,930	3,107,044,394	1,897,388,464
Trust rights - PA Reacol(1)	-	537,097	537,097
	2,686,241,896	**10,049,842,032**	**7,363,600,136**

(a) The total cost was repaid in cash, as decided at the Annual General Meeting of the Trustee, PA Reacol, held on March 17, 2009. This trust is managed by Fiduciaria Bancolombia S.A.

2009

Company	Cost	Commercial Value	Valuation
Pizano S.A.	COP 10,982,800	15,615,705	4,632,905
Almacenes Éxito S.A.	86,086,247	100,523,259	14,437,012
Protección S.A.	63,194,485	164,742,291	101,547,806
Bancolombia S.A.	619,687,569	2,064,771,193	1,445,083,624
Grupo Nacional de Chocolates S.A.	473,624,414	2,462,964,596	1,989,340,182
Inversiones Argos S.A.	1,102,582,307	2,525,843,003	1,423,260,696
Tipiel S.A.	1,363,469	14,988,174	13,624,705
Trust rights - PA Reacol[1]	-	1,376,562	1,376,562
	2,357,521,291	**7,350,824,783**	**4,993,303,492**

(1) The total cost was repaid in cash, as decided at the Annual General Meeting of the Trustee, PA Reacol, held on March 17, 2010. This trust is managed by Fiduciaria Bancolombia S.A.

(7) Financial Obligations

The following is a breakdown of the Financial Obligations account at December 31:

2010

	Rate (%)	Term (Days)	Value	Guarantee	Accrued Interest
Banco de Bogotá S.A. US$20,000,000	1.8507	181	COP38,279,600	Promissory Note	78,931
Repos - Valores Bancolombia S.A[1]	4.64		43,558,296		817,109
			81,837,896		896,040

[1] Transactions with Valores Bancolombia consist of repos on shares and sell/buybacks on bonds.

2009

	Rate (%)	Term (Days)	Value	Guarantee	Accrued Interest
Banco de Bogotá S.A.	9.27	1,080	COP49,000,000	Shares	95,302

Amortization Plan	Value
2010	COP 17,818,182
2011	17,818,182
2012	13,363,636
	49,000,000

This loan was guaranteed with 1,585,000 shares held in Grupo Nacional de Chocolates S.A. and 2,025,000 shares held in Inversiones Argos S.A. The loan was paid off in 2010.

(8) Bonds and Commercial Paper

On November 25, 2009, GRUPOSURA, with due authorization from the Colombian Superintendency of Finance, issued COP 250,000,000 of ordinary bonds.

Bids worth COP 1,323,711,000 were received and ultimately the ordinary bonds were placed as follows:

Series	Capital	Maturities of more than one year	Indicator	Spread Cut-Off Rate
C10	54,500,000	54,500,000	CPI	4.40%
C20	98,000,000	98,000,000	CPI	5.90%
C40	97,500,000	97,500,000	CPI	6.98%
TOTAL	**250,000,000**	**250,000,000**		**5.99%**

On March 10, 2010, GRUPOSURA, with due authorization from the Colombian Superintendency of Finance, issued COP 233,652,000 of commercial paper on the Colombian stock market.

GRUPOSURA initially offered COP 150,000,000 with the option to allot up to COP 250,000,000. GRUPOSURA received bids totaling COP 334,252,000 (for a bid to cover ratio of 2.23) and placed COP 233,652,000, due on March 8, 2011, at a rate of 4.64%.

Series	Capital	Indicator	Spread Cut-Off Rate
A363	233,652,000	Fixed Rate	4.64%

Leading placement agent and consultant: Banca de Inversión Bancolombia S.A. Corporación Financiera.
Placement agents: Valores Bancolombia S.A., Serfinco S.A. and Interbolsa S.A.
Legal representative for the bondholders: Fiduciaria Fiducor S.A.
Dutch Auction System Administrator: Bolsa de Valores de Colombia S.A.

(9) Other Financial Obligations

The following is a breakdown of the Other Financial Obligations account at December 31, 2009:

Issuer	Capital	Interest	Guarantee	Current maturities of less than one year
Portafolio Suramericana de Inversiones S.A. subject to liquidation	COP 3,762,263	-		COP 3,762,263

(10) Accounts Payable

The following is a breakdown of the Accounts Payable account at December 31:

	2010	2009
Suppliers	COP -	35,183
Costs and expenses (1)	11,722,058	2,529,905
Dividends	7,421,863	30,642,987
Withholding tax	276,680	172,218
Withheld sales tax	62,487	4,461
Withholdings and payroll contributions	4,630	-
Miscellaneous payables (2)	4,316,703	4,425,937
	23,804,421	**37,810,691**

(1) The following is a breakdown of the costs and expenses at December 31:

	2010	2009
Banco de Bogotá S.A.	COP 78,931	95,302
Deposito centralizado de valores	10,797,526	2,105,027

	2010	2009
Valores Bancolombia S.A.	817,109	-
Portafolio de Inversiones Suramericana S.A. Subject to liquidation	-	120,681
Mafre S.A.	-	189,081
Other	28,492	19,814
	11,722,058	**2,529,905**

(2) The following is a breakdown of the Miscellaneous Payables account at December 31:

	2010	2009
Servicios Generales Suramericana S.A.	COP 32,975	-
Seguros Generales Suramericana S.A.	42,456	64,803
Inversiones y Construcciones Estratégicas S.A.	-	10,656
Citibank – swap – right USD 11,467,900 (a)	(26,190,604)	(23,995,899)
Obligation	21,949,332	28,343,346
Other minor payables	-	3,031
	4,316,703	**4,425,937**

(a) Citibank – *swap* – right $11,467,900 is a *"Non-Deliverable Swap"* taken out with Citibank N.A. with the following terms and conditions: swaption right to $89,842,785, at an interest rate of LIBOR +1.125%, with the principal of the obligation totaling $200,225,876, at 9.80% on a half-yearly in arrears basis, maturing in July, 2012.

(11) Labor liabilities

The following is a breakdown of the Labor Liabilities account at December 31:

	2010	2009
Consolidated severance payments	COP 54,484	35,268
Interest on severance payments	6,350	3,933
Consolidated vacation payments	83,477	43,675
Extralegal bonuses	97,643	56,933
	241,954	**139,809**

(12) Prepaid income

The following is a breakdown of the Non-Callable Declared Dividends account at December 31:

	2010	2009
Grupo Nacional de Chocolates S.A.	**COP 7,098,660**	**6,019,360**

(13) Estimated Liabilities and Provisions

The following is a breakdown of the Estimated Liabilities and Provisions account at December 31:

	2010	2009
Income and other complementary taxes	COP 8,774,530	6,706,317
Industry and commerce tax	1,881,847	3,442,774
Income tax surcharge	27,697	27,697
For contingencies	100,000	100,000
	10,784,074	**10,276,788**

The following is a breakdown of the Income Tax Provision Balance for the years ended December 31:

	2010	2009
Balance of estimated liabilities at beginning of year	COP 6,706,317	6,910,599
Income tax return for the year	(5,274,161)	(5,369,892)
Reversed provision for prior years	(257,626)	(272,973)
Value posted for the year	7,600,000	5,438,583
Balance of income tax provision	**8,774,530**	**6,706,317**

The following is a breakdown of the Industry and Commerce Tax balance for the years ended December 31:

	2010	2009
Balance of estimated liabilities at beginning of year	COP 3,442,774	1,454,817
Provision for the year	1,686,539	3,247,466
Difference - prior years	72	-
Value declared for the year	(3,247,538)	(1,259,509)
Balance of industry and commerce tax provision	**1,881,847**	**3,442,774**

(14) Common Stocks

The Company's authorized capital consists of 500,000,000 shares, with a nominal value of COP 187.50 pesos per share. Its subscribed and paid-capital for the years ended December 31, 2010 and December 31, 2009 consisted of 469,037,260 shares.

(15) Statutory Reserve

By law, the Company must set up a statutory reserve of 10% of its net income of each year up to 50% of the total value of subscribed capital. This reserve may be reduced to less than 50% of the total value of GRUPOSURA's subscribed capital, providing it is used to absorb losses that exceed the amount of undistributed earnings. This reserve may not be used to pay dividends or cover expenses or losses incurred during any period in which GRUPOSURA possesses undistributed earnings.

Shareholders may vote to increase the statutory reserve to more than 50% of the total value of GRUPOSURA's subscribed capital. Reserve in excess of 50% of the total value of GRUPOSURA's subscribed capital may be used for any purpose that GRUPOSURA's shareholders approve.

(16) Voluntary reserves

The following is a breakdown of Voluntary Reserves at December 31:

	2010	2009
Decree 2336 of 1995 (unrealized earnings on increased value of investments)	COP340,073,159	355,865,199
For the protection of investments	2,299,251,170	1,966,610,853
	2,639,324,329	**2,322,476,052**

(17) Equity Revaluation

Equity revaluation decreased by COP 359,698 in December 31, 2010 as compared to December 31, 2009 due to the payment of wealth tax under Article 25 of Law 1111 passed in 2006.

(18) Equity Method Surplus

The following is a breakdown of the Equity Method Surplus account for the year ended December 31, 2010:

Balance at December 31, 2009	COP 5,035,422,105
Valuation accruing for 2010	289,212,786
Adjustments on exchange difference Decree 4918 of 28/12/2007	(3,330,422)
Balance at December 31, 2010	**5,321,304,469**

(19) Memorandum Accounts

The following is a breakdown of the Memorandum Accounts at December 31:

	2010	2009
Debit accounts:		
Tax receivable	COP270,724,759	520,512,402
Securities pledged as collateral	339,183,444	235,071,304
Adjustments for inflation on assets	560,112,701	562,012,839
Written-off assets	577,613	2,973,734
	1,170,598,517	**1,320,570,279**
Credit accounts		
Securities received in the form of collateral(1)	-	46,502,000
Adjustments for inflation on equity	955,930,609	956,290,307
Tax payable	11,017,079,556	5,064,702,451
	11,973,010,165	**6,067,494,758**

(1) Collateral corresponding to liquidity operations stated at nominal value (See Note 4 above)

(20) Related parties

Subsidiaries, members of the Board of Directors, Shareholders who are beneficiaries of 10% or more of the company's total shares outstanding, legal representatives and Senior Management are considered related parties of GRUPOSURA:

<u>Subsidiaries</u>

Seguros Generales Suramericana S.A.
Seguros de Vida Suramericana S.A.
Inversiones y Construcciones Estratégicas S.A.S.
Servicios de Vehículos Suramericana S.A.
Administradora de Carteras Colectivas Suramericana S.A.
EPS y Medicina Prepagada Suramericana S.A.
Consultoría en Gestión de Riesgos IPS Suramericana S.A.
Servicios de Salud IPS Suramericana S.A.
Seguros de Riesgos Profesionales Suramericana S.A.
Portafolio de Inversiones Suramericana S.A. subject to liquidation
Enlace Operativo S.A.
Grupo de Inversiones Suramericana Panamá S.A.
Inversura Internacional Panamá S.A.
Seguros Suramericana S.A. (Panamá)
Suramericana S.A.
Servicios Generales Suramericana S.A.S.

Members of the Board of Directors

José Alberto Vélez Cadavid
Carlos Enrique Piedrahíta Arocha
Juan Guillermo Londoño Posada
Jorge Mario Velásquez Jaramillo
Hernando Yepes Arcila
Armando Montenegro Trujillo
Hernando José Gómez Restrepo

Shareholders who are beneficiaries of 10% or more of the Company's total shares outstanding

None

Legal Representatives

None

Senior Management

David Bojanini García
Andrés Bernal Correa
Mario López López
Fernando Ojalvo Prieto

The following is a breakdown of significant balances and transactions with related parties as at and for the years ended December 31:

	2010	2009
Assets		
Commercial current account		
Inversiones y Construcciones Estratégicas S.A.S.	COP 10,178,255	-
Interest		
Inversiones y Construcciones Estratégicas S.A.S.	4,484,008	-
Portafolio de Inversiones Suramericana S.A. subject to liquidation	-	1,531,917
Deposits		
Grupo de Inversiones Suramericana Panamá S.A.	3,794,776	4,053,097
	18,457,039	**5,585,014**
Liabilities		
Other financial obligations		
Portafolio de Inversiones Suramericana S.A. subject to liquidation	COP -	3,762,263
Interest		
Portafolio de Inversiones Suramericana S.A. subject to liquidation	-	120,681
Sundry creditors		
Servicios Generales Suramericana S.A.	32,975	-
Inversiones y Construcciones Estratégicas S.A.S.	-	10,656
Seguros Generales Suramericana S.A.	42,456	64,803
	75,431	**3,958,403**
Operating revenues		
Interest		
Portafolio de Inversiones Suramericana S.A. subject to liquidation	COP 123,869	1,531,917
Inversiones y Construcciones Estratégicas S.A.S.	4,484,008	-
Seguros de Vida Suramericana S.A.	176,893	-
Seguros Generales Suramericana S.A.	252,144	-
	5,036,914	**1,531,917**
Operating expense		
Seguros de Riesgos Profesionales Suramericana S.A.	COP 7,055	5,063
Portafolio de Inversiones Suramericana S.A. – interest	10,499,640	-
EPS y Medicina Prepagada Suramericana S.A.	118,287	-
Enlace Operativo S.A.	11,762	-
Seguros Generales Suramericana S.A.	17,449	61,730
Seguros Generales Suramericana S.A. – fees	360,774	367,037
Non-operating expense		
Portafolio de Inversiones Suramericana S.A. subject to liquidation	-	120,681
	11,014,967	**554,511**

Note: Transactions with related parties were carried out on an “arms-length” basis, at market prices and under conditions established by the market.

A breakdown of the fees paid to members of the Board of Directors is attached to the Balance Sheet, pursuant to Article 446 of the Code of Commerce. COP 3,000,000 of fees was paid to each member of the Board of Directors on a monthly basis.

For the years ended December 31, 2010 and December 31, 2009, GRUPOSURA did not engage in any transactions with legal representatives, senior management and beneficial owners of 10% or more of the total amount of GRUPOSURA’s total shares outstanding.

(21) Financial Derivatives

The following is the breakdown for Financial Derivatives breakdown for the years ended December 31, 2010 and 2009:

(1) GRUPOSURA holds a call option with J.P. Morgan Services Inc. with the following terms and conditions:

Counterparty:	J.P. Morgan Services Inc.
Option style:	European
Option type:	Call
Underlying:	ADRs pertaining to Bancolombia
Beginning date:	December 18, 2007
Ending date:	July 3, 2012

The expense recorded for the year ended December 31, 2010 consisted of compensation payments on derivatives.

Exercise price	Compliance price	Compensation USD
38.76	45.23	1,002.5
40.40	51.74	1,768.9
44.88	48.10	1,618.9
46.30	66.19	10,006.9

The Company holds two tranches of call options with Credit Suisse International with the following terms and conditions:

	Tranche 1	Tranche 2
Option style:	European	European
Option type:	Call	Call
Underlying:	ADRs pertaining to Bancolombia	ADRs pertaining to Bancolombia
Beginning date:	October 7, 2009	October 7, 2009
Ending date:	April 7, 2010	October 7, 2010

The income for 2009 represents the premiums received for the sale of this call option.

(22) Income tax provision

(a) The following is a reconciliation between book profits and taxable income estimated for the years ended December 31:

	2010	2009
Earnings before income tax	COP 703,865,906	451,488,846
Items that increase taxable earnings:		
Non-deductible provisions that constitute temporary differences	1,686,539	3,247,216
Non-deductible provisions that constitute permanent differences	-	31,664,556
Losses on sales of shares	422,381	-
Non-deductible vehicle tax	4,199	4,707
Dividends on permanent controlling investments	20,064,257	196,534,282
Tax on financial transactions	27,009	10,815
Valuations based on market prices	170,064	24,567
Taxable profits from sales of investments	-	47,597,980
Other non-deductible tax	-	756,956
Losses incurred through equity method	1,727,655	1,042,719
Provision for investments	143,752	-

	2010	2009
Other non-deductible expense	176,294	340,888
Items that reduce taxable earnings:		
Industry and commerce tax payment	(5,235,567)	(1,397,513)
Earnings from sales of investments	(51,832,583)	(25,140,208)
Taxable profits from sales of investments	-	(47,597,980)
Reversed provision for investments	(15,199)	(159,624)
Reversed provision – Others	-	(279,274)
Earnings – equity method	(568,787,859)	(334,685,535)
Reversed provision for income tax	(257,626)	-
Non-taxable dividends and participations	(143,528,709)	(322,313,584)
Income from appreciation of equity investments	(19,970,509)	(7,841,237)
Estimated tax losses	COP (61,339,996)	(6,701,423)
Presumptive income applicable on net equity	22,894,380	16,480,556
Income tax provision at a nominal rate of 33%	7,555,145	5,438,583
Additional provision	44,855	-
Total income tax provision	7,600,000	5,438,583

(b) The following is a reconciliation between book and tax equity for the years ended December 31:

	2010	2009
Book equity	COP17,561,190,562	14,338,307,332
Items that increase equity for tax purposes:		
Non-deductible provision that constitutes a temporary	1,881,847	3,442,774
Prepaid dividend income	7,098,661	6,019,360
Non-deductible provisions that constitute permanent differences	7,542,676	12,557,471
Income tax provision	1,202,227	1,295,431
Items that reduce equity for tax purposes:		
Valuations	(7,363,600,136)	(4,993,303,492)
Less non-callable dividends	(7,098,661)	(6,019,360)
Tax equity	**10,208,217,176**	**9,362,299,516**

(c) The following is a breakdown of Tax Losses to be offset for the years ended December 31:

Tax losses obtained in:	2010	2009
2008	COP 4,854,442	4,854,442
2009	5,414,481	-
	10,268,923	**4,854,442**

These losses, readjusted for tax purposes, may be offset with ordinary net income (1) for losses produced between 2003 and 2006, within the following eight years up to 25% of the total losses per year and (2) for losses after 2007, without any time restrictions.

Surplus presumptive income versus ordinary income may be readjusted for tax purposes and offset using ordinary income earned within five years of the incurrence of such surplus.

For the year ended December 31, 2007 through the year ended December 31, 2010, all taxpayers with an equity greater than three thousand million pesos (COP 3,000,000) paid wealth taxes. Wealth tax accrued on January 1st of each year and was calculated based on a tax rate of 1.2% of net equity as of January 1st for the year ended December 31, 2007.

(23) Subsequent Events

- On December 16, 2010, GRUPOSURA authorized the issuance of up to $300 million of bonds by one of its subsidiaries, the net proceeds of which are to be used for international expansion.

- The Board of Directors of GRUPOSURA approved the commencement of studies and procedures required to list GRUPOSURA's shares on the LATIBEX market. The studies and procedures were duly performed.

- On January 21, 2011 the Company was notified, by the Superintendency of Companies, of Resolution Number 610-000004 dated January 19, 2011, which authorizes the statutory reform consistent with the winding up of subsidiary Portafolio de Inversiones Suramericana S.A - En Liquidación. Portafolio de Inversiones Suramericana S.A - En Liquidación will transfer all of its equity to GRUPOSURA. The Company will continue to comply with procedures necessary in order to obtain the authorization of Colombia's Superintendency of Finance.

- On January 24, 2011, GRUPOSURA disclosed that its subsidiary, Enlace Operativo S.A. ("Enlace"), will be applying for authorization from the Colombian Superintendency for Industry and Commerce to acquire a 100% stake in Compuredes S.A., a Colombian company that provides outsourcing services in the area of technological solutions, from Negocios Belvedere S.A.S. for approximately COP 35,000,000. The purchase will be funded by capitalization from the shareholders of Enlace.

  This acquisition is part of the growth strategy that GRUPOSURA is currently implementing within the service sector. This growth strategy mainly relates to Business Process Outsourcing.

- On January 27, 2011, GRUPOSURA announced that its subsidiary Suramericana S.A. had signed an agreement to purchase Progreso Compañía de Seguros S.A. ("Proseguros"), an insurance company based in the Dominican Republic. Proseguros' annual premiums as of December 2010 were $72 million. The total value of the acquisition is $22.5 million. This acquisition forms part of the international expansion strategy that GRUPOSURA is pursuing in conjunction with its subsidiaries.

- On February 7, 2011, GRUPOSURA announced that its subsidiary Suramericana S.A. had signed a contract to acquire Aseguradora Suiza Salvadoreña S.A. ("ASESUISA"), which belongs to Banagrícola, a subsidiary of Grupo Bancolombia. ASESUISA leads the insurance market in El Salvador, with annual premiums of $88 million. The total value of this acquisition is $98 million. This transaction is subject to obtaining approval from regulatory authorities.

- On February 23, 2011, GRUPOSURA was admitted to LATIBEX, an international market for Latin American securities traded in Euros, which is managed by Bolsas y Mercados Españoles in Spain. LATIBEX has been in operation since December, 1999. GRUPOSURA will be the first Colombia company listed on LATIBEX, which to date includes companies from Mexico, Puerto Rico, Chile, Argentina and Brazil, among others. GRUPOSURA's ordinary stocks will begin trading on LATIBEX on February 28, 2011 under the symbol, "XGSUR." Santander Investment will act as the Liaison Entity and Specialist in Spain, while Santander Investment Trust Colombia will act as the custodian in Colombia.

(24) Presentation

Certain figures in the financial statements for the year ended December 31, 2009 were reclassified to facilitate comparison with the financial statements for the year ended December 31, 2010.

STATUTORY AUDITOR'S REPORT

To the Shareholders
Grupo de Inversiones Suramericana S.A.
(Formerly Suramericana de Inversiones S.A. Suramericana)

I have audited the balance sheets of Grupo de Inversiones Suramericana S.A. at December 31, 2009 and 2008, and the related Statements of Income, Changes in Shareholders Equity, Changes in the Financial Position and Cash Flows, the summary of significant accounting policies and other explanatory notes, for the years then ended.

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation, fair presentation and disclosure of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the necessary information and carried out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making this risk assessment, the statutory auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. I believe that my audits provide a reasonable basis for my audit opinion.

In my opinion, the above-mentioned financial statements, taken accurately from books and attached to this report, present fairly in all significant respects, the financial position of Grupo de Inversiones Suramericana S.A. at December 31, 2009 and 2008, the results of its operations, changes in the financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia, applied on a consistent basis.

Based on the results of my tests in my opinion:

a) The Company's accounting records and books have been kept in accordance with the law and professional accounting practice.

b) The operations recorded in the books and the Company's Management performance are in conformity with bylaws and decisions of the general Shareholders meeting.

c) The correspondence, the vouchers of accounts and the minutes and records of shares books have been properly maintained.

d) There are appropriate measures of internal controls in order to prevent and control money laundering and financing of terrorism, maintenance and custody of the Company's own assets and those of third parties in its possession.

e) The report prepared by the Company's Management agrees with the accompanying financial statements.

f) The information contained in the contributions to the Social Security System, particularly with regard to affiliates and their income-based contributions were calculated correctly and paid in opportune form; the Company is up to date in payment of contributions to the Social Security system.

Susana Contreras Poveda
Statutory Auditor of Grupo de Inversiones Suramericana S.A.
(formerly Suramericana de Inversiones S.A. Suramericana)
Registration 11017 – T
Member of KPMG Ltda.

February 12, 2010

GRUPO DE INVERSIONES SURAMERICANA S.A.
(Formerly SURAMERICANA DE INVERSIONES S.A. SURAMERICANA)
Balance Sheets
At December 31, 2009 and 2008
(In thousands of COP)

Assets

	2009	2008
Current assets:		
Cash (note 3)	COP 5,444,606	107,734
Short-term investments (note 4)	161,390,128	79,998,099
Accounts receivable, net (notes 5 and 20)	42,217,934	38,680,008
Prepaid expenses and deferred charges	173,325	173,325
Total current assets	209,225,993	118,959,166
Accounts receivable, net (note 5)	7,823,558	10,431,392
Permanent investments (notes 4 and 6)	9,484,775,927	6,561,618,873
Property, plant and equipment	104,987	187,612
Other assets	82,286	74,486
Valuations (notes 4 and 6)	4,993,303,492	2,010,971,867
Total assets	14,695,316,243	8,702,243,396
Liabilities and shareholders' equity		
Current liabilities:		
Financial obligations (note 7)	-	14,905,514
Commercial paper (note 8)	-	95,000,000
Other financial obligations (notes 9 and 20)	3,762,263	159,906,421
Accounts payable (notes 10 and 20)	37,810,691	33,102,437
Employee benefit liabilities (note 11)	139,809	111,101
Unearned revenues (note 12)	6,019,360	5,584,832
Estimated liabilities and provisions (note 13)	10,276,788	8,393,113
Total current liabilities	58,008,911	317,003,418
Long term financial obligations (note 7)	49,000,000	-
Ordinary Bonds (note 8)	250,000,000	-
Total liabilities	357,008,911	317,003,418
Shareholders' equity:		
Common stock (note 14)	87,944,486	87,944,486
Additional paid-in capital	358,025,576	358,025,576
Legal reserve (note 15)	138,795,051	138,795,051
Voluntary reserves (note 16)	2,322,476,052	2,169,309,754
Equity Revaluation (note 17)	956,290,307	956,650,005
Surplus from the equity method (note 18)	5,035,422,105	2,390,529,551
Valuations (notes 4 and 6)	4,993,303,492	2,010,971,867
Net income	446,050,263	273,013,688
Shareholders' equity	14,338,307,332	8,385,239,978
Total liabilities and shareholders' equity	14,695,316,243	8,702,243,396
Contingent and memorandum accounts (note 19)		
Debtors	COP 1,320,570,279	2,112,837,611
Creditors	6,067,494,758	8,453,487,408

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
(Formerly SURAMERICANA DE INVERSIONES S.A. SURAMERICANA)
Income Statements
Years ended December 31, 2009 and 2008
(In thousands of COP)

	2009	2008
Operating revenues (note 20):		
Dividends	COP139,300,331	114,590,028
Interests	5,478,464	4,549,390
Earnings from the equity method, net (note 4)	333,642,816	152,177,661
Earnings from sale of investments, net	25,140,208	1,138,099
Unrealized gains on marketable securities, net	7,841,237	(13,217,508)
Derivatives operations (note 21)	5,098,527	-
Reimbursement provision for investments (note 4)	159,624	49,610,865
	516,661,207	308,848,535
Operating and administrative expenses		
Provision for investments (note 4)	31,664,556	2,386,593
Tax Refund	(272,973)	-
Payroll expenses	3,784,221	3,322,319
Fees	2,595,056	1,513,091
Administrative expenses	8,867,602	4,468,978
Depreciation	82,625	82,624
	46,721,087	11,773,605
Operating income	469,940,120	297,074,930
Non operating expenses (income) (note 20):		
Foreign-exchange	7,049,865	5,236,788
Interests	10,711,366	12,204,922
Bank expenses – commissions	541,541	415,358
Extraordinary expenses	152,070	-
Miscellaneous	(3,568)	(175,826)
	18,451,274	17,681,242
Income before taxes	451,488,846	279,393,688
Income tax provision (note 22)	(5,438,583)	(6,380,000)
Net income	446,050,263	273,013,688
Earnings per share, in pesos	950.99	590.62

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
(Formerly SURAMERICANA DE INVERSIONES SURAMERICANA S.A. SURAMERICANA)
Cash Flow Statements
Years ended December 31, 2009 and 2008
(In thousands of COP)

	2009	**2008**
Cash flow from operating activities		
Net income	COP446,050,263	273,013,688
Reconciliation between the net income and the net cash		
Flow provided (used) by operating activities		
Provision for investments	31,664,556	2,386,593
Recovery of provision for investments	(159,624)	(49,610,865)
Tax Refund	(272,973)	-
Earnings from sale of investments, net	(25,140,208)	(1,138,099)
Earnings from equity method, net	(333,642,816)	(152,177,661)
Unrealized gains on marketable securities, net	(7,841,237)	13,217,508
Depreciation	82,625	82,624
	110,740,586	85,773,788
Changes in operating items		
Accounts receivable	(930,092)	(19,497,052)
Prepaid expenses	-	124,952
Other assets	(7,800)	(25,750)
Accounts payable	2,506,032	(158,873)
Employee benefit liabilities	28,708	26,962
Unearned revenues	434,528	1,776,659
Estimated liabilities and provisions	2,156,648	2,545,030
Earnings from sale of investments	107,771,702	77,599,732
Merger movement	-	148,889,110
Increase in investments, net	(192,224,331)	(206,955,016)
Dividends received from controlling companies	196,534,282	15,133,561
Net cash provided (used) by operating activities	227,010,263	105,233,103
Cash flow from financing activities		
Common stock	-	2,182,619
Share premium	-	149,198
Commercial paper	(95,000,000)	19,500,000
Increase in bank loans and other financial obligations	127,950,328	(37,132,054)
Revaluation used for payment of equity tax	(359,698)	(359,698)
Donations	(1,650,000)	(1,500,000)
Dividends paid	(115,995,168)	(104,456,772)
Cash provided (used) by financing activities	(85,054,538)	(121,616,707)
Net cash decrease in cash and cash equivalents	141,955,725	(16,383,604)
Cash and cash equivalents at the beginning of the year	109,355	16,492,959
Cash and cash equivalents at the end of the year	142,065,080	109,355

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
(Formerly SURAMERICANA DE INVERSIONES SURAMERICANA S.A. SURAMERICANA)
Statements of Changes in Financial Position
Years ended December 31, 2009 and 2008
(In thousands of COP)

	2009	2008
Sources of working capital		
Net income	COP446,050,263	273,013,688
Items that do not use (provide) working capital		
Provision for investments	31,664,556	2,386,593
Recovery of provision for investments	(159,624)	(49,610,865)
Earnings from sale of investments, net	(25,140,208)	(1,138,099)
Earnings from the equity method, net	(333,642,816)	(152,177,661)
Depreciation	82,625	82,624
Working capital provided by operations	118,854,796	72,556,280
Earnings from sale of investments	107,771,702	77,599,732
Share issuance	-	2,182,619
Additional paid-in capital	-	149,198
Merger movement	-	148,889,110
Decrease in accounts receivable non-current portion	2,607,834	-
Dividends received from controlling companies	196,534,282	15,133,561
Increase in financial obligations	299,000,000	-
	724,768,614	316,510,500
Uses of working capital		
Increase in investments	255,292,392	413,244,609
Increase in accounts receivable non-current portion	-	10,431,392
Dividends paid	118,197,390	107,466,331
Donations	1,650,000	1,500,000
Equity revaluation for payment of equity tax	359,698	359,698
Other assets	7,800	25,750
Increase (decrease) in working capital	349,261,334	(216,517,280)
Changes in the components of working capital		
Increase (decrease) in current assets		
Cash and cash equivalents	5,336,872	(2,602,006)
Investments in available-for-sale equity securities	81,392,029	(233,288,699)
Accounts receivable	3,537,926	9,065,660
Prepaid expenses	-	(124,952)
	90,266,827	(226,949,997)
Increase (decrease) in current liabilities		
Financial obligations	(14,905,514)	(5,641,352)
Commercial paper	(95,000,000)	19,500,000
Other financial obligations	(156,144,158)	(31,490,702)
Accounts payable	4,708,254	2,850,686
Employee benefit liabilities	28,708	26,962
Unearned revenues	434,528	1,776,659
Estimated liabilities and provisions	1,883,675	2,545,030
	(258,994,507)	(10,432,717)
Increase (decrease) in working capital	349,261,334	(216,517,280)

See notes to the financial statements.

GRUPO DE INVERSIONES SURAMERICANA S.A.
(Formerly SURAMERICANA DE INVERSIONES S.A. SURAMERICANA)
Statement of Changes in Shareholders' Equity
Years ended December 31, 2009 and 2008
(In thousands of COP)

	Common stock	**Additional paid-in capital**	**Legal reserve**	**Voluntary reserves**	**Equity Revaluation**	**Surplus from the equity method**	**Valuations**	**Net income**	**Total shareholders' equity**
Balance at December 31, 2007	COP 85,761,867	357,876,378	137,927,099	1,880,884,887	956,881,845	3,709,812,369	2,690,762,823	249,497,898	10,069,405,166
Distribution of 2007 results according to General Shareholders' Meeting Minutes # 12, dated March 27, 2008									
Release of reserve for protection of investments	-	-	-	(1,880,884,887)	-	-	-	1,880,884,887	-
Donations for Fundacion Suramericana		-	-	-	-	-	-	(1,500,000)	(1,500,000)
Reserve at disposal of the Board Members		-	-	2,003,066	-	-	-	(2,003,066)	-
Release of reserve at disposal of the Board Members		-	-	(1,350,314)	-	-	-	-	(1,350,314)
Reserve for the protection of investments		-	-	2,020,763,702	-	-	-	(2,020,763,702)	-
Payment of dividends (COP232.00 per share)		-	-	-	-	-	-	(106,116,017)	(106,116,017)
Common stock capital (11.640.638 of shares at COP 187.50)	2,182,619	(2,176,336)	-	-	-	-	-	-	6,283
Merger movement	-	2,325,534	867,952	147,893,300	127,858	-	261,254,410	5,374,522	417,843,576
Equity revaluation used for payment of equity tax	-	-	-	-	(359,698)	-	-	-	(359,698)
Equity method	-	-	-	-	-	(1,319,282,818)	-	-	(1,319,282,818)
Valuations	-	-	-	-	-	-	(941,045,366)	-	(941,045,366)
Net income for the year	-	-	-	-	-	-	-	267,639,166	267,639,166
Balance at December 31, 2008	87,944,486	358,025,576	138,795,051	2,169,309,754	956,650,005	2,390,529,551	2,010,971,867	273,013,688	8,385,239,978
Distribution of 2008 results according to General Shareholders' Meeting Minutes # 13 dated March 26, 2009:									
Release of reserves for the protection of investments	-	-	-	(2,020,763,702)	-	-	-	2,020,763,702	-
Donations for Fundación Suramericana		-	-	-	-	-	-	(1,650,000)	(1,650,000)
Release of reserve at disposal of the Board Members		-	-	(2,003,066)	-	-	-	2,003,066	-
Reserve for the protection of investments		-	-	2,175,933,066	-	-	-	(2,175,933,066)	-
Dividends over 469.037.260 (COP 252.00 per share)		-	-	-	-	-	-	(118,197,390)	(118,197,390)
Equity revaluation used for payment of equity tax	-	-	-	-	(359,698)	-	-	-	(359,698)
Equity method	-	-	-	-	-	2,644,892,554	-	-	2,644,892,554
Valuations	-	-	-	-	-	-	2,982,331,625	-	2,982,331,625
Net income for the year	-	-	-	-	-	-	-	446,050,263	446,050,263
Balance at December 31, 2009	COP 87,944,486	358,025,576	138,795,051	2,322,476,052	956,290,307	5,035,422,105	4,993,303,492	446,050,263	14,338,307,332

See notes to the financial statements.

(1) Business Purpose

Grupo de Inversiones Suramericana S.A. ("GRUPOSURA" or the "Company") was incorporated as a result of a spin off from Compañía Suramericana de Seguros S.A., by means of Public Deed No. 2295 drawn up on December 24, 1997 before the Notary Public No. 14 of the Circuit of Medellin. All of the corresponding accounting formalities were completed by January 1, 1998. GRUPOSURA's primary business address is in Medellin, but it is entitled to set up branches, agencies, offices and representations in other parts of the country as well as abroad, should its Board of Directors decide. The Company is legally authorized to carry out its business purpose until the year 2102.

GRUPOSURA's business purpose is to invest in real estate and movable property. It may carry out its business purpose by means of shares, quotas or participation in companies, entities, organizations, funds and any other legally-permitted mechanism that allows for the investment of funds. Additionally, it may invest in securities or instruments yielding either fixed or variable income, regardless of whether they are listed on a public stock exchange. The corresponding issuers and/or investees may belong to either the public or private sectors, both at home or abroad

GRUPOSURA's reporting period follows the normal calendar year, ending on December 31 of each year. Pursuant to its by-laws, GRUPOSURA shall close its books on December 31 of each year, in order to develop its balance sheet and income statement for the corresponding year.

The Company is overseen by the *Superintendencia de Sociedades* (the "Colombian Superintendency of Companies") and subject to the regulations of the *Superintendencia Financiera de Colombia* (the "Colombian Superintendency of Finance"), and is registered as an issuer of securities with the *Registro Nacional de Valores y Emisores* (the "Colombian National Registry of Securities").

As of December 31, 2009 the Company had a total of 19 employees based at its corporate headquarters.

Rebranding

New Company Name	Previous Company Name
Suramericana S.A.	Inversiones en Seguros y Seguridad Social Suramericana S.A. Inversura
Seguros Generales Suramericana S.A.	Compañía Suramericana de Seguros S.A.
Seguros de Vida Suramericana S.A.	Compañía Suramericana de Seguros de Vida S.A.
Administradora de Carteras Colectivas Suramericana S.A.	Administradora de Fondos de Inversión Suramericana S.A.
Servicios Generales Suramericana S.A.	Inversiones GVCS S.A.
Servicios de Vehículos Suramericana S.A. - Auto Sura	Servicio de Reparación Integral Automotriz S.A. Seriauto
Seguros Suramericana S.A.	Interoceánica
EPS y Medicina Prepagada Suramericana S.A.	Compañía Suramericana de Servicios de Salud S.A. Susalud Medicina Prepagada
Seguros de Riesgos Profesionales Suramericana S.A.	Compañía Suramericana Administradora de Riesgos Profesionales y Seguros de Vida S.A. Suratep
Servicios de Salud IPS Suramericana S.A.	I.P.S. Punto de Salud S.A.
Consultoría en Gestión de Riesgos IPS Suramericana S.A.	CPT Asesoría Centro para los Trabajadores S.A.

ADR Level 1 Program

GRUPOSURA is registered with the ADR – Level 1 program in the United States, and its shares are available to international investors through the over-the-counter market. The GRUPOSURA ADR is traded under the symbol GIVSY. Each ADR represents two of the Company's ordinary shares.

(2) Summary of principal accounting policies

(a) Basis for Preparing and Presenting the Financial Statements

GRUPOSURA's financial statements have been prepared in accordance with generally accepted accounting principles in Colombia, or Colombian GAAP.

(b) Cash equivalents

In its statement of cash flows, the Company considers fiduciary rights on ordinary trusts and repurchase rights on investments as cash equivalents given their respective degrees of liquidity.

(c) Investments

For valuation purposes, investments are classified according to the following criteria:

- Intent and purpose: negotiable or permanent.
- Corresponding yield: fixed, variable or a combination thereof.
- Control held over the issuer: controlling or non-controlling interest.
- Reason for the investment: voluntary or mandatory.
- Rights granted by the security: participating or non-participating.

Investments are appraised and posted as:

- **Negotiable investments:** These investments are posted at market value. All variations in regard to their latest value are posted directly to income accounts.

- **Controlling investments:** These are companies in which more than a 50% stake is held and which appear in the Colombian Commercial Registry as controlled by GRUPOSURA. The book value of these companies is either increased or decreased depending on any changes in the companies' equity subsequent to their acquisition by GRUPOSURA. This calculation is based upon the percentage stake held by us, and any adjustments made thereto. Adjustments are recorded in the income statement in the capital surplus account.

  For accounting purposes we use the equity method, as directed by Joint Circular No. 11 issued August 18, 2005 by the Colombian Superintendency of Companies and the Colombian Superintendency of Securities (now known as the Superintendency of Finance). We post and calculate the value of the investment on a quarterly basis. The difference between the book value of these investments and their intrinsic value is posted as a gain or a provision (which is charged to the income accounts) as applicable.

  According to Decree, No. 4918 issued December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any equivalent authority. We post the difference between the book value of assets held in foreign subsidiaries and their restated value as an increase in the value of GRUPOSURA's equity. When the investments in question are sold, any adjustments in the exchange difference are recorded in the equity where equity variances are recorded. This affects the corresponding period's results.

- **Permanent (non-controlling) investments:** If the value of the investments sold is higher than their corresponding book value, the difference represents an increase in their value for the period and is posted in the valuation offset accounts (as a valuation against surplus from revaluation). If the value for which such investments are sold becomes lower than their book value, the difference is charged first to the valuation account and then to the valuation surplus account, up to the total value of any surplus gained. If the difference exceeds the surplus obtained, this qualifies as a loss in the value of the investment. We charge this excess to the aforementioned accounts as a lower value, regardless of whether their net balance is the negative.

The Company implements an investment provision policy similar to that of insurance companies. Investments rated lower than a "BBB" are posted at values not to exceed the following percentages:

Long Term	Maximum Value (%)	Short Term	Maximum Value (%)
BB+, BB, BB-	80	3	80
B+, B, B-	60	4	50
CCC	40	5-6	0
DD, EE	0	-	-

If investments are not rated by external rating agencies, they are rated through our internal risk management process according to their inherent risk and posted at a percentage of their commercial value, as shown below:

A: Normal Risk: 100%

B: Acceptable Risk: 80%

C: Appreciable Risk: 60%

D: Significant Risk: 40%

E: Unrecoverable Investment: 0%

(d) Property and Equipment

Property and equipment is posted at purchase cost, and includes the all applicable adjustments for inflation occurring prior to December 31, 2006.

Depreciation is calculated based upon the inflation-adjusted value of the asset in question, using the straight-line method and is based on the asset's estimated useful life. The annual vehicle depreciation rate is 20%.

(e) Pre-paid Expense

The Company records insurance as a pre-paid expense which is amortized during the policy term.

(f) Derivatives

The value of all financial arrangements established for the purpose of handling risk relating to our liabilities is disclosed by the Company. These financial arrangements may be carried out in order to purchase or sell assets such as foreign currencies, shares, futures governing exchange and interest rates, and stock indices or any other agreed upon underlying asset. These arrangements are settled at a future date agreed upon between the parties.

The Company enters into hedging arrangements in order to protect itself from exchange rate fluctuations. Hedging is not used for speculative purposes and the arrangements are conducted with banks and other counterparties.

Derivative-based transactions are not subject to any general rules and regulations in Colombia governing the accounting treatment given to these transactions.

(g) Recognition of Revenues and Expense

Revenues and expenses from operations are recognized on an accrual basis.

(h) Transactions and Balances in Foreign Currency

Transactions conducted in foreign currencies are posted by applying the exchange rate applicable on the date the transaction is consummated. Asset and liability balances, stated in U.S. dollars, are converted to COP using the market exchange rate, as reported by the Colombian Superintendency of Finance, which was COP 2,044.23 at December 31, 2009 and COP 2,243.59 at December 31, 2008. The exchange difference is either capitalized or is posted on the income accounts depending upon how the exchange difference originated.

Pursuant to Decree No. 4918 issued on December 26, 2007, equity investments in foreign subsidiaries must be restated in the functional currency using the applicable exchange rate, as certified by the Colombian Superintendency of Finance, or any equivalent authority. We post the difference between the book value of such assets and their restated value as an increase in the value of the Company's equity, in the account where equity variances are recorded. When the investment in question is sold off, any adjustments in the exchange difference recorded in the equity accounts shall affect the results for the corresponding period.

(i) Valuations

In the case of permanent, non-controlling investments, the difference between their cost and intrinsic value or stock market price is recorded in the same manner as described in Note 2 (c) above.

Trust valuations are posted according to the difference between their statement value and their book cost.

(j) Net earnings per share in pesos

Net earnings per share for 2009 and 2008 were calculated based on a total of 469,037,260 shares outstanding, for the year 2008 these were calculated on the basis of the average weighting of the Company's subscribed shares outstanding during the time these had been placed, which in this case totaled 462,246,889.

(k) Related parties

Related parties are companies under GRUPOSURA's direct or indirect control, as well as members of Boards of Directors and company management.

(l) Materiality

All economic events are recognized and presented according to their relative importance. An economic event is deemed material when due to its nature or the amount it represents, it may significantly alter the economic decisions made by all those using related information (whether such event is known or unknown). When preparing the Company's financial statements, materiality, was established applying a 5% threshold with regard to total assets, total liabilities, working capital, shareholders' equity and net revenues, as appropriate.

(m) Memorandum Accounts

These accounts contain transactions, circumstances, agreements and contracts that may entail certain rights and obligations that may affect the Company's financial position. These include control accounts used for general information and control purposes, as well as differences between accounting records and tax returns.

(n) Bonds and commercial paper

This is funding received by the Company as a result of issuing and selling bonds and commercial paper defined as credit securities for financing working capital.

(o) Estimated liabilities and provisions

The preparation of financial statements according to Colombian GAAP requires that the Company's management recognizes estimates and provisions that affect the reported values of the Company's assets and liabilities as well as discloses assets and liabilities of a contingent nature on the date on which the financial statements are presented. Therefore, actual results could differ from estimated figures.

(3) Cash

The following is a breakdown of the Cash balance at December 31:

	2009	2008
Cash and due from banks	COP 300	300
Petty cash – foreign currency	3,686	569
Banks – local currency	35,484	80,854
Banks – foreign currency	5,404,603	25,730
Savings accounts	533	281
	5,444,606	**107,734**

Cash is free from any constraint or encumbrance.

(4) Investments

The following is a breakdown of the Investments at December 31:

	2009	2008
Negotiable Investments	COP 161,390,128	79,998,099
Permanent investments:		
Non-controlling investments	2,375,413,398	2,424,749,186
Controlling investments	7,121,920,000	4,144,986,711
	9,497,333,398	6,569,735,895
Provision for permanent investments	(12,557,471)	(8,117,022)
	9,484,775,927	**6,561,618,873**

The following is a breakdown of Negotiable Investments at December 31, 2009:

Negotiable Investments

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) -
Bancolombia Preferencial S.A.	1,020,000	Finance	COP 23,777,424	0.1	2,958,968
Term deposit certificates		Finance	41,248,568	-	80,857
Treasury bonds TES		Finance	23,569,036	-	-
Investment repurchase rights (1)		Finance	71,697,287	-	-
Patrimonio Autónomo Progresa		Finance	992,230	-	174,436
Fiduciaria Bancolombia S.A.		Finance	115	-	-
Valores Bancolombia S.A.		Finance	105,468	-	1,017,995
			161,390,128		**4,232,256**

(1) Repurchase (repo) rights on investments, CDs and money market instruments corresponding to liquidity operations, producing an average return of 3.02%.

The following is a breakdown of Permanent Investments at December 31, 2009:

Non-controlling

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) -	No. shares Provided As Security
Fondo Ganadero – Fogansa S.A.	75,000	Livestock	COP 150,000	0.1	(69,975)	-
Grupo Nacional de Chocolates S.A.	115,756,919	Finance	473,627,414	26.6	35,219,178	1,585,000
Almacenes Exito S.A.	5,163,035	Retail	86,086,247	1.6	655,445	-
Inversiones Argos S.A.	134,546,583	Finance	1,102,582,307	20.9	23,227,875	8,875,000
Proteccion S.A.	8,137,636	Social Security	63,194,485	47.1	9,532,394	-
Bancolombia S.A.	89,160,631	Finance	619,687,569	11.3	55,636,234	1,500,000
Enka de Colombia S.A.(1)	43,424,655	Manufacturing	2,434,088	0.4	(27,129,148)	-
Confecciones Colombia S.A.(2)	37,754,062	Manufacturing	7,328,949	34.7	(3,824,335)	-
Pizano S.A.(3)	6,491,397	Manufacturing	10,982,800	10.0	-	-
Holding Concorde S.A.	1,650,000	Manufacturing	5,504,478	6.5	(412,269)	-
Promotora de Proyectos S.A.	1,059,736	Services	751,551	42.0	(73,320)	-
Sodexo Colombia S.A.	687,435	Services	736,941	15.0	256,152	-
Sodexo Pass de Colombia S.A.(4)	117,338	Services	786,666	22.0	905,512	-
Tipiel S.A.	18,216,104	Services	1,363,469	41.4	2,568,471	-
P.A. Promotora de Proyectos S.A.			61,998	10.0	(29)	-
Fondo Escala Capital			108,860	23.6	348,078	-
Social Clubs			25,576		-	-
			2,375,413,398		**96,840,263**	

(1) Enka de Colombia S.A. has an internal credit rating of (D).

(2) Confecciones Colombia S.A. has an internal credit rating of (D).

(3) Pizano S.A. has an internal credit rating of (B).

(4) Sodexo Pass de Colombia S.A. has an internal credit rating of (C).

Controlling

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) - Equity Method
Inversiones y Construcciones Estratégicas S.A.	873,371	Construction	COP 107,782,442	65.9	7,218,198
Portafolio de Inversiones Suramericana S.A. In liquidation	1,489,473	Finance	6,517,234,108	100.0	244,764,556
Suramericana S.A.	24,136	Finance	489,580,055	40.1	82,702,781
Enlace Operativo S.A.	10,450	Finance	2,602,465	55.0	(900,366)
Suramericana (B.V.I.) Corp.	25,569,462	Finance	4,720,930	35.8	(142,353)
			7,121,920,000		**333,642,816**

Of the total balance of GRUPOSURA’s investments, COP 235,071,303 has been pledged as collateral for Company loans.

The following is a breakdown of Negotiable Investments at December 31, 2009:

Negotiable Investments

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) -
Grupo Nacional de Chocolates S.A.	7,884	Finance	COP 121,836	-	(3,555)
Bancolombia S.A.[1]	1,612,404	Finance	21,132,505	0.2	(3,673,212)
Compañía Colombiana de Inversiones S.A.	1,082,601	Finance	23,308,215	1.5	(2,812,933)
Derechos Fiduciarios – Fiducolombia		Finance	1,622	-	138
Fideicomiso P.A. Inversiones Reacol		Finance	4,181,648	23.6	-
Patrimonio Autónomo Progresa Capital Fiducolombia		Finance	644,151	-	(355,849)
Patrimonio Autónomo ASIP – Fiducolombia		Finance	30,608,122	-	(3,995,852)
			79,998,099		**(10,841,263)**

(1) Repurchase (repo) rights on investments, corresponding to liquidity operations carried out with Valores Bancolombia S.A. over terms of less than thirty (30) days providing a return of 10.63%.

Non-controlling

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) -	No. shares Provided As Security
Fondo Ganadero – Fogansa S.A.	75,000	Livestock	COP 150,000	-	-	-
Grupo Nacional de Chocolates S.A.	114,756,919	Finance	454,743,414	26.4	30,107,643	-
Inversiones Otrabanda S.A.[1]	5,536,998	Finance	155,480,153	55.4	1,967,635	-
Inversiones Argos S.A.	129,930,149	Finance	1,046,738,759	20.1	20,762,704	2,000,000
Proteccion S.A.	7,595,531	Social Security	44,442,601	44.0	8,142,409	-
Bancolombia S.A.	89,160,631	Finance	619,687,569	11.3	49,634,896	1,500,000
Enka de Colombia S.A. [2]	562,221,440	Manufacturing	31,514,269	4.8	16,403,748	-
Confecciones Colombia S.A. [3]	37,754,062	Manufacturing	7,328,949	34.7	881,501	-
Textiles Fabricato Tejicóndor S.A.	138,622,237	Manufacturing	1,618,773	1.7	-	-
Pizano S.A. [4]	6,491,397	Manufacturing	10,982,800	10.0	10,982,800	-
Compañía de Inversiones La Merced S.A.	17,758	Finance	23,245,452	22.3	1,725,803	-
Suinmobiliaria S.A.	2,282,120	Real Estate	2,192,691	6.1	16,681,749	-
Holding Concorde S.A.	1,650,000	Manufacturing	5,504,478	15.0	120,478	-
Promotora de Proyectos S.A.	978,445	Services	751,551	38.8	(1,692,137)	-
Servicios Nacional de Chocolates S.A.	500	Service	5,075	5.0	(44,939)	-
Sodexo Colombia S.A.	687,435	Services	736,941	15.0	(5,076)	-
Sodexo Pass de Colombia S.A.[5]	117,338	Services	786,668	22.0	42,834	-
Tipiel S.A.	18,216,104	Services	1,363,469	41.4	494,818	-
Bonos Portafolio[6]		Finance	17,450,000		2,158,221	-
Clubes Sociales			25,576		-	-
			2,424,749,186		**160,912,603**	

(1) This investment was reclassified from controlling to non-controlling pursuant to that stipulated in paragraph 3 (b) of Joint Circular No. 011 issued August 18, 2005.

(2) Enka de Colombia S.A. has an internal credit rating of (D).

(3) Confecciones Colombia S.A. has an internal credit rating of (D).

(4) Pizano S.A. has an internal credit rating of (B).

(5) Sodexo Pass de Colombia S.A. has an internal credit rating of (C).

(6) Investments in Portafolio bonds issued by the Company's subsidiary, Portafolio de Inversiones Suramericana, maturing in August, 2009 provide a return equal to the benchmark "DTF" rate + 3 on a quarterly in arrears basis. These bonds received a Triple A (AAA) rating from the rating agency, BRC Investor Services S.A.

Controlling

Company	No. Shares	Economic Activity	Book Balance	% Stake	Profit (Loss) - Equity Method	No. shares Provided As Security
Inversiones y Construcciones Estratégicas S.A.	74,239	Construction	COP 4,391,953	91.1	566,988	-
Portafolio de Inversiones Suramericana S.A. In liquidation	1,312,196	Finance	3,629,393,051	88.1	113,822,343	359,900
Inversura S.A....................	24,136	Finance	396,058,236	40.1	38,174,866	-
Enlace Operativo S.A.......	9,900	Finance	752,831	55.0	71,724	-
Suramericana (B.V.I.) Corp.	25,569,462	Finance	114,390,639	35.8	(458,260)	-
			4,144,986,711		**152,177,661**	

Out of the total balance of the Company's investments, COP 1,167,282,287 has been pledged as security for Company borrowings.

Provision for investments

The following is a breakdown of the Provision for Investments held for the years ended December 31:

	2009	2008
Opening balance...	COP 8,098,909	12,091,403
Provision for market (1)	31,664,556	2,386,593
Reimbursed amounts on the income accounts..................................	(159,624)	(19,857,721)
Take-over merger SIA Inversiones S.A.	-	26,869,836
Reversal of provision for swap Enka de Colombia S.A.	(24,991,952)	-
Reversal of provision for the winding up of Suinmobiliaria	(2,072,531)	(13,456,040)
Closing balance	**12,539,358**	**8,098,909**
Credit risk provision		
Opening balance...	COP 18,113	32,202,472
Reversal of provision – sales: Vidrio Andino, Promex S.A.	-	(2,431,215)
Reimbursed amounts on the income accounts..................................	-	(29,753,144)
	18,113	18,113
	12,557,471	**8,117,022**

(1) Total provision, according to income statement, comes to COP 31,664,556 and COP 2,386,593, for 2009 and 2008, respectively.

The following is a breakdown of investments posted using the equity method for the years ended 2009 and 2008:

2009

Company	Assets	Liabilities	Equity	Profit or Loss
Portafolio de Inversiones Suramericana S.A. In liquidation	COP 6,560,494,367	43,247,133	6,517,247,234	244,765,047
Inversiones y Construcciones Estratégicas S.A.	185,676,120	22,072,392	163,603,728	26,051,101
Suramericana S.A.......................................	1,211,309,359	26,106,255	1,185,203,104	213,979,748

Company	Assets	Liabilities	Equity	Profit or Loss
Enlace Operativo S.A.	7,524,409	2,792,654	4,731,755	(1,637)
Suramericana (B.V.I.) Corp.	36,804,162	4,053,018	32,751,144	19,172,802
	COP 8,001,808,417	98,271,452	7,903,536,965	503,967,061
Effect on the income accounts using the Equity Method, in terms of net income (losses)				333,642,816
Effect on assets				2,976,933,289
Effect on the valuation surplus account using the Equity Method				2,644,892,554

2008

Company	Assets	Liabilities	Equity	Profit or Loss
Portafolio de Inversiones Suramericana S.A.	COP 4,191,166,700	71,436,230	4,119,730,470	129,229,213
Inversiones y Construcciones Estratégicas S.A.	11,209,121	6,386,249	4,822,872	622,618
Inversura S.A.	973,488,226	26,695,771	946,792,455	124,932,763
Enlace Operativo S.A.	2,763,010	1,394,226	1,368,784	130,407
Suramericana (B.V.I.) Corp.	711,084,932	341,727,308	369,357,624	(14,593,383)
	5,889,711,989	447,639,784	5,442,072,205	240,321,618
Effect on the income accounts using the Equity Method, in terms of net income (losses)				152,177,661
Effect on assets				(1,172,956,217)
Effect on the valuation surplus account using the Equity Method				(1,319,282,818)

The following is a breakdown of the shareholder equity structure for companies recorded using the equity method for the years ended 2009 and 2008:

2009

Company	Capital	Reserves	Surplus	Profit or Loss from prior year	Profit or Loss for current year	Total Equity
Portafolio de Inversiones Suramericana S.A. In liquidation	COP11,746,008	724,369,759	5,536,366,420	-	244,765,047	6,517,247,234
Suramericana S.A.	30,069	356,772,904	614,420,383	-	213,979,748	1,185,203,104
Inversiones y Construcciones Estratégicas S.A.	2,359,739	32,574,067	101,482,093	1,136,728	26,051,101	163,603,728
Enlace Operativo S.A.	1,900,000	13,041	5,715,083	(1,259,340)	(1,637,029)	4,731,755
Suramericana (B.V.I.) Corp.	145,938,031	-	6,346,466	(138,706,155)	19,172,802	32,751,144

Stakes held in controlling companies consist of ordinary shares.

2008

Company	Capital	Reserves	Surplus	Profit or Loss from prior year	Profit or Loss for current year	Total Equity
Portafolio de Inversiones Suramericana S.A.	COP11,746,008	795,140,546	3,183,614,703	-	129,229,213	4,119,730,470
Inversura S.A.	30,069	273,334,670	548,494,953	-	124,932,763	946,792,455
Inversiones y Construcciones Estratégicas S.A.	145,111	88,987	3,966,156	-	622,618	4,822,872

Company	Capital	Reserves	Surplus	Profit or Loss from prior year	Profit or Loss for current year	Total Equity
Enlace Operativo S.A......	1,800,000	-	815,084	(1,376,707)	130,407	1,368,784
Suramericana (B.V.I.) Corp.	160,170,386	-	361,420,471	(137,639,850)	(14,593,383)	369,357,624

Stakes held in controlling companies consist of ordinary shares.

(5) Accounts Receivable

The following is a breakdown of the Accounts Receivable for the years ended December 31:

		2009	2008
Special commercial current accounts (1)................................	COP	7,823,558	15,647,100
Advance payments		33,872	-
Dividends receivable..		31,734,566	28,163,687
Interest receivable		1,546,051	226,066
Share subscription deposits– Suramericana BVI Corp...........		4,053,097	-
Prepaid tax..		4,846,325	4,703,464
Miscellaneous receivables..		4,023	371,083
		50,041,492	49,111,400
Current maturities..		42,217,934	38,680,008
Long-term maturities..		7,823,558	10,431,392

(1) Special commercial current accounts totaling COP 7,823,558 represent the sale of stakes held in Makro Supermayorista S.A. and Comercializadora Inmobiliaria Internacional S.A., the payment of which is scheduled to be received in June 2011.

The following is a breakdown of the Dividends Receivable account at December 31.

		2009	2008
Bancolombia S.A.	COP	14,068,178	12,944,810
Almacenes Exito S.A.		309,782	-
Compañía Colombiana de Inversiones S.A.		-	68,204
Grupo Nacional de Chocolates S.A..		9,029,040	7,918,046
Proteccion S.A..		2,508,426	2,035,603
Inversiones Argos S.A...		5,819,140	5,197,206
		31,734,566	**28,163,687**

The following is a breakdown of the Interest Receivable account at December 31:

		2009	2008
Deceval..	COP	-	226,066
Portafolio de Inversiones Suramericana S.A. subject to liquidation..		1,531,917	-
Valores Bancolombia S.A.		14,134	-
		1,546,051	**226,066**

(6) Valuations

The following is a breakdown of the Valuation account at December 31:

	2009	2008
Permanent equity investments		
Gains	COP4,993,303,492	2,116,449,084
Losses	-	(105,477,217)
	4,993,303,492	**2,010,971,867**

The following companies recorded the below valuations at December 31:

2009

Company	Cost	Market Value	Valuation
Pizano S.A.	COP 10,982,800	15,615,705	4,632,905
Almacenes Exito S.A.	86,086,247	100,523,259	14,437,012
Proteccion S.A.	63,194,485	164,742,291	101,547,806
Bancolombia S.A.	619,687,569	2,064,771,193	1,445,083,624
Grupo Nacional de Chocolates S.A.	473,624,414	2,462,964,596	1,989,340,182
Inversiones Argos S.A.	1,102,582,307	2,525,843,003	1,423,260,696
Tipiel S.A.	1,363,469	14,988,174	13,624,705
Trust PA Reacol (A)	-	1,376,562	1,376,562
	2,357,521,291	**7,350,824,783**	**4,993,303,492**

(A) Total cost was repaid in cash, according to decision made at the Annual General Meeting of the Trustee, PA Reacol, held on March 17, 2009. This trust is managed by Fiduciaria Bancolombia S.A.

2008

Company	Cost	Market Value	Valuation	Loss
Pizano S.A.	COP 10,982,800	15,356,776	4,373,976	-
Textiles Fabricato Tejicondor S.A.	1,618,772	2,561,739	942,966	-
Enka de Colombia S.A.	31,514,269	2,799,863	-	28,714,406
Inversiones Otrabanda S.A.	155,480,153	78,717,341	-	76,762,811
Proteccion S.A.	44,442,601	118,023,158	73,580,558	-
Bancolombia S.A.	619,687,569	1,168,557,954	548,870,384	-
Grupo Nacional de Chocolates S.A.	454,743,414	1,773,399,490	1,318,656,076	-
Inversiones Argos S.A.	1,046,738,758	1,152,914,388	106,175,630	-
Compañía de Inversiones La Merced S.A.	23,245,452	78,755,439	55,509,987	-
Tipiel S.A.	1,363,469	6,709,938	5,346,469	-
Fiduciary rights PA Reacol	4,181,648	7,174,686	2,993,038	-
	2,393,998,905	**4,404,970,772**	**2,116,449,084**	**105,477,217**

(7) Financial Obligations

The following is a breakdown of the Financial Obligations account at December 31:

2009

Banco de Bogotá S.A.

Rate (%)	Term (Days)	Value	Security	Accrued Interest
9.3	1,080	COP 49,000,000	Shares	95,302

Amortization Plan

	Value
2010	COP 17,818,182
2011	17,818,182
2012	13,363,636
	49,000,000

This loan is guaranteed by means of 1.585.000 shares held in Grupo Nacional de Chocolates S.A. and 2.025.000 shares held in Inversiones Argos S.A.

2008

Valores Bancolombia S.A.

Rate (%)	Term (Days)	Value
11.5	34	COP 2,895,033
11.7	28	1,902,999
11.5	59	2,001,230
11.6	21	2,852,645
11.6	48	5,253,607
		14,905,514

(8) Bonds and commercial paper

On November 25, 2009, GRUPOSURA, with due authorization from the Colombian Superintendency of Finance, issued COP 250,000,000 of ordinary bonds.

Bids worth COP 1,323,711,000 were received and ultimately the ordinary bonds were placed as follows:

Series	Capital	Maturities of more than one year	Indicator	Hurdle Rate Spread	Maximum Rate Spread
C10	54,500,000	54,500,000	CPI	4.4%	5.4%
C20	98,000,000	98,000,000	CPI	5.9%	6.7%
C40	97,500,000	97,500,000	CPI	6.9%	8.0%
TOTAL	**250,000,000**	**250,000,000**	**-**	**6.0%**	**-**
Bid to Cover Ratio		**5.294844**			

Leading placement agent and consultant: Banca de Inversión Bancolombia S.A. Corporación Financiera.
Placement agents: Valores Bancolombia S.A., Serfinco S.A. and Interbolsa S.A..
Legal representative for the bondholders: Fiduciaria Fiducor S.A.
Dutch Auction System Administrator: Bolsa de Valores de Colombia S.A..

(8) Bonds and Commercial paper

On March 13, 2008, a total of COP 46,000,000 in commercial paper was placed on the Colombian stock exchange.

Bids totaling COP 338,168,000 were received and finally a total of COP14,521,000 was placed at 90 days at a rate of 10.34% and another COP 31,479 000 at 180 days at a rate of 10.70%.

On June 18, 2008, a total of COP 75,000,000 in commercial paper was placed on the Colombian stock exchange.

Bids totaling COP 346,146,000 were received and finally a total of COP 40,000,000 was placed at 180 days at a rate of 10.79% and another COP 35,000,000 at 364 days at a rate of 10.95%.

On December 11, 2008, a total of COP 60,000,000 in commercial paper was placed on the Colombian stock exchange.

Bids for COP 254,460,000 were received, that is to say 4.24 times the amount offered. Finally, COP 60,000,000 was placed at 180 days at a rate of 10.78%. The following is a breakdown of the Company's commercial paper at December 31, 2008:

2008

Capital	Rate	Series	Current maturities of less than one year	Accrued Interest
COP 60,000,000	10.8%	B180-2	COP 60,000,000	345,180
35,000,000	11.0%	B364-2	35,000,000	2,057,685
95,000,000			**95,000,000**	**2,402,865**

(9) Other Financial Obligations

The following is a breakdown of the Other Financial Obligations account as of the years ended December 31, 2009 and 2008:

2009

Issuer	Capital	Interest	Security	Current maturities Of less than one year
Portafolio Suramericana de Inversiones S.A subject to liquidation	COP 3,762,263	-	Promissory note	COP 3,762,263

2008

Issuer	Capital	Interest	Security	Current maturities Of less than one year
Portafolio Suramericana de Inversiones S.A.	COP 159,786,421		Promissory note	COP 159,786,421
Fondo Ganadero – Fogansa S.A.	120,000			120,000
	159,906,421	-		159,906,421

(10) Accounts Payable

The following is a breakdown of the Accounts Payable account at December 31:

	2009	2008
Suppliers	COP 35,183	412,866
Costs and expense	2,529,905	2,420,581
Dividends	30,642,987	28,440,765
Withholding tax	172,218	77,083

	2009	2008
Withheld sales tax	4,461	2,144
Withholdings and payroll contributions	-	50,301
Miscellaneous payables	4,425,937	1,698,697
	37,810,691	**33,102,437**

(1) The following is a breakdown of the costs and expenses at December 31:

	2009	2008
Bancolombia S.A.	COP -	1,650
Seguros Generales Suramericana S.A.	64,803	90,391
Inversiones y Construcciones Estratégicas S.A.	10,656	9,476
*Citibank –swap right - US$ 11,738,356	(23,995,899)	(28,823,610)
Obligation	28,343,346	30,418,672
Other minor payables	3,031	2,118
	4,425,937	**1,698,697**

* A Non-Deliverable Swap taken out with Citibank according to the following terms and conditions: swap right to US$ 89,842,785, at rate of interest equivalent to LIBOR +1.125%, with the principal of the obligation totaling $200,225,876, at 9.80% on a half-yearly in arrears basis. maturing in July, 2012.

(11) Labor liabilities

The following is a breakdown of the Labor Liabilities account at December 31:

	2009	2008
Consolidated severance payments	COP 35,268	25,316
Interest on severance payments	3,933	2,968
Consolidated vacation payments	43,675	32,417
Extralegal bonuses	56,933	50,401
	139,809	**111,101**

(12) Prepaid income

The following is a breakdown of the Non-Callable Declared Dividends account at December 31:

	2009	2008
Compañía Colombiana de Inversiones S.A.	COP -	45,469
Grupo Nacional de Chocolates S.A.	6,019,360	5,278,456
Constructora Portobelo S.A.	-	260,907
	6,019,360	**5,584,832**

(13) Estimated Liabilities and Provisions

The following is a breakdown of the Estimated Liabilities and Provisions account at December 31:

	2009	2008
Income and other complementary taxes	COP 6,706,317	6,910,599
Industry and commerce tax	3,442,774	1,454,817
Income tax surcharge	27,697	-
For contingencies	100,000	27,697
	10,276,788	**8,393,113**

The following is a breakdown of the Income Tax Provision balance for the years ended December 31:

Balance of estimated liability at beginning of year	COP	6,910,599
Income tax return for 2008		(5,369,892)
Reversed provision for prior years		(272,973)
Value posted for the year		5,438,583
Balance of income tax provision		6,706,317

The following is a breakdown of the Industry and Commerce Tax balance for the years ended December 31:

Balance of estimated liability at beginning of year	COP	1,454,817
Plus expense (provision) for the year		3,247,466
Value declared for 2009		(1,259,509)
Balance of industry and commerce tax provision		3,442,774

(14) Common Stocks

The Company's authorized capital consists of 500,000,000 shares, with a nominal value of COP 187.50 per share. Its subscribed and paid-capital for the years ended December 31, 2009 and December 31, 2008 consisted of 469,037,260 shares.

(15) Statutory Reserve

By law, the Company must set up a statutory reserve of 10% of its net income of each year up to 50% of the total value of subscribed capital. This reserve may be reduced to less than 50% of the total value of GRUPOSURA's subscribed capital, providing it is used to absorb losses that exceed the amount of undistributed earnings. This reserve may not be used to pay dividends or cover expenses or losses incurred during any period in which GRUPOSURA possesses undistributed earnings.

Shareholders may vote to increase the statutory reserve to more than 50% of the total value of GRUPOSURA's subscribed capital. A reserve in excess of 50% of the total value of GRUPOSURA's subscribed capital may be used for any purpose that GRUPOSURA's shareholders approve.

(16) Voluntary reserves

The following is a breakdown of Voluntary Reserves at December 31:

	2009	**2008**
Decree 2336 of 1995 (unrealized gains on increased value of investments)	COP 355,865,199	381,730,247
Merger	-	147,893,300
For the protection of investments	1,966,610,853	1,639,686,207
	2,322,476,052	**2,169,309,754**

(17) Equity Revaluation

The following is a breakdown of the Equity Revaluation account as of the year ended December 31, 2009:

Balance at December 31, 2008	COP956,650,005
Amount appropriated to pay wealth tax	(359,698)
Balance at December 31, 2009	**956,290,307**

Equity revaluation decreased by COP 359,698 in December 31, 2009 as compared to December 31, 2008 due to the payment of wealth tax under Article 25 of Law 1111 passed in 2006.

(18) Equity Method Surplus

The following is a breakdown of the Equity Method Surplus account for the years ended December 31, 2009 and 2008:

Balance at December 31, 2008	COP 2,390,529,551
Valuation accruing for 2009	2,649,990,083
Adjustments for exchange difference Decree 4918 of 28/12/2007	(5,097,529)
Balance at December 31, 2009	**5,035,422,105**

(19) Memorandum Accounts

The following is a breakdown of the Memorandum Accounts at December 31:

	2009	**2008**
Debtors accounts		
Tax receivable	COP 520,512,402	376,058,437
Securities pledged as collateral	235,071,304	1,167,282,288
Adjustments for inflation on assets	562,012,839	566,523,152
Written-off assets	2,973,734	2,973,734
	1,320,570,279	**2,112,837,611**
Creditors accounts		
Securities received in the form of collateral (1)	46,502,000	-
Adjustments for inflation on equity	956,290,307	956,650,005
Tax payable	5,064,702,451	7,496,837,403
	6,067,494,758	**8,453,487,408**

(1) Collateral corresponding to liquidity operations stated at nominal value (See Note 4a above)

(20) Related parties

Subsidiaries, members of the Board of Directors, Shareholders who are beneficiaries of 10% or more of the company's total shares outstanding, legal representatives and Senior Management are considered related parties of GRUPOSURA:

<u>Subsidiaries</u>

Seguros Generales Suramericana S.A.
Seguros de Vida Suramericana S.A.
Inversiones y Construcciones Estratégicas S.A.
Servicios de Vehículos Suramericana S.A.
Inversiones CS Suramericana S.A.
Administradora de Carteras Colectivas Suramericana S.A.
EPS y Medicina Prepagada Suramericana S.A.
Consultoría en Gestión de Riesgos IPS Suramericana S.A.
Servicios de Salud IPS Suramericana S.A.
Seguros de Riesgos Profesionales Suramericana S.A.
Portafolio de Inversiones Suramericana S.A. subject to liquidation
Enlace Operativo S.A.
Suramericana (B.V.I.) Corp.
Inversura (BVI) Corp.

Seguros Suramericana S.A. (Panamá)
Suramericana S.A.
Servicios Generales Suramericana S.A

Members of the Board of Directors

José Alberto Vélez Cadavid
Carlos Enrique Piedrahíta Arocha
Juan Guillermo Londoño Posada
Jorge Mario Velásquez Jaramillo
Hernando Yépes Arcila
Antonio De Roux Rengifo
Hernando José Gómez Restrepo

Shareholders who are beneficiaries of 10% or more of the Company's total shares outstanding

None

Legal Representatives

None

Senior Management:

David Bojanini García
Andrés Bernal Correa
Mario López López
Fernando Ojalvo Prieto

The following is a breakdown of significant balances and transactions with related parties as at and for year ended December 31:

Assets	**2009**	**2008**
Interest		
Portafolio Suramericana de Inversiones S.A. subject to liquidation................	COP1,531,917	-
Deposits		
Suramericana BVI	**4,053,097**	-
Liabilities		
Portafolio de Inversiones Suramericana S.A. subject to liquidation................	COP3,762,263	159,786,421
Interest		
Portafolio de Inversiones Suramericana S.A. subject to liquidation................	COP 120,681	-
Miscellaneous receivables		
Admora de Carteras Colectivas Suramericana S.A.	COP -	19,038
Inversiones y Construcciones Estratégicas S.A.	10,656	9,476
Seguros Generales Suramericana S.A.	64,803	90,391
	3,958,403	**159,905,326**
Operating earnings		
Interest		
Portafolio de Inversiones Suramericana S.A. subject to liquidation................	COP 1,531,917	-
Operating expense		
Seguros de Riesgos Profesionales Suramericana S.A....................................	COP 5,063	4,159
Seguros Generales Suramericana S.A.	61,730	17,092
Fees - Seguros Generales Suramericana S.A.	367,037	385,009
	COP 433,830	406,260

Assets	**2009**	**2008**
Non-operating expense		
Portafolio de Inversiones Suramericana S.A. subject to liquidation................	**120,681**	**-**

Note: Transactions with related parties were carried out on an "arms-length" basis, at market prices and under conditions established by the market.

A breakdown of the fees paid to members of the Board of Directors is attached to the Balance Sheet, pursuant to Article 446 of the Code of Commerce. COP 2,400,000 of fees was paid to the each member of the Board of Directors on a monthly basis.

For the years ended December 31, 2008 and December 31, 2009, GRUPOSURA did not engage in any transactions with legal representatives, Senior Management or beneficial owners of 10% or more of the total amount of GRUPOSURA's total shares outstanding.

(21) Financial Derivatives

Income for 2009 corresponds to the premium received on the sale of call options

	Tranche 1	**Tranche 2**
Counterparty:	Credit Suisse	Credit Suisse
Option style:	European	European
Option type:	Call	Call
Underlying:	ADRs pertaining to Bancolombia	ADRs pertaining to Bancolombia
Beginning date:	October 7, 2009	October 7, 2009
Ending date:	April 7, 2010	October 7, 2010

(1) GRUPOSURA holds a call option with J.P. Morgan Services Inc. with the following terms and conditions:

Counterparty:	JP Morgan Securities Inc.
Option style:	European
Option type:	Call
Underlying:	ADRs pertaining to Bancolombia
Beginning date:	December 18, 2007
Ending date:	July 3, 2012

(22) Income tax provision

(a) The following is a reconciliation between book profits and taxable income estimated for the years ended December 31, 2009 and 2008:

	2009	**2008**
Earnings before income tax	COP451,488,846	279,393,688
Plus items that increase taxable earnings:		
Non-deductible provisions that constitute temporary differences	3,247,216	1,259,626
Non-deductible provisions that constitute permanent differences	31,664,556	2,386,593
Losses on sales of shares	-	6,258,045
Non-deductible vehicle tax	4,707	12,452
Dividends on permanent controlling investments..................	196,534,282	15,133,561
Tax on financial transactions	10,815	75,182
Valuations based on market prices	24,567	13,251,801
Taxable earnings from sales of investments	47,597,980	-

	2009	2008
Other non-deductible tax	756,956	-
Losses incurred through equity method	1,042,719	458,260
Other non-deductible expense	340,888	10,325,067
Less items that reduce taxable earnings:		
Payment of industry and commerce tax	(1,397,513)	(128,287)
Earnings from sales of investments	(25,140,208)	(7,396,144)
Taxable profits from sales of investments	(47,597,980)	-
Reversed provision for investments	(159,624)	(49,610,865)
Reversed provision – Others	(279,274)	-
Earnings – equity method	(334,685,535)	(152,635,921)
Surplus between ordinary income vs. presumptive income	-	(6,774,380)
Non-taxable dividends and participations	(322,313,584)	(112,008,678)
Income from appreciation of equity investments	(7,841,237)	-
Total estimated taxable income	(6,701,423)	-
Presumptive income applicable on net equity	16,480,556	19,787,879
Income tax provision at a nominal rate of 33%*	5,438,583	6,530,000

(b) The following is a reconciliation between book and tax equity for the years ended December 31, 2009 and 2008:

	2009	2008
Book equity	COP 14,338,307,332	8,385,239,978
Items that increase equity for tax purposes:		
Non-deductible provision that constitutes a temporary difference	3,442,774	1,316,813
Prepaid dividend income	6,019,360	5,323,925
Non-deductible provisions that constitute permanent differences	12,557,471	8,117,022
Income tax provision	1,295,431	408,296
Items that reduce equity for tax purposes:		
Valuations	(4,993,303,492)	(2,010,971,867)
Less non-callable dividends	(6,019,360)	(5,323,925)
Tax equity	**9,362,299,516**	**6,384,248,246**

(c) The following is a breakdown of Tax Losses to be offset for the years ended December 31, 2009 and 2008:

Tax losses	2009
obtained in 2008	COP 4,854,442

Tax surpluses

		2009	2008
Obtained in			
2005	COP	9,459,551	9,154,699
2006		15,978,743	15,463,799
2007		13,010,098	-
2008		17,283,952	12,590,823
		55,732,344	**37,209,321**

Excess presumptive income can be offset with the amount of gross income determined within a period of five years following the tax year in which this is obtained.

Tax losses can be offset without restriction in the following tax years.

The Company's tax returns for 2008 and 2007 remain subject to review on the part of the Colombian tax authorities; however no additional tax is expected as a result of any further inspection.

For the year ended December 31, 2007 through the year ended December 31, 2009, all taxpayers with an equity greater than three thousand million pesos (COP 3,000,000) paid wealth taxes. Wealth tax accrued on January 1st of each year and was calculated based on a tax rate of 1.2% of net equity as of January 1st for the year ended December 31, 2007

Transfer Prices

Pursuant to Laws 788 of 2002 and 863 of 2003, the Company drew up a study of transfer prices pertaining to operations carried out with its related parties based abroad in 2008. This study did not give rise to any adjustments affecting the Company's tax income, costs and expense.

Although the Company is still in the process of drawing up a study of transfer prices for 2009, no significant change is expected with regard to the previous year.

(23) Subsequent Events

The Company's Board of Directors, at a meeting held on January 28, 2010, authorized its Legal Representative to carry out all the necessary actions for GRUPOSURA to receive, in its capacity of beneficiary, all of the equity belonging to its subsidiary Portafolio de Inversiones Suramericana S.A. (subject to liquidation) as a result of the winding up of this subsidiary.

(24) Presentation

Certain figures in the financial statements for the year ended December 31, 2008 were reclassified to facilitate comparison with the financial statements for the year ended December 31, 2009.

GRUPO NUTRESA S.A.

(formerly known as Grupo Nacional de Chocolates S.A.)

Audited Consolidated Financial Statements

As of December 31, 2010 and 2009
and for the years ended December 31, 2010 and 2009

Contents

As of December 31, 2009 and 2008
and for the years ended December 31, 2009 and 2008

Contents

Report of Independent Auditors

February 14, 2011

To the Stockholders of Grupo Nacional de Chocolates S. A.:

We have audited the accompanying consolidated balance sheets of Grupo Nacional de Chocolates, S. A. and its subsidiaries as of December 31, 2010 and 2009 and the corresponding consolidated statements of income, changes in the stockholders' equity, changes in financial position and cash flows for the years then ended and a summary of significant accounting policies used as stated in Note 2 and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia as well as rules and regulations issued by the Colombian Superintendency of Corporations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Colombia. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grupo Nacional de Chocolates S.A. and its subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations, the financial position and the cash flows for the years then ended in accordance with generally accepted accounting principles in Colombia as well as rules and regulations issued by the Colombian Superintendency of Corporations, all of which were uniformly applied.

/s/ PricewaterhouseCoopers Ltda.

GRUPO NACIONAL DE CHOCOLATES S.A

CONSOLIDATED BALANCE SHEET

(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	As of December 31 2010	2009
Assets			
Current assets			
Cash and cash equivalents	4	COP 133,389	COP 152,572
Trade and other receivable, net	5	568,234	510,929
Inventories, net	6	553,016	494,120
Prepaid expenses and deferred charges	7-8	52,187	53,805
Total current assets		**1,306,826**	**1,211,426**
Non-current assets			
Permanent investments	9	330,481	335,272
Trade and other receivable, net	5	18,022	12,600
Prepaid expenses and other assets	7-8	31,717	44,637
Intangible assets, net	11	853,564	748,013
Property, plant, and equipment, net	10	988,793	977,261
Reappraisal of assets	12	4,555,288	3,599,917
Total non-current assets		**6,777,865**	**5,717,700**
Total assets		**COP 8,084,691**	**COP 6,929,126**
Liabilities			
Current liabilities			
Financial obligations	13	259,639	210,544
Trade accounts payable	14	165,155	124,270
Other accounts payable	15	208,876	138,138
Income tax and other taxes payable	16	68,247	78,144
Labor obligations	17	78,624	82,859
Accrued expenses and short term benefits	18-19	11,540	14,665
Other liabilities		1,983	2,514
Total current liabilities		**794,064**	**651,134**
Non-current liabilities			
Financial obligations	13	866,687	804,613
Other accounts payable	15	162	3,475
Labor obligations	17	9,763	1,377
Retirement obligations	19	20,111	18,651
Deferred taxes and other liabilities		58,990	59,636
Total non-current liabilities		**955,713**	**887,752**
Total liabilities		**1,749,777**	**1,538,886**
Minority interest		**11,268**	**3,611**
Stockholders' equity			
Common shares		2,176	2,176
Additional paid-in capital		24,457	24,457
Reserves	20	836,800	751,711
Equity revaluation	20	765,036	796,374
Cumulative translation adjustment	3	(117,715)	-
Net income for the year		263,239	213,274
Surplus in reappraisal of assets	12	4,549,653	3,598,637
Total stockholders' equity		**COP 6,323,646**	**COP 5,386,629**
Total liabilities and equity		**COP 8,084,691**	**COP 6,929,126**
Memorandum accounts	21	209,531	9,696,263

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES S. A.

CONSOLIDATED STATEMENT OF INCOME

(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	For the years ended December 31 2010	2009
Operating revenues	22	COP 4,458,858	COP 4,588,366
Cost of sales		(2,709,521)	(2,818,189)
Gross profit		1,749,337	1,770,177
Operating expenses			
Administrative expenses	23	(212,941)	(218,875)
Sales expenses	24	(1,121,727)	(1,115,606)
Operating income		**414,669**	**435,696**
Other (expenses) income , net			
Dividends received and financial income	25	81,216	149,522
Finance expenses	26	(150,930)	(284,522)
Other (expenses) income, net	27	(3,961)	(5,656)
Total other expenses, net		**(73,675)**	**(140,656)**
Net income before income tax and minority interest		**340,994**	**295,040**
Income tax	16		
Current		(70,002)	(77,390)
Deferred		(6,991)	(3,919)
Net income before minority interest		**264,001**	**213,731**
Minority interest		(762)	(457)
Net income		**COP 263,239**	**COP 213,274**
Net income per share (in COP)		**605**	**490**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES S. A.

CONSOLIDATED CHANGES IN STOCKHOLDERS' EQUITY STATEMENT

(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	Years ended December 31 2010	2009
Common shares			
Opening and closing balance		**COP 2,176**	**COP 2,176**
Additional paid-in capital			
Opening and closing balance		**24,457**	**24,457**
Reserves	20		
Opening balance		751,711	584,597
Transfer during the year		84,466	155,248
Changes during the year		623	11,866
Closing balance		**836,800**	**751,711**
Equity revaluation	20		
Opening balance		796,374	686,565
Equity tax		(10,835)	(10,945)
Effects of inflation in subsidiaries in hyperinflationary economies		(20,503)	120,754
Closing balance		**765,036**	**796,374**
Cumulative translation adjustment	3	**(117,715)**	
Surplus in reappraisal of assets	12		
Opening balance		3,598,637	2,267,587
Minority interest		(5,635)	(1,280)
Changes during the year		956,651	1,332,330
Closing balance		**4,549,653**	**3,598,637**
Income for the year:			
Opening balance		213,274	299,051
Dividends declared on 435,123,458 shares		(140,980)	(135,758)
Transfers to reserves		(84,466)	(155,248)
Changes during the year		12,172	(8,045)
Net income for the year		263,239	213,274
Net income		**COP 263,239**	**COP 213,274**
Total stockholders' equity		**COP 6,323,646**	**COP 5,386,629**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES

CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	For the years ended December 31	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income	**COP 263,239**	**COP 213,274**
Adjustments to reconcile net profit to resources provided by operating activities:		
Depreciation	90,165	91,033
Amortization of intangible assets, prepaid expenses and other assets	33,331	20,865
Amortization (recovery) of retirement obligations	612	(152)
Recovery of impairment charges for property, plant, and equipment and intangible assets	(151)	(65)
Gain (loss) on sale of investment and property, plant and equipment	253	(1,346)
Net (recovery) allowance and/or write-off of doubtful account	(2,285)	1,089
(Recovery) allowance for inventory	(150)	(3,314)
Foreign currency conversion effect	-	801
Minority interest	762	457
Equity tax	(10,835)	(13,425)
Changes in operating activities		
(Increase) decrease in trade and other receivable	(60,442)	132,013
(Increase) decrease in inventory	(58,746)	37,659
Decrease in prepaid expenses and deferred charges	12,818	29,774
Increase (decrease) in trade accounts payable and other accounts payable	106,814	(75,428)
Decrease in income tax and other taxes	(9,897)	(9,459)
Increase in labor obligations	4,151	2,449
(Decrease) increase in accrued expenses	(2,279)	2,032
(Decrease) increase in deferred taxes and other liabilities	(1,177)	15,231
Other changes in working capital	27,783	(19,388)
Net cash provided by operating activities	**393,966**	**424,100**
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of permanent investments	(4,821)	(1,728)
Acquisition of goodwill	(114,709)	(215,634)
Acquisition of property, plant, and equipment and other assets	(138,456)	(227,425)
Acquisition of intangible assets and deferred assets	(19,675)	(30,726)
Proceeds from sales of property, plant, and equipment	3,766	11,477
Proceeds from sales of permanent investments	1,739	10,663
Net cash used in investing activities	**(272,156)**	**(453,373)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(139,534)	(131,469)
Minority interest	7,657	860
Net increase in financial obligations	111,169	130,340
Effects of conversion associated with financing activities	(95,717)	(11,584)
Net cash used by financing activities	**(116,425)**	**(11,853)**
Net increase (decrease) in cash and cash equivalents	5,385	(41,126)
Effect of exchange rate variations on cash and cash equivalents	(33,851)	(6,425)
Cash and cash equivalents received from acquisitions	9,283	0
Cash and cash equivalents at the beginning of the year	152,572	200,123
Cash and cash equivalents at end of the year	**COP 133,389**	**COP 152,572**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES S.A.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	For the years ended December 31			
	2010		2009	
FINANCIAL RESOURCES PROVIDED FROM				
Net Income	**COP**	**263,239**	**COP**	**213,274**
Adjustments to reconcile net income to resources provided by operating activities				
Depreciations		90,165		91,033
Amortization of intangible assets, deferred assets, and other assets		33,331		20,865
Amortization (Recovery) of Labor obligations		612		(152)
Recovery of allowance for property, plant, and equipment and intangible assets		(151)		(65)
Gain (loss) on sale of investment and property, plant and equipment		253		(1,346)
Foreign currency conversion effect		-		801
Minority interest		762		457
FINANCIAL RESOURCES PROVIDED BY OPERATING ACTIVITIES		**388,211**		**324,867**
Plus:				
Resources from sales of property, plant, and equipment		3,766		11,477
Resources from sales of permanent investments		1,739		10,663
Other changes in working capital		9,291		609
Decrease in other long-term assets		11,200		14,820
Long-term financial obligations and other obligations		62,074		269,587
Increase in long-term labor obligations		8,386		-
Increase in estimated liabilities and allowances, other liabilities, and deferred liabilities		849		24,820
Minority interest		7,657		860
FINANCIAL RESOURCES PROVIDED BY SOURCES OTHER THAN OPERATIONS		**104,962**		**332,836**
TOTAL PROVIDED FINANCIAL RESOURCES		**493,173**		**657,703**
FINANCIAL RESOURCES USED FOR:				
Declared Dividends		141,030		135,821
Increases in permanent investments		4,821		1,728
Increases in goodwill		114,709		215,634
Increases in intangible assets and deferred assets		19,675		30,726
Increase in property, plant, and equipment and other assets		138,456		227,425
Effects of conversion associated with financing activities and others		129,568		11,584
Decrease in long-term labor obligations		-		1,040
Decrease in long-term trade accounts payable		3,313		-
Decrease in estimated liabilities and allowances and in deferred liabilities		647		3,939
Increase in long-term debtor accounts		5,422		1,608
Equity tax		10,835		10,945
TOTAL FINANCIAL RESOURCES USED		**568,476**		**640,450**
Variation in Working Capital due to Buy-outs and Splits		**27,773**		**25,813**
(DECREASE) INCREASE IN WORKING CAPITAL	**COP**	**(47,530)**	**COP**	**43,066**

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

(All amounts are expressed in millions of Colombian pesos except for values in USD, the exchange rate, and the number of shares)

Note 1
Organization and background

Entity and business purpose of the company and subsidiaries

Grupo Nacional de Chocolates S. A. (the "Company")
This Colombian corporation was incorporated on April 12, 1920. Its main domicile is in the city of Medellin, Colombia and will operate until April 12, 2050.

The Company's business purpose is to invest in companies organized under any legally authorized form, whether domestic or foreign.

The consolidated financial statements includes the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Company in which they hold directly or indirectly 50% or more of the outstanding voting shares (the "subsidiaries"). These financial statements were consolidated line by line and all transactions and significant company balances between companies have been eliminated.

Purpose of these financial statements

The Company's Board of Directors requested management to prepare these consolidated financial statements as of December 31, 2010 and 2009 and for the two years ended December 31, 2010, as part of the process of offering of Notes by Gruposura Finance in international markets. These financial statements have been translated from the original financial statements published in Colombia for statutory purposes, in the Spanish language. The translation into English has been made solely for the convenience of English-speaking readers. Certain reclassifications have been made and certain notes have been modified in order to facilitate the understanding of accounting policies and adopt the presentation of certain accounts as commonly used in international filings.

Subsidiaries

The following table shows the main consolidated subsidiaries as of December 31, 2010 and 2009 the Company's percentage of ownership and other relevant information.

Company	Business Purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2010	Percentage of ownership at December 31, 2009
Alimentos Cárnicos S.A.S.	Involved in raising cattle, meat production and commercialization of meat and other food products.	Colombia	100%	100%
Alimentos Cárnicos Zona Franca SantaFé S.A.S (1)	Involved in commercialization of food products in duty free zones including some production activities.	Colombia	100%	100%
Blue Ribbon Product S.A. (1)	Involved in manufacturing, and commercialization of products.	Panamá	100%	100%
Compañía de Cacao del Perú S.A.C. (1)	Involved in commercialization, distribution, import & export activities, as well as transformation of agricultural products mostly in the Cocoa industry.	Peru	Merged with Compañía Nacional de Chocolates de Perú, S.A. in 2010.	100%
Compañía de Galletas Noel S.A.S.	Involved in the production and commercialization of food products including cereals, cookies, and confectionery.	Colombia	100%	100%

Company	Business Purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2010	Percentage of ownership at December 31, 2009
Compañía de Galletas Pozuelo DCR, S.A. (1)	Mainly involved in the commercialization and production of cookies.	Costa Rica	100%	100%
Compañía de Galletas Pozuelo de Panamá S.A. (1)	Involved in the production and commercialization of consumer market products, such as cookies, crackers, bakery products, canned goods, and others.	Panama	100%	100%
Compañía Nacional de Chocolates de Costa Rica S.A. (1)	Mainly involved in the industry of chocolate and cocoa products.	Costa Rica	100%	100%
Compañía Nacional de Chocolates de Perú S.A.	Mainly involved in the Chocolate and confectionery industry, including cookies and candies.	Peru	100%	100%
Compañía Nacional de Chocolates S.A.S	Involved in the Chocolates and confectionery industry (production and commercialization).	Colombia	100%	100%
Cordialsa Boricua Empaque Inc. S.A. (1)	Involved in the commercialization of food products	Puerto Rico	100%	100%
Cordialsa Colombia S.A.S. (1) - created in February 12, 2010	Mainly involved in the commercialization of food products.	Colombia	100%	-
Cordialsa Costa Rica S.A. (1)	Mainly involved in the commercialization of food products.	Costa Rica	100%	100%
Cordialsa de México S.A. de C.V. (1)	Mainly involved in the commercialization of food products.	Mexico	100%	100%
Cordialsa El Salvador S.A. de C.V. (1)	Mainly involved in the commercialization of food products.	El Salvador	100%	100%
Cordialsa Honduras, S.A.	Mainly involved in the commercialization of food products.	Honduras	100%	100%
Cordialsa Nicaragua S.A. (1)	Mainly involved in the commercialization of food products.	Nicaragua	100%	100%
Cordialsa Guatemala, S.A.	Mainly involved in the commercialization of food products.	Guatemala	100%	100%
Cordialsa Noel de Venezuela S.A. (1)	Mainly involved in the commercialization of food products.	Venezuela	100%	100%
Cordialsa Panamá S.A. (1)	Mainly involved in the commercialization of food products.	Panama	100%	100%
Cordialsa USA Inc. (1)	Mainly involved in the commercialization of food products.	USA	100%	100%
Corporación Distribuidora de Alimentos S.A., Cordialsa. (1)	Mainly involved in the commercialization of food products.	Ecuador	100%	100%
Fehr Holdings LLC (1)	Mainly involved in investing activities	USA	100%	-
Gestión Cargo Zona Franca S.A.S (1)	Involved in logistic services in duty free zones including some packaging activities.	Colombia	100%	100%
Industria Colombiana de Café S.A.S.	Mainly involved in the coffee industry and other food products.	Colombia	100%	100%
Industria de Alimentos Zenú S.A.S.	Mainly involved in various stages of meat production chain and in processed foods such as cold cuts. The Company is also involved in commercialization of meats, cold cuts and other food products.	Colombia	100%	100%
Industrias Aliadas S.A	Mainly involved in the coffee industry	Colombia	83.33%	41.67%
Industrias Alimenticias Hermo de Venezuela S.A. (1)	Mainly involved the production and commercialization of food products especially cold cuts.	Venezuela	100%	100%
Meals mercadeo de Alimentos de Colombia S.A.S.	Mainly involved in the food industry, especially in products such as ice creams, dairy products, beverages, fruit products and others.	Colombia	100%	100%
Molinos Santa Marta S.A.S	Involved in the milling industry and bean production.	Colombia	100%	100%
Nutresa S.A. de C.V. (1)	Involved in the production, maquila and commercialization of food products and beverages.	Mexico	100%	100%
Productos Alimenticios Doria S.A.S.	Involved in the production and commercialization of flours, noodles, cereals and other relating products.	Colombia	100%	100%

Company	Business Purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2010	Percentage of ownership at December 31, 2009
Servicios Nacional de Chocolates S.A.S (1)	Provides services such as administration, accounting, audit, risk management, tax, among others.	Colombia	100%	100%
Distribuidora Tropical Nicaragua S.A. (1)	Mainly involved in the commercialization of food products.	Nicaragua	100%	100%
Ernesto Berard S.A. (1)	Manufacture fresh sausages and canned sausages made of beef, pork or chicken and to process meat products.	Panama	100%	100%
La Recetta Soluciones Gastronómicas Integradas S.A.	Mainly involved in the commercialization of food products.	Colombia	70%	70%
Litoempaques S.A.S	Produce or manufacture and/or assemble, and/or merchandise bottles, cans, lids, caps, and packaging made of any material for any use.	Colombia	100%	100%
Novaventa S.A.S	Mainly involved in the commercialization of food products.	Colombia	100%	100%
Pastas Comarrico S.A.S.	Manufacture and/or commercialize flours, noodles, prepared food made with cereals and their derivatives.	Colombia	100%	100%
Portafolio de Alimentos S.A.S. (2)	Invest in companies organized under any legally authorized form.	Colombia	100%	100%
Serer S.A. de C.V. (1)	Mainly involved in the commercialization of food products.	México	100%	100%
Setas Colombianas S.A.	Produce, distribute and commercialize mushrooms.	Colombia	94.7915%	94.7915%
Tropical Coffee Company S.A.S.	Assemble and exploit the coffee industry and the food	Colombia	100%	100%
Valores Nacionales S.A.S. (2)	Invest or apply resources or have holdings in companies organized under any legally authorized form.	Colombia	100%	100%

(1) At December 31, 2010 and 2009 the Company had no direct investment in these companies. However, it had a majority share through its subsidiaries.

(2) Companies taken over by the Company, through Colombian Financial Superintendence Resolution No. 1627 dated August 10, 2010.

2010 Acquisitions

Industrias Aliadas, S.A.

On August 23, 2010, the partial buy-out of Industrias Aliadas S.A. took place. It is a Colombian company dedicated to the production of soluble coffee and coffee extracts for exportation. The Group already held 41.67% of the capital. As a result of this buy-out, the Group now boasts a share of 83.33% of this company's holdings. The purchase price was COP 16,666.

Fehr Holdings, LLC

On October 15, 2010, 100% of the shares of the American company Fehr Holdings, LLC ("Fehr") were acquired along with its affiliates Fehr Foods, Inc., Oktex Baking, LP, and Oktex Baking GP, LLC. The Fehr Group is devoted to the production and merchandising of cookies, through its two production platforms, one located in Texas and the other in Oklahoma. The company mainly merchandises its products under the brands Lil' Dutch Maid, Sun Valley, and Tru-Blu that are sold in 43 states in the United States, in Mexico, and in Panama. The purchase price was COP132,002.

With this new acquisition, Grupo Nacional de Chocolates has strengthened its share of the regional cookie and cracker business and has made another step forward in making its long-term vision a reality. Also, due to the strategic location of that company's production and distribution centers, it will be able to produce Noel and Pozuelo brand cookies.

In addition, its proximity to wheat production centers, one of the main raw materials in the cookie and cracker business, is key for the development of the supply chain towards Colombia and Costa Rica.

The table below is a detail of the book value of assets and liabilities acquired and the goodwill recognized by the Company at the date of the business combinations:

	Industrias Aliadas S.A.	Fehr Holding LLC	Total
Current assets	22,939	11,770	34,709
Non-current assets	42,929	28,907	71,836
Total assets	**65,868**	**40,677**	**106,545**
Current liabilities	(6,936)	(2,301)	(9,237)
Non-current liabilities	(14,741)	(21,083)	(35,824)
Total liabilities	**(21,677)**	**(23,384)**	**(45,061)**
Stockholders' equity	**(44,191)**	**(17,293)**	**(61,484)**
Working capital	16,003	11,770	27,773
Acquisition of goodwill	110	114,709	114,819

Merger

On August 10, 2010, through Resolution 1627 the Colombian Financial Superintendence approved the scheme of merger used by Grupo Nacional de Chocolates S. A. to merge its Subsidiaries Valores Nacionales S.A.S. and Portafolio de Alimentos S.A.S. Pursuant to that resolution, the mergers were completely valid as once registered in the Chamber of Commerce mercantile registry. Such registration was made on September 10, 2010. This Merger did not have any effects on a consolidated basis.

Note 2
Summary of the main accounting practices and policies

(a) Basis of presentation

Companies in Colombia are required to maintain their accounting records and prepare their financial statements in conformity with generally accepted accounting principles in Colombia issued by the corresponding oversight authorities in Colombia ("Colombian GAAP"). Colombian GAAP requires the consolidation of subsidiaries in which a Company owns, directly or indirectly, more than 50% of the common stock. All of the Company's subsidiaries are then consolidated line by line, and inter-company accounts and transactions are eliminated.

The Subsidiaries apply accounting practices and policies adopted by the Company, which, in the case of foreign subsidiaries, do not substantially differ from the accounting practices used in the countries of origin, and/or have standardized all those practices that produce a significant impact on the consolidated financial statements. Prior to the consolidation process, the accounts of foreign subsidiaries with functional currencies different from the reporting currency are converted into Colombian Pesos.

A minority interest in the Company or a subsidiary is principally defined in relation to the percentage that an investor owns in the equity of the Company or a subsidiary as well as to the income or loss to the Company's subsidiaries.

(b) Business combinations

Upon a business combination, the Colombian purchase method of accounting requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the difference between the book value of net assets acquired and the purchase price be recognized as a goodwill (note k) (iii) the costs directly related to the purchase of a business be expensed as incurred.

(c) Inflation adjustments

Until December 31, 2006, the Company's financial statements were adjusted for the effects of inflation. Non-monetary assets and liabilities were adjusted on the basis of changes in the Colombian Middle-Income Consumer Price Index (the "CPI) as well as Stockholders' equity accounts (except the surplus from the reappraisal of assets and the income statement accounts for the related year).

In May 2007, the Ministry of Commerce Industry and Tourism (Ministerio de Comercio, Industria y Turismo), issued Decree 1536, which required the elimination of the inflation adjustments system for accounting purposes effective from January 1, 2007. Since that date the Company and Colombian Subsidiaries ceased to recognize the inflation adjustments on non-monetary assets and liabilities and equity accounts, consequently, the figures contained in the accompanying financial statements at December 31, 2010 and 2009 are stated in historical Colombian pesos, modified by the cumulative effects of inflation on the financial information recognized up to December 31, 2006.

As a result of that decree, the balance of the equity revaluation account (where the effects of inflation of equity accounts were recognized) may be reduced by recording the amount of equity tax due, and may not be distributed in the form of profits until the company is liquidated or its value is capitalized according to current applicable legislation. Once capitalized, it may be used to wipe out losses, only in the event that the Company is being wound up and cannot be used to reduce capital with cash or to reimburse contributions received from partners or stockholders. Based on this provision in the Colombian law, the Company has been recording the equity tax due net of the equity revaluation account for COP10,835 and COP10,945 in 2010 and 2009, respectively. These charges were previously recognized in earnings.

For subsidiaries in hyperinflationary environments, effects of inflation are recognized prior to the conversion and consolidation process. Venezuelan economy is deemed a hyperinflationary economy, therefore, the financial statements of subsidiaries which functional currency is the Bolivar fuerte (Industrias Alimenticias Hermo de Venezuela S.A. and Cordialsa Venezuela S.A), have been recognizing the effects of inflation. For the recognition of the effects of inflation in Venezuelan subsidiaries, non-monetary assets and liabilities were restated at the end of the reporting period using the general price index from the dates of origin. The components of stockholders' equity, except retained earnings were restated by applying a general price index from the dates the components were contributed or otherwise arose. All items in the consolidated income statement were restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements. The gain or loss on the net monetary position was included in profit or loss.

(d) Foreign currency transactions and operations

Conversions of financial statements in foreign currencies:

Balance Sheet accounts are translated to pesos colombianos using the exchange rate applicable at the end of the year, except for equity accounts which are translated at the historical exchange rate. The exchange rates at December 31, 2010 and 2009 were COP 1,913.98 and COP 2,044.23 per USD1.00, respectively. Consolidated statements of income accounts for the years ended December 31, 2010 and 2009 were translated to Colombian pesos using the average exchange rates. In 2010, exchange differences resulting from the translation of financial statements in foreign currencies are recognized in the "Cumulative translation adjustments" caption in the Stockholders' Equity. Prior to 2010, these differences were recognized in the income statement.

When several exchange rates are available, as it is the case of Venezuela, the rate used by the Company in the conversion process is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. For Subsidiaries in Venezuela the exchange rate used in 2010 in the conversion of their financial statements was 4.3 bolivares fuertes per USD1.00 and 2.15 bolivares fuertes per USD in 2009, representing a devaluation of 100% in 2010 with respect to 2009. The exchange rate used is considered the rate in which the future cash flows could be settled.

Transactions in foreign currencies:

Transactions and balances in foreign currency are translated using the exchange rates applicable on the corresponding dates.

Exchange rate differences arising from the remeasurement of monetary assets and liabilities denominated in foreign currencies are recognized in the accounts of foreign exchange gains and foreign exchange losses on the consolidated statements of income.

(e) Cash and cash equivalents

To prepare the cash flow statement, cash equivalents are highly liquid investments with a maturity of three months or less from the date of acquisition.

(f) Allowance for doubtful account

This represents the amount estimated by management as necessary to account for normal credit losses. The Company and its Subsidiaries record a provision and/or charges doubtful receivables against earnings in the period based on an analysis of receivables ageing and the collectability of individual accounts.

(g) Inventories

Inventories are recorded at cost. Cost is determined based upon the average-cost method. A provision is recorded to reduce obsolete and slow-moving inventories to their net realizable value as applicable.

(h) Prepaid expenses and other assets

Prepaid expenses – Includes primarily insurance premiums and interest that are amortized over time according to the terms of the policies and when the services are received.

Deferred charges – Include organization costs and pre-operating expenses as well as advertising and promotion expenses, studies and investigations, software on which future benefits are expected. They are amortized over periods ranging between 12 to 60 months.

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, including any direct and indirect costs associated with improvements and construction of assets. Exchange differences and interest expenses are capitalized when they are directly related to the construction of assets and are capitalized only during the construction period. Assets acquired prior to January 1, 2007 include effects of inflation from the acquisition date until December 31, 2006.

Repairs and maintenance are charged to the statement of income as incurred. Sales of property, plant and equipment are recorded at their adjusted net cost, recognizing in the income accounts any differences between costs and selling prices.

Depreciation is calculated using the straight-line method applied over the useful life of the asset. In the case of the Company and its subsidiaries, the annual rates used are 5% in the case of buildings, 10% for machinery and office equipment and 20% for transport and computer equipment.

For certain machineries that are used at their full capacities including extra shifts, the Company applies the provisions in the Colombian law to accelerate their depreciation using an annual depreciation rate of 12.5% which considers an additional 25% of the normal rate for each additional shift. For other equipment, a depreciation rate based on work hours was used, based on the technical specifications of the equipment, provided by the supplier.

The net book value of property, plant and equipment (cost less accumulated depreciation) is compared against fair values, determined based on independent professional appraisals. If fair value is higher, the excess of appraised assets over their net book value is charged to “Reappraisal of assets” with a credit to a separate line item in the Stockholders’ equity denominated “Surplus in reappraisal of assets” (see note (m)). If the fair value is lower than the book value of assets, a charge is recognized in the income statement. Appraisals for property, plant and equipments are recognized in Colombian Companies pursuant to the provisions in of the Decree 2649 of 1933. Appraisals are performed every three years.

The company and subsidiaries adequately protect their assets and have hired insurance policies to cover them against risks, such as fire, earthquake, theft, and third-party damages.

(j) Permanent investments

Valuation

Equity investments are initially accounted for at their acquisition cost and are subsequently marked to market. Trading securities would be those acquired mainly for obtaining profits from fluctuations in short-term prices. Differences between fair values and book values of equity securities classified as trading are recognized in the income statement.

For permanent investments, differences between fair values and book values are recognized in the line item "reappraisal of assets" with the offset in the stockholders' equity account "surplus in reappraisal of assets". (See note (m)).

When equity securities have low liquidity levels, or that are not listed on a securities exchange, and whose only source of valuation are the financial statements of the issuing company, the Company recognizes such investments at cost and subsequently measures them based on the investor's share in all subsequent changes in the investee's equity corresponding to the latest financial statements. For listed equity securities the market value is determined, as follows: for high marketability stock, average price of the past ten (10) days; for average marketability stock: the average price of the past ninety (90) days.

(k) Intangible assets

Goodwill

According to Joint Circulars 006 and 11 of 2005, issued by the Colombian Superintendency of Companies and the Colombian Superintendency of Finance, the Company recognizes goodwill when it has acquired control in another Company through the purchase of shares and the purchase price exceeds the corresponding book value of the net assets acquired.

Goodwill is amortized over the time the investment is expected to be recovered, and such term cannot exceed twenty (20) years. If the purchase price is lower than the book value of the net assets acquired, a negative goodwill is not recognized.

Goodwill is subject to annual impairment evaluations.

Trademarks and rights

Trademarks and rights are recognized when they derive from acquisition of companies and are recognized at their book value when acquired.

Trademarks and rights are depreciated over a period of ninety-nine (99) years. This useful life was determined based on a technical study performed by an independent investment bank.

Leasing agreements with a purchase option

Rights in financial leasing agreements with an option to purchase are recorded in asset and liability accounts, at the present value of the agreed upon installments and options to purchase computed as from the date of the commencement of the lease term of the related contract based on its internal return rate.

The rights for assets acquired under leasing agreements are amortized on a monthly basis using the straight-line method at a rate of 10% for rights in equipment leasing agreements and at a rate of 20% for vehicles and computing equipment based on their estimated useful lives. The rentals paid over the term of the contract are charged to liabilities for the amount of principal, and to expenses for the financial costs.

(l) Derivatives financial instruments

Derivatives are mainly used to manage exposures to foreign exchange and interest rate. The Company records the amount of agreements between two or more parties to purchase or sell assets at a future date, whose compliance or settlement is agreed upon more than two business days following the operation initiation date, in order to provide or obtain an economic hedging, in the terms defined by competent authorities. Therefore, these agreements create reciprocal and unconditional rights and obligations. Derivatives are recorded as assets and liabilities at fair value on net basis including derivatives which fair value is a liability. Operations are formalized by contract or letter of intent.

The Company's derivatives mainly consist of fixed rate cross currency swap contracts and forwards contracts.

Changes in the fair value of such contracts are recognized in the profit and loss statement of operations.

(m) Reappraisals of assets

As previously mentioned in notes (i) and (j), the difference between book values of property, plant and equipment and permanent investments and their fair values is recognized in reappraisals of assets with the offset in the separate line item in the stockholders' equity (surplus in reappraisal of assets)

(n) Income tax

The provision for income tax is determined based on the estimated taxable profit of the Company at rates specified in the tax law or subject to the special presumptive minimum income regime, whichever is higher. In addition, the Company records as deferred income tax the effect of the temporary differences between books and taxes in the treatment of certain entries, provided that it is more likely than not that such differences will be reversed.

(o) Labor obligations and retirement obligations

Estimated labor obligations are recorded based on applicable legislation and current labor agreements.

Retirement obligations represent the present value of all future payments that the Company must pay to those employees that have met or will meet certain legal requirements related to age, length of service, and other matters, determined based upon actuarial estimates. There are no dedicated investments or funds to cover these future liabilities. For employees covered under the new social security regime (Colombian Law 100 of 1993), the Company complies with its pension obligations through the payment of contributions to the Social Security Institute (Instituto de Seguros Sociales) (the "ISS"), and/or to private pension funds under the terms and conditions provided by law.

(p) Provisions and accrued expenses

The Company records provisions to cover estimated liabilities, such as taxes, labor expenses, fines, sanctions, litigations and lawsuits, provided that:

- The Company has acquired a right, and therefore has an obligation; and
- The provision is probable, justifiable, quantifiable and verifiable.

(q) Memorandum accounts

Contingent rights and liabilities such as the amount of assets delivered as collateral for debt, goods received in custody, future interest associated with the Company's withholding and value added tax obligations owed to the DIAN (Dirección de Impuestos y Aduanas Nacionales de Colombia), future interest associated with international lease contracts, receivables to be collected in favor of third parties, goods pledged as collateral and litigation and lawsuits whose resolution is remote are recorded in memorandum accounts. Additionally, the Company uses tax memorandum accounts to record differences between accounting and tax records.

(r) Revenue recognition

Income from the sale of goods is recognized in the income statement when the overall following requirements are met: a) the risks and benefits of the goods have been transferred to the buyer and no significant control thereon is retained, b) the revenue, costs incurred or to be incurred are reliably determined and c) the Company is likely to receive economic benefits from the sale.

(s) Net earnings per share

Net earnings per share is computed by dividing the net earnings applicable to common shares by the weighted average number of subscribed and paid shares outstanding for each year presented. The weighted average shares used in the computation of net earnings per share were COP 604.97 for 2010 and COP 490.90 for 2009. As of December 31, 2010 and 2009 the Company had 435,123,458 shares outstanding.

(t) Dividend distribution

Dividend distribution to the company's stockholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by the company's stockholders.

(u) Events occurring after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. Other non-adjusting events are disclosed in the notes.

(v) Relative importance or materiality

Economic events are recognized and presented according to their relative importance or materiality. In the preparation of financial statements, materiality is determined with respect to, as applicable, total current assets and liabilities, to total assets and liabilities, to working capital or operating results. As a general rule, the criteria of 5% of total assets, 5% of total revenue and 5% of stockholders' equity.

(w) Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements, according to Colombian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

(x) Convenience translation to Dollars (unaudited)

The US dollar amounts presented in the financial statements and accompanying notes have been translated from the corresponding Colombian peso amounts solely for the convenience of international investors, at the exchange rate in effect on December 31, 2010, which was COP 1,913.98 Colombian pesos per US dollar. Such translation should not be construed as a representation that the amounts shown could have been or can be converted into US dollars at such rate or any other rate. Once converted, the amounts are presented in whole US dollars.

Note 3
Foreign currency translation

Current regulations allow for the free trade of foreign currency, which must be channeled through the financial system. All the transactions conducted in a foreign currency are subject to certain requirements and legal controls.

The balances and operations in foreign currencies are converted at the representative market rate (RMR) certified by the Superintendency of Finance (Superintendencia Financiera), which was used for the preparation of these financial statements as of December 31, 2010 and 2009.

The exchange rates used to translate US dollar balances into Colombian pesos as of December 31, 2010 and 2009 were COP 1,913.98 and COP 2,044.23 per 1 USD, respectively. The exchange rates used to translate US dollar items in the income statements into Colombian pesos were translated using the annual average exchange rate of COP 1,897.89 and COP 2,156.29 per 1 USD during 2010 and 2009, respectively.

At December 31, 2010 and 2009, the consolidated financial statements of the Company included the following assets and liabilities denominated in foreign currencies (which are translated into Colombian pesos at the closing exchange rates, COP 1,913.98 and COP 2,044.23 per USD1, at December 31, 2010 and 2009, respectively).

	2010		**2009**	
	USD	**Equivalent in Colombian Pesos**	**USD**	**Equivalent in Colombian Pesos**
Cash and cash equivalents	36,939,889	70,702	48,731,402	99,618
Trade and other receivable, net	120,959,449	231,514	96,168,365	196,590
Inventories	108,875,635	208,386	60,024,253	122,703
Prepaid expenses and deferred charges	9,514,825	18,211	17,505,792	35,786
Property, plant, and equipment	111,998,218	214,362	122,932,863	251,303
Intangible assets	136,838,526	261,906	127,380,804	260,396
Total assets	**525,126,542**	**1,005,081**	**472,743,479**	**966,396**

	2010		**2009**	
	USD	**Equivalent in Colombian pesos**	**USD**	**Equivalent in Colombian Pesos**
Financial obligations	230,291,345	440,773	116,013,007	237,157
Trade accounts payable	37,762,673	72,277	27,704,972	56,635
Other accounts payable	55,976,008	107,137	35,005,277	71,559
Income taxes and other taxes	10,226,596	19,574	3,595,207	7,349
Labor obligations	7,920,271	15,159	8,109,414	16,578
Accrued expenses	3,893,028	7,451	16,403,242	33,532
Deferred taxes and other liabilities	3,095,010	5,924	6,286,888	12,852
Total liabilities	**349,164,931**	**668,295**	**213,118,007**	**435,662**
Net position	**175,961,611**	**336,786**	**259,625,472**	**530,734**

A detail of the cumulative translation adjustment per country recognized in the Stockholders' equity during 2010 is presented below:

	Costa Rica	**Ecuador**	**El Salvador**	**United States**	**Guatemala**	**Mexico**	**Nicaragua**	**Panama**	**Peru**	**Puerto Rico**	**Venezuela (*)**	**Total**
Current assets	2,317	(1,092)	(114)	(276)	(41)	(356)	(404)	(2,057)	(1,740)	(480)	(124,288)	(128,531)
Non-current assets	10,168	(13)	0	(3)	0	(53)	(52)	(3,066)	(5,902)	(1)	(59,898)	(58,820)
Total assets	**12,485**	**(1,105)**	**(114)**	**(279)**	**(41)**	**(409)**	**(456)**	**(5,123)**	**(7,642)**	**(481)**	**(184,186)**	**(187,351)**
Current liabilities	1,233	(930)	(113)	(86)	(34)	(174)	(443)	(1,067)	(601)	(111)	(66,088)	(68,414)
Non-current liabilities	852	0	0	0	0	(54)	0	0	(1,093)	0	(142)	(437)
Total liabilities	**2,085**	**(930)**	**(113)**	**(86)**	**(34)**	**(228)**	**(443)**	**(1,067)**	**(1,694)**	**(111)**	**(66,230)**	**(68,851)**
Profit and loss cumulative translation adjustment	**517**	**2**	**0**	**10**	**(3)**	**334**	**9**	**13**	**(99)**	**2**	**0**	**785**
Cumulative translation adjustment	**10,917**	**(173)**	**(1)**	**(183)**	**(10)**	**153**	**(4)**	**(4,043)**	**(6,047)**	**(368)**	**(117,956)**	**(117,715)**

(*) Refer to note (d).

Note 4
Cash and cash equivalents

The balance at December 31 included:

	2010		2009	
Cash and short-term bank deposits	COP	87,484	COP	116,630
Temporary investments (*)		45,905		35,942
Cash and cash equivalents	COP	133,389	COP	152,572

(*) Relates to highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalent do not include restricted cash.

Note 5
Trade and other receivables, net

Trade and other receivables at December 31 were as follows:

	2010		2009	
Trade receivable:				
Domestic (Customers in Colombia)	COP	322,671	COP	243,657
Foreign customers		137,712		154,327
Allowance for doubtful accounts (1)		(8,340)		(10,625)
Total trade receivable, net	COP	452,043	COP	387,359
Tax prepayments, contributions, and recoverable taxes		65,683		75,283
Advanced Payments		30,601		25,602
Loans to employees		7,894		10,591
Others		12,013		12,094
Short term trade and other receivables	COP	568,234	COP	510,929
Loans to employees		17,680		12,337
Advanced Payments		286		63
Other loans		56		200
Long term trade and other receivables	COP	18,022	COP	12,600

(1) Trade receivable with clients with more than 1 year past due were written off. The write offs aggregated to COP10,569 in 2010 and COP 6,990 in 2009. In addition, based on the aging analysis, the allowance for doubtful accounts increased in COP 8,284 as of December 31, 2010 (COP 8,079 as of December 31, 2009)

Note 6
Inventories, net

The balances at December 31 were as follows:

	2010		2009	
Raw materials	COP	188,253	COP	172,624
Work in progress		39,119		44,444
Finished goods		159,524		125,469
Resale inventory		30,045		26,490
Spare parts, and packaging materials		79,794		81,004
Inventory in transit		29,247		18,325
Livestock inventory		27,900		26,780
Inventory allowance		(866)		(1,016)
Inventories, net	COP	553,016	COP	494,120

Note 7
Prepaid expenses and other assets

The balances at December 31 were as follows:

	2010		2009	
Prepaid expenses	COP	8,089	COP	24,723
Deferred charges		58,913		54,623
Derivative financial instruments (Note 8)		15,109		18,068
Other assets		1,793		1,028
Total prepaid expenses and other assets		83,904		98,442
Total short term		(52,187)		(53,805)
Total long term	COP	31,717	COP	44,637

The amortization expenses of deferred charges recorded for the two years ended December 31, 2010 and 2009, are as follows: COP 8,573 and COP 3,762, respectively.

Note 8
Derivatives financial instruments

Assets and liabilities corresponding to derivative financial instruments at December 31, 2010 and 2009 are stated at fair value. Profits and losses on valuation of derivative financial instruments are recorded in the statement of income. Gains on valuation of derivative financial instruments aggregated to COP 6,084 and COP 39,756, in 2010 and 2009, respectively. Losses on the valuation of derivatives aggregated to of COP 17,402 and COP 57,184, in 2010 and 2009, respectively.

The fair value of derivatives financial instruments at December 31, interest rates and the exchange rates for those instruments are listed below:

2010												
Financial institution	**Initial financial obligation in USD**	**Financial obligation balance in USD**	**Covered valuein USD**	**Start date**	**Maturity**	**Rightsin COP**	**Obligations in COP**	**Non-realized profits (losses) in COP**	**Initial exchange rate (1)**	**Future exchange rate (1)**	**Interest rate on right**	**Obligation interest rate**
Rights												
Purchase of D. Forwards												
Helm Bank			5,698,535	15/12/2010	14/01/2011	130		130	1,898.00	1,885.04		
Helm Bank			5,769,280	16/12/2010	14/01/2011	68		68	1,910.00	1,894.91		
Bancolombia			15,043,671	17/11/2010	17/01/2011	540		540	1,879.00	1,877.74		
Bancolombia			19,055,316	17/11/2010	17/01/2011	684		684	1,879.00	1,877.74		
Purchase of N.D. Forwards												
BBVA			20,550,225	05/11/2010	04/01/2011	1,992		1,992	1,819.00	1,816.90		
Total short-term rights						3,414						
Swaps												
BBVA	40,285,714	25,178,572	25,178,572	17/04/2008	14/02/2014	2,596	(464)	2,132		1,795.00	Libor 3 Months + 0.95	11.25% EA
RBS	37,714,286	23,571,429	23,571,429	14/06/2006	14/02/2014	2,900	(424)	2,476		1,772.00	Libor 3 Months + 0.95	10.92% EA
Citibank	40,176,271	40,176,271	40,176,271	03/07/2008	03/07/2018	6,199		6,198		2,96PEN	Libor 6 Months + 1.80	8.84% EA
Total long-term rights						11.695	(888)					
Total rights						15,109	(888)					
Obligations												
Purchase of N.D. forwards												
Helm Bank	1,000,000		1,000,000	11/02/2010	08/02/2011		(100)	(100)	1,945.00	2,021.96		
Helm Bank	1,000,000		1,000,000	11/02/2010	08/02/2011		(100)	(100)	1,945.00	2,021.96		
Helm Bank	1,000,000		1,000,000	11/02/2010	08/02/2011		(100)	(100)	1,945.00	2,021.96		
Purchase of D. forwards												
Helm Bank	3,251,230		3,251,230	16/12/2010	14/01/2011		38					
Helm Bank	7,526,629		7,526,629	22/12/2010	21/01/2011		(132)	(132)	1,938.00	1,916.67		
Total current obligations							**(394)**					
Swaps RBS	33,000,000	14,142,864	14,142,864	14/06/2006	14/06/2013		(7,246)	(7,246)		2,518.50	Libor 3 Months + 0.85	9.87% EA
Total non-current obligations							**(7,246)**					
Total obligations							**(8,528)**					
Total						**15,109**	**(8,528)**					

2009												
Financial institution	**Initial financial obligation in USD**	**Financial obligation balance in USD**	**Covered valuein USD**	**Start date**	**Maturity**	**Rightsin COP**	**Obligations in COP**	**Non-realized profits (losses) in COP**	**Initial exchange rate (1)**	**Future exchange rate (1)**	**Interest rate on right**	**Obligation interest rate**
Rights Purchase of N.D. forwards												
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Corficol			600,000	22-09-09	29-03-10	63		63	1,912.50	1,962.13		
Corficol			600,000	22-09-09	29-03-10	63		63	1,912.50	1,962.13		
Swaps												
RBS	8,000,000	2,666,668	2,684,368	28-09-07	09-08-10	29		29		1,970.00	Libor 6 Months + 0.75	9.97% EA
Citibank	7,000,000	2,333,332	2,348,820	15-01-08	09-08-10	87		86		1,945.00	Libor 6 Months + 0.75	9.97% EA
Total current rights						COP742						

2009												
Financial institution	**Initial financial obligation in USD**	**Financial obligation balance in USD**	**Covered valuein USD**	**Start date**	**Maturity**	**Rightsin COP**	**Obligations in COP**	**Non-realized profits (losses) in COP**	**Initial exchange rate (1)**	**Future exchange rate (1)**	**Interest rate on right**	**Obligation interest rate**
Swaps												
BBVA	40,285,714	28,535,715	28,578,352	17-04-08	14-02-14	6,523		6,523		1,795.00	Libor 3 Months + 0.95	11.25% EA
RBS	37,714,286	26,714,286	26,755,109	30-04-08	14-02-14	6,735		6,735		1,772.00	Libor 3 Months + 0.95	10.92% EA
Citibank	40,176,271	40,176,271	41,895,829	03-07-08	03-07-18	4,068		4,069		2.96PEN	Libor 6 Months + 1.80	8.84% EA
Total non-current rights						**COP17,326**						
Total rights						**COP18,068**						
Obligations Swaps												
Citibank	3,000,000	750,000	749,098	28-03-07	28-03-10		(132)	(132)		2,173.00	Libor 6 Months -1,1	8.16% EA
Citibank	3,000,000	750,000	749,098	28-03-07	28-03-10		(132)	(132)		2,173.00	Libor 6 Months -1,1	8.16% EA
Bancolombia	10,000,000	3,333,332	3,355,440	28-09-07	09-08-10		(171)	(171)		2,030,00	Libor 6 Months + 0.75	9.97% EA
Total current obligations							**(435)**					
Swaps												
RBS	33,000,000	16,500,006	16,508,610	14-06-06	14-06-13		(7,995)	(7,995)		2,518.50	Libor 3 Months + 0.85	9.87% EA
Total non-current obligations							**(7,995)**					
Total obligations							**(8,430)**					
Total						**18,068**	**(8,430)**					

(1) Stated in Colombian Pesos (COP)

The value of the derivative financial instruments mentioned above includes accrued interests and exchange rate effects.

The purpose of the derivatives financial instruments is to reduce the exchange rate and interest rate risk as much as possible to trade receivable, accounts payable, loans, and futures foreign exchange commitments. Most of the contracts are denominated in USD.

All of the above derivative financial instruments have been contracted with prestigious financial institutions. Management constantly monitors them, and does not expect losses due to performance of the contracts

Note 9
Permanent investments

Permanent investments were as follow:

Company	Number of Shares Owned	Share percentage	2010 Cost	2009 Cost	2010 Valuation (devaluation)	2009 Valuation (devaluation)	2010 Dividends received	2009 Dividends Received
Bimbo de Colombia S.A.	2,324,630	40.00%	52,986	52,986	(3,410)	(7,949)	-	-
Carnes y Derivados de Occidente S.A.	12,462	0.04%	3	3	2	1	-	-
Sociedad Central Ganadera S.A.	47,781	17.07%	957	898	717	719	267	148
Cía. de Distribución y Transporte S.A.	182,901	24.31	1,314	1,314	899	728	544	507
Grupo Suramericana de Inversiones S.A.	59,387,803	12.66%	147,259	147,259	2,078,596	1,310,118	15,677	14,484
Fondo Ganadero de Antioquia S.A.	1,547,021	3.57%	3,077	1,027	(758)	(470)	-	-
Industrias Aliadas S.A. (1)	-	0.00%	-	9,291	-	10,359	-	-
Inversiones Argos S.A.	79,804,628	12.37%	120,795	120,795	1,467,318	1,395,493	14,466	12,911
Predios del Sur S.A. (2)	329,950,777	4.29%	783	783	(132)	(291)	-	-
Promotora de Manufacturas para Exportación S.A.	400,000	2.48%	176	176	-	-	-	-
Promotora de Proyectos S. A.	398,038	12.87%	265	190	(177)	(149)	-	-
Trigonal S. A.	744	2.08%	2	2	7	9	-	-
Sociedad Portuaria Regional de Buenaventura	2,410	0.10%	111	-	73	-	-	-
Other Companies			782	697	-	(79)	42	926
Subtotal			**328,510**	**335,421**	**3,543,135**	**2,708,489**	**30,996**	**28,976**
Allowance for Investments			(532)	(1,069)				
Mandatory Investments and Other Investments (3)			2,503	920				
Total Net Permanent Investments			**330,481**	**335,272**	**3,543,135**	**2,708,489**	**30,996**	**28,976**

(1) During 2010 shares representing an ownership of 41.66% were acquired, representing a step up to an 83, 33% of ownership. Since 2010 Industrias Aliadas is considered a subsidiary of Grupo Nacional de Chocolates.

(2) According to the Extraordinary Stockholders' meeting, dated January 25, 2011, the final dissolution of this company was approved.

(3) Includes the trust of Grupo Nacional de Chocolates S.A. Refer to note 13 for information on financial obligation issued through this trust.

Note 10
Property, plant, and equipment, net

The balances at December 31 consisted of the following:

2010	Cost	Accumulated depreciation	Net book value	Reappraisal of PP&E
Land and buildings	675,709	(259,143)	416,566	597,020
Furniture, equipment and fixtures	30,860	(20,324)	10,536	-
Machinery and equipment	1,238,903	(839,558)	399,345	410,849
Transportation equipment	10,108	(8,204)	1,904	1,406
Construction and assemblies in progress	99,870	-	99,870	-
Deferred depreciation (note 20)	-	71,656	71,656	-
Allowance	(11,084)	-	(11,084)	-
Property, plant, and equipment, net	**2,044,366**	**(1,055,573)**	**988,793**	**1,009,275**

2009	Cost	Accumulated depreciation	Net book value	Reappraisal of PP&E
Land and buildings	713,795	(250,834)	462,961	456,749
Furniture, equipment and fixtures	28,655	(15,788)	12,867	-
Machinery and equipment	1,037,689	(691,737)	345,952	426,891
Transportation equipment	15,112	(11,440)	3,673	3,706
Construction and assemblies in progress	99,180	-	99,180	-
Deferred depreciation (note 20)		64,069	64,068	-
Allowance	(11,440)	-	(11,440)	-
Property, plant and equipment, net	**1,882,991**	**(905,730)**	**977,261**	**887,346**

Property, plant and equipment depreciation expense for the years ended December 31, 2010 and December 31, 2009, amounted to COP 90,165 and COP 91,033, respectively

Liens

Property, plant and equipment are free of liens and, except for:

- The buildings located on Carrera 62 No. 11-31 in Bogotá D.C. with mortgage security No. 51600000784 and buildings located on Carrera 65 No. 12-60 in Bogotá D.C with mortgage security No. 51600000786 are mortgaged in favor of Bancolombia S.A, in order to guarantee open credits owned by Compañía Nacional de Chocolates S.A.S. The net book value at December 31, 2010 and 2009 was COP 11,771 and COP 12,205, respectively.

- Land with an approximate area of 88,307.20 m2 owned by Compañía de Galletas Noel S.A.S. in favor of Bancolombia. The net book value at December 31, 2010 and 2009 was COP 2,713.

The following properties with an aggregate net book value of COP 11,353 and COP 11,230, at December 31, 2010 and 2009, respectively:

- A land located in Yarumal. Real estate Folio: 037-0009591 registered at the Yarumal Public Instruments Registration Office, owned by Setas Colombianas S.A. with open mortgage for future credits.

- A land known as Sopetrana, now Alcalá, located in the Yarumal. Real estate Folio: 037-0009592 registered at the Yarumal Public Instruments Registration Office, owned by Setas Colombianas S.A. through open mortgage for future credits.

- A land in the community called Llanos de Cuivá located in the Municipality of Yarumal. Real estate Folio: 037-0009593 registered at the Yarumal Public Instruments Registration Office, owned by Setas Colombianas S.A. with open mortgage for future credits.

- Building located in the Municipality of Santa Rosa de Osos (Antioquia) on the site called Sopetrana-Aragón, registered with number 1382. Real estate Folio: 025-0004324 registered at the Santa Rosa de Osos Public Instruments Registration Office, owned by Setas Colombianas S.A. with open mortgage for future credits.

Note 11
Intangible assets, net

The balances at December 31 were as follows:

	2010 Cost		2010 Accumulated amortization		Net book value 2010		Net book value 2009
Goodwill (1)	COP	396,414	COP	(31,514)	COP	364,900	224,363
Trademarks and rights (2)		519,151		(61,356)		457,795	466,119
Distribution rights (3)		9,077		(6,203)		2,874	37,279
Leasing agreements with a purchase option (4)		27,636		(8,769)		18,867	20,030
Others		9,148				9,148	253
Allowance		(20)				(20)	(31)
Total	**COP**	**961,406**	**COP**	**(107,842)**	**COP**	**853,564**	**748,013**

(1) Corresponds to the difference between the book value of net assets purchased in the acquisition of a business and the amount paid by the Company and subsidiaries. Goodwill is amortized over a period of 3 to 20 years. The amortization recognized in 2010 and 2009 amounted to COP 15,245 and COP 8,683, respectively.

(2) Corresponds to trademarks and rights over products in the ice cream, cookies and chocolate businesses..

(3) Corresponds to rights acquired in Puerto Rico to Compañía Boricua Empaque, Inc.

(4) The machinery and equipment under financial lease agreements with purchase option is detailed below in Colombian pesos:

	2010 Cost	2010 Accumulated amortization	Net book value 2010	Net book value 2009
Machinery	22,132	(6,778)	15,354	17,880
Transportation equipment	5,504	(1,991)	3,513	2,150
Total machinery and equipment under financial leases	27,636	(8,769)	18,867	20,030

The balance at December 31, 2010 is composed of five (5) contracts for leasing of machineries entered into in 2006 with terms of up to sixty (60) months; nine (9) leasing contracts entered into in 2007 corresponding to one (1) machinery leasing contract and eight (8) transportation equipment leasing contracts with terms of up to sixty (60) months; fifteen (15) leasing contracts entered into in 2008 corresponding to three (3) machinery leasing contracts and twelve (12) transportation equipment leasing contracts with terms of up to sixty (60) months; seventeen (17) transportation equipment leasing contracts entered into in 2009 with terms of up to sixty (60) months; 31 leasing contracts entered into in 2010 corresponding to one (1) machinery leasing contract and to thirty (30) transportation equipment contracts with terms of up to sixty (60) months.

Rentals outstanding amount to COP10,413 in 2010 and COP 2,778 in 2009. Amortization of leasing rights recorded in the income statement for the two years ended December 31, 2010 and 2009, amounted to: COP 24,758 and COP 17,104, respectively.

Note 12
Reappraisal of assets

The balance at December 31 included:

	2010	2009
Permanent investments	COP 3,543,135	COP 2,708,488
Property, plant, and equipment	1,009,275	887,346
Others	2,878	4,083
Total reappraisal of assets	4,555,288	3,599,917
Minus minority interest	(5,635)	(1,280)
Surplus in reappraisal of assets	COP 4,549,653	COP 3,598,637

Note 13
Financial obligations:

The balances at December 31 were as follows:

	Institution	Balance 2010	Balance 2009	Interest	Interest rate	Type	Maturity Short-term	Maturity Long-term
Domestic Banks	Bancolombia (Related party)	197,638	94,141	3,309	IPC + 2.28% DTF+0.50%-1.90% LIBOR +1.45%	Promissory Note	COP 99,590	COP 98,048
	BBVA	73,557	74,671	569	LIBOR + 0.30%	Promissory Note	44,979	28,578
	Citibank	-	22,555	-	LIBOR-1.10% - LIBOR+0.75%	Promissory Note	-	-
	Leasing Bancolombia (Related party)	10,412	13,460	966	DTF+ 4.5 – 5.00%	Promissory Note	5,726	4,686
	Banco de Bogotá	-	27	154	LIBOR+1.25%	Promissory Note	-	-
	RBS	-	146,673	4,012	LIBOR+ 0.85% - 0.95%	Promissory Note	-	-
	Overdrafts	3,517	1,365	-		Promissory Note	3,517	-
Foreign Banks	Development Corporation of Abilene	2,301	-	-			2,301	-
	Scotiabank	124,954	-	1,219	LIBOR + 1.375%-0.85%-0.95%	Promissory Note	43,713	81,240
	Banco de Crédito Perú	25,208	31,450	1,897	4.43% - 6.78%	Contract	8,275	16,933
	Leasing Banco de Crédito Perú	1,603	-	153	6.69% - 7.72%	Contract	739	864
	BBVA NY	45,936	-	-	LIBOR + 2.40%	Promissory Note	-	45,936
	BBVA PERU	4,398	312	7	4.55%	Promissory Note	4,398	-
	Leasing BBVA	778	-	24	2.37% - 7.49%	Contract	778	-
	H. Tzanetatos INC.	-	2,528	77	6.0%	Promissory Note	-	-
	Leasing HSBC	55	-	11	9.00% - 9.25%	Promissory Note	55	-
	RBS	-	30,919	762	LIBOR + 1.375%	Promissory Note	-	-
	Helm Bank Panama	42,483	131	42	LIBOR + 4% - T.F. 1.80% - 2%	Promissory Note	42,483	-
	Helm Bank	-	2,377	423	19.0%	Promissory Note	-	-
	Overdrafts	2,247	11	-		Promissory Note	2,248	-
Others	Alpina S.A.	1,511	2,302	75	4.11%	Promissory Note	-	1,511
	Predios del sur	445	-	-			445	-
	Fideicomiso Grupo Nacional de Chocolates S. A. (Note 9) (1)	500,000	500,000	35,146	IPC + 4.19% - 5.59%		-	500,000
	Peruvian Bonds (2)	80,756	83,805	7,132	8.84% E.A.	Promissory Note	-	80,756
	Financial Derivative Instruments (Note 8)	8,528	8,430		LIBOR+1.80% SV – 9.52%. 10.50%. 10.80% TV	Promissory Note	393	8,134
	Total	**1,126,326**	**1,015,157**	**55,978**			**COP 259,639**	**COP 866,687**
	Payable in 2011	259,639						
	Payable in 2012	55,526						
	Payable after 2012	811,161						

(1) In August 2009 the Superintendency of Finance authorized through the trust of Grupo Nacional de Chocolates to issue ordinary bonds for an aggregate principal amount of COP 500,000, at a per value of COP 1,000. The detail of the bond and maturities is stated below:

Series	Principal	Interest rate (IPC +)	Maturities
C5	98,541	4.1900%	5 years
C7	131,815	4.9600%	7 years
C10	135,482	5.3300%	10 years
C12	134,162	5.5900%	12 years
TOTAL	500,000		

(2) Corresponds to a private offering in Peru of 118,520,000 New Peruvian Soles in July 2008. The bonds mature in 10 years with an interest rate of 8.65625% EA payable on a semester basis. The Guarantor of these Corporate debenture bonds was Grupo Nacional de Chocolates, S.A.

Interests over bond issuances mentioned above recorded in the income statement in 2010 and 2009 amounted to COP 7,188 and COP 7,912, respectively.

Note 14
Trade accounts payable

The balances at December 31 were as follows:

	2010		**2009**	
Suppliers in Colombia	COP	92,878	COP	67,643
Foreign suppliers		72,277		56,627
Trade accounts payable	COP	165,155	COP	124,270

Note 15
Other accounts payable

The balances at December 31 were as follows:

	2010		2009	
Costs and expenses payable	COP	121,400	COP	50,181
Dividends payable		38,860		37,364
Withholdings and payroll contributions		27,693		23,264
Withholding tax		19,593		20,585
Others		1,492		10,219
Other accounts payable	COP	209,038	COP	141,613
Short term other accounts payable		(208,876)		(138,138)
Long term other accounts payable	COP	162	COP	3,475

Note 16
Income taxes and other taxes

The income tax provision is determined based on the applicable regulations in the territory of the Company and its subsidiaries.

A summary of implications of the Colombian tax regulation in the determination of income tax in the Company and Colombian Subsidiaries is stated below:

a. Taxable income is subject to a 33% tax rate starting the fiscal year 2008. Capital gains are separated from ordinary income but are taxed using the same rate of the taxable income. Capital gains are considered to be those obtained from the disposal of fixed assets owned for two years or more, profits from liquidation of companies, as well as profits from inheritances, legacies, and donations.

b. Alternative minimum tax: A presumptive minimum income is calculated annually at a rate of 3% on the taxpayer's equity held in the year immediately preceding the taxable year. The income tax applies to the higher of the net income and this presumptive minimum income.

The companies in Colombia that in 2010 settled the tax based on presumptive minimum income are Grupo Nacional de Chocolates S.A., Tropical Coffee Company S.A.S., Molinos Santa Marta S.A.S., Pastas Comarrico S.A.S., Setas Colombianas S.A., Litoempaques S.A.S., Servicios Nacional de Chocolates S.A.S., and Meals Mercadeo de Alimentos de Colombia S.A.S. The other subsidiaries paid taxes based on their ordinary income.

c. At December 31, 2010, tax losses generated by Colombian subsidiaries amounted to COP 49,507. According to the Colombian tax legislation, tax losses generated from 2003 to 2006 can be carried forward subject to (i) an eight (8) year expiration term, and (ii) a cap equal to 25% of the tax loss in the year the loss was realized. All the tax losses generated from the fiscal year 2007 can be carried forward without any restrictions. Losses incurred by companies may not be transferred to stockholders. Tax losses incurred with revenues that do not constitute income or occasional earnings, as well as costs and deductions that have not been incurred in obtaining taxable income, cannot in any event be offset with the taxpayers net income.

d. At December 31, 2010 an amount of COP 13,518 is pending to be deducted from the taxable net income in relation to the excess of the presumptive minimum income paid over the tax that would have been payable under the regular statutory income tax corresponding to Colombian subsidiaries. According to the applicable tax legislation from fiscal year 2003 and onward, the aforementioned deduction can be taken in a maximum of five years.

e. Starting in the fiscal year 2004, taxpayers that enter into operations with foreign related parties are obliged for purposes of determining their ordinary income and complementary taxes, to prepare a transfer pricing study showing whether the corresponding prices or profit margins are arm's-length, and calculate an additional tax, if applicable. As of the date of these financial statements, management and advisors of the Company and of its subsidiaries concluded the study corresponding to 2009 and no adjustments were required in the financial statements. The study corresponding to 2010 will be completed during 2011, management and advisors of the Company and subsidiaries do not expect any adjustments to be included in the financial statements.

f. 2006 Law 1111 created the capital tax for taxable years 2007 to 2010 for taxpayers with equity equal or higher than COP 3,000. The rate for this equity tax is 1,2% of assets.

2009 Law 1370 set forth the equity tax for taxable year 2011 for income tax taxpayers. Therefore, those taxpayers with an equity higher than COP 5,000 are obligated to pay taxes corresponding to the 4,8% of equities. When the equity is from COP 3,000 to COP 5,000 the rate is 2,4%. Likewise, through December 2010 the Decree No. 482 5, stipulated a new range of taxpayers obliged to pay this tax, establishing a rate of 1% for net equities ranging from COP 1,000 to COP 2,000 and a rate of 1,4% for equities ranging from COP 2,000 to COP 3,000. In addition, a surcharge of 25% on the tax was set forth.

The estimated value of the tax including the surcharge is estimated to be COP 28,314. The tax will be accrued on January 1, 2011 and will be paid in two (2) installments per year during four (4) years, for a total of eight (8) installments.

Additional information about tax legislations in other jurisdictions is included below:

Tax regulations in Mexico stipulates for the fiscal year 2010, a tax rate of 28% on the taxable income for the period. In addition, it sets forth the profit sharing for employee's equivalent to a 10% of the taxable income.

Tax regulations in Costa Rica stipulates that the income tax is determined based on estimations Tax legislation in Costa Rica allows tax-losses carry forwards in the following three years in the case of industrial entities. The income tax rate is 30%. A Deferred income tax is recognized for the differences between book values and tax basis.

Tax regulations in Panama stipulate that the income tax is determined based on estimations, on taxable bases for the fiscal period. The income tax rate is 30%.

Tax regulations in Ecuador stipulate that Companies in Ecuador tare taxed at a rate of 25% on taxable income.

The balances of the income tax and other taxes payable at December 31, 2009 and December 31, 2008 were as follows:

	2010		2009	
Income tax and complementary taxes	COP	19,847	COP	30,849
Sales Tax Payable		43,003		40,541
Others		5,397		6,754
Total	COP	68,247	COP	78,144

The movement of the income tax account for the years ended December 31, was as follows:

	2010		2009	
Provision charged to the results of the year	COP	70,002	COP	77,390
Deferred income tax due to excess in deferred depreciations and actuarial calculation		6,991		3,919
Minus: Advanced payments, and withholdings		(57,146)		(73,747)
Total income tax and complementary taxes payable	COP	19,847	COP	7,562

Note 17
Labor obligations

The balance at December 31 included:

	2010		2009	
Salaries payable	COP	1,138	COP	2,448
Severance payments		28,455		30,149
Accrued vacation		17,143		14,752
Bonuses and interest on severance payment		31,705		22,645
Others		9,946		14,242
Labor obligations	COP	88,387	COP	84,236
Short-term labor obligations		(78,624)		(82,859)
Long-term labor obligations	COP	9,763	COP	1,377

Note 18
Accrued expenses

The balance at December 31 included:

	2010		2009	
Costs and expenses	COP	2,219	COP	9,042
Others		5,635		1,994
Accrued expenses	COP	7,854	COP	11,036

Note 19
Retirement obligations

The allowance for retirement obligations was determined based on actuarial calculations at December 31, 2010 and 2009, as summarized below:

	2010		2009	
Actuarial calculations for retirement obligations	COP	27,175	COP	22,419
Retirement obligation to be amortized (Db)		(3,378)		(139)
Total		23,797		22,280
Total short-term retirement obligations		3,686		3,629
Total long-term retirement obligations	COP	20,111	COP	18,651

The charges to the statement of income were as follows:

	2010		2009	
Adjustments to actuarial calculations		612		(152)
For payments made during the year		3,221		2,380
Total	**COP**	**3,833**	**COP**	**2,228**

85% to 100% of actuarial liabilities at December 31, 2010 were amortized (in 2009 100% were amortized, except for Productos Alimenticios Doria S.A.S.).

The covered benefits are monthly pensions, semester bonuses, readjustments pursuant to effective legal regulations, survivorship annuities and their corresponding bonuses. Also, funeral expenses were included for the personnel completely in charge of the companies.

Pursuant to Colombian Law the present value of obligations for pensions was determined based on actuarial calculations. The balance of actuarial liabilities to be amortized at December 31, 2010 corresponds to nineteen (19) years pursuant to Decree 4565 dated December 7, 2010. The significant assumptions used in the actuarial calculations were as follows:

Mortality rates: Based on tables following resolutions No.1555 at July 30, 2010.
Discount rate: 4.8%
Rate of compensation increase (average of 2007, 2008, 2009): 4.51%

Note 20
Stockholders' equity

- Legal Reserve

Pursuant to Colombian law, 10% of the net profits of the Company and its Colombian subsidiaries each year must be appropriated with a credit to a "reserve fund" until the fund reach an amount equivalent to at least 50% of subscribed capital. This legal reserve may not be reduced to less than the indicated percentage, except to cover losses in excess of undistributed profits. Any excess above the minimum required by law may be freely disposed of by the Stockholders.

- Reserve for deferred depreciation (Art. 130 of the Tax Code (Estatuto Tributario)

Determined as 70% of the amount by which tax depreciation exceeds book depreciation in any given year. The reserve is not distributable, but may be reduced in future years when the tax depreciation is lower than that recorded for accounting purposes. This reserve may be capitalized according to the provisions of Article 6 of Law 49 of 1990, in which case it does not constitute income or capital gains for the stockholders and its capitalization fulfills the obligation to keep it as a non-distributable profit.

- Reserve for Stock Buy-back

Some of the companies have constituted a reserve for stock buy-back, through transfer from other reserves. Pursuant to the provisions set forth in the Commerce Code, all rights inherent in stock buy-backs have a suspended status and must be excluded when determining the intrinsic value of the issued stock. The Company must maintain a reserve equal to the cost of the buy-backs of its own stock.

- Other Reserves

This includes the value accrued using the share method and the dividends received from subordinate companies and other reserves substantially for free disposal by the Stockholders Assembly.

The balance at December 31 is broken down as follows:

	2010		2009	
Mandatory Reserves	COP	187,421	COP	121,355
Occasional Reserves		649,379		630,356
Total Reserves	COP	836,800	COP	751,711

Revaluation of stockholder's equity

Stockholders' equity includes amounts recorded for inflation adjustments until December 31, 2006. Such amounts may not be distributed to stockholders until the Company has been liquidated or such value is formally converted to equity, in conformity with Article 36-3 of the Tax Code. As of December 31, 2010 and 2009, the Company recognized COP 10,835 and COP 10,945, respectively, related to the equity tax in this account.

This account also includes the effects of inflation adjustments from subsidiaries in countries with hyperinflationary economies, such as subsidiaries in Venezuela. The Company registered in the stockholders' equity an aggregated amount of COP (20,503) and COP 120,754 in 2010 and 2009, respectively, corresponding to inflation adjustments of foreign subsidiaries.

Surplus in reappraisal of assets

This account relates to the difference between the book value of permanent investments and property, plant and equipment and their fair values. Refer to (note 12) for details.

Note 21
Memorandum accounts

The balances at December 31 were as follows:

	2010		2009	
Debit memoranda accounts:				
Contingent rights				
Collateralized assets	COP	582,571	COP	419,949
Assets held by third parties and others		28,065		25,379
Litigation and claims		2,644		2,207
Subtotal	COP	613,280	COP	447,535
Tax debtors		(3,940,040)		5,788,353
Debit memorandum accounts				
Properties received in financial leasing	COP	6,792	COP	11,151
Property, plant, and equipment fully depreciated		502,207		357,052
Asset inflation adjustment		861,444		919,666
Other debit memorandum accounts		214,694		218,231
Subtotal	COP	1,585,137	COP	1,506,100

	2010	2009
Total debit memoranda accounts	(COP 1,741,623)	COP 7,741,988

	2010	2009
Credit memorandum accounts:		
Contingent responsibilities		
Assets received by third parties	COP 2,856	COP 39,261
Other contingent responsibilities	1,293,286	749,701
Subtotal	COP 1,296,142	COP 788,962
Tax creditors	(COP 321,287)	COP 273,513
Creditor memorandum accounts	COP 71,872	COP 1,152
Inflation adjustments	904,427	890,648
Subtotal	COP 976,299	COP 891,800
Creditor memorandum accounts	COP 1,951,154	COP 1,954,275

Note 22
Operating Revenues

Revenues at December 31 were as follows:

	2010	2009
Domestic revenues, net	COP 3,232,621	COP 3,092,027
Revenues from exports and foreign subsidiaries, net	1,226,237	1,496,339
Operating Revenues	COP 4,458,858	COP 4,588,366

Note 23
Administrative expenses

The balance at December 31 included:

	2010	2009
Salaries and other Employees' benefits	COP 117,197	COP 114,975
Professional fees	26,901	20,019
Services	20,886	24,181
Taxes, insurance, and leasing	13,159	15,100
Amortizations	7,901	3,488
Travel expenses	8,658	9,684
Depreciation	2,254	8,677
Contributions and affiliations	3,553	6,000
Legal expenses	1,298	1,246
Maintenance of computing equipment and communications	999	2,457
Others	10,135	13,048
Total	COP 212,941	COP 218,875

Note 24
Sales expenses

The balance at December 31 included:

	2010	2009
Salaries and other employees benefits	COP 327,049	COP 293,115
Professional fees	22,777	21,245
Taxes, insurance and leasing	100,708	98,690

	2010	2009
Other services	462,334	488,944
Travel expenses	22,919	22,444
Commissions	11,347	15,719
Depreciation	27,385	24,925
Amortization	21,678	15,313
Fuel and oil	7,110	6,019
Allowance for doubtful accounts	8,284	8,079
Advertising materials	33,331	30,341
Packaging	6,262	5,147
Tasting events and promotions	3,251	12,966
Office maintenance	3,570	4,715
Others	63,722	67,944
Total	1,121,727	1,115,606

Note 25
Dividends received and financial income

The balance at December 31 included:

	2010		2009	
Dividends received (Note 9)	COP	30,996	COP	28,976
Foreign exchange gain		36,052		71,254
Gain on valuation of derivative financial instruments		6,084		39,756
Interest income		5,633		7,265
Other financial income		2,451		2,271
Dividends received and financial income	COP	81,216	COP	149,522

Note 26
Finance expenses

The balance at December 31 included:

	2010		2009	
Interest expenses	COP	62,608	COP	80,314
Foreign exchange loss		53,660		123,882
Loss on valuation of derivative financial instruments		17,402		57,184
Prompt payment discounts		10,968		14,247
Others		6,292		8,895
Finance expenses	COP	150,930	COP	284,522

Note 27
Other (expenses) income, net

The balance at December 31, of other (expenses) income consisted of the following:

	2010		2009	
Tax recoveries (1)	COP	29,041	COP	6,358
Gain in sale of investments		1,514		2,124
Loss on disposal of property, plant and equipments		(3,444)		(1,294)
Donations		(5,946)		(4,927)
Non-recurring Expenses		(6,914)		(10,771)
Others, net		(15,184)		2,854
Other (expenses) income , net	COP	(3,961)	COP	(5,656)

Note 28
Related party transactions

The following transactions and balances were carried out with related parties:

Company	Value of Operations 2010	Value of Operations 2009	Effect on Results 2010	% of Share in Operating Income (Expenses) 2010
BANCOLOMBIA S. A.				
Commissions	3,815	56	3,815	3%
Purchase of Goods	23	2	23	0%
Purchase of Services	22	123	22	0%
Financials	23	450	23	0%
Interest Paid	147	2,516	147	0%
Interest Received	1,469	1	1,469	26%
Sale of Goods	-	2,442	N/A	N/A
Sale of Services	-	274	N/A	N/A
Balance Receivables	842	5	N/A	N/A
Financial obligations and leasings	209,454	98,714	N/A	N/A
C.I. CONFECCIONES COLOMBIA S. A.				
Purchase of Goods	175	1	175	0%
Purchase of Services	5	7	5	0%
Sale of Services	-	2	N/A	N/A
CONSULTORÍA EN GESTIÓN DE RIESGOS SURAMERICANA S. A.				
Purchase of Goods	-	31	N/A	N/A
Purchase of Services	-	24	N/A	N/A
ENLACE OPERATIVO S. A.				
Sale of Services	-	3	N/A	N/A
EPS MEDICINA PREPAGADA SURAMERICANA S. A.				
Purchase of Goods	-	388	N/A	N/A
Purchase of Services	5	811	5	0%
Sale of Goods	-	3	N/A	N/A
Purchase of Goods	-	3	N/A	N/A
Purchase of Services				
GRUPO DE INVERSIONES SURAMERICANA S.A.				
Dividends Received	15,677	14,907	15,677	51%
Dividends Paid	38,728	34,851	N/A	N/A
INVERSIONES ARGOS S.A.				
Dividends Received	14,466	12,250	14,466	47%
Dividends Paid	4,271	2,503	N/A	N/A
Professional Fees	-	459	N/A	N/A
Interest Received	-	273	N/A	N/A
Sale of Services	-	1	N/A	N/A
INVERSIONES Y CONSTRUCCIONES ESTRATEGICAS S.A.				
Dividends Paid	599	-	N/A	N/A
SERVICIOS DE SALUD IPS SURAMERICANA S.A.				
Purchase of Goods	15	35	15	0%

Company	Value of Operations 2010	Value of Operations 2009	Effect on Results 2010	% of Share in Operating Income (Expenses) 2010
Purchase of Services	9	30	9	0%
Professional Fees	1	2	1	0%
Sale of Services	-	65	N/A	N/A
PIZANO S.A.				
Purchase of Services	-	3	N/A	N/A
PORTAFOLIO DE INVERSIONES SURAMERICANA S.A.				
Purchase of Services	-	16	N/A	N/A
Professional Fees	-	265	N/A	N/A
Dividends Paid	13,010	11,106	N/A	N/A
PREDIOS DEL SUR S.A.				
Shares Received	-	151	N/A	N/A
PROTECCION S.A.				
Purchase of Goods	-	83	N/A	N/A
Sale of Goods	-	85	N/A	N/A
Sale of Services	-	23	N/A	N/A
Balance Receivables	85	2	N/A	N/A
SEGUROS DE VIDA SURAMERICANA S.A.				
Purchase of Goods	584	479	584	0%
Purchase of Insurance	458	792	458	0%
Purchase of Services	31	49	31	0%
Sale of Goods	-	2	N/A	N/A
Sale of Services	-	5	N/A	N/A
SERVICIOS DE VEHICULO SURAMERICANA S.A.				
Sale of Goods	-	1	N/A	N/A
Balance Receivables	1	-	N/A	N/A
SERVICIOS GENERALES SURAMERICANA S.A.				
Purchase of Goods	-	23	N/A	N/A
Sale of Goods	-	32	N/A	N/A
Sale of Services	-	7	N/A	N/A
SODEXHO PASS DE COLOMBIA				
Commissions	15	13	15	0%
Purchase of Goods	247	510	247	0%
Purchase of Services	643	1,848	643	0%
Professional Fees	-	4	N/A	N/A
SODEXO COLOMBIA S.A.				
Purchase of Goods	12,648	17,263	12,648	3%
Purchase of Services	1,470	3,274	1,470	0%
Professional Fees	3	21	3	0%
Sale of Goods	104	2,902	104	0%
Sale of Services	1	7	1	0%
Balance Receivables	606	40	N/A	N/A

Company	Value of Operations 2010	Value of Operations 2009	Effect on Results 2010	% of Share in Operating Income (Expenses) 2010
SURAMERICANA SEGUROS S.A.				
Commissions	75	-	75	0%
Purchase of Goods	18,150	8,094	18,150	4%
Purchase of Insurance	3,759	3,176	3,759	1%
Purchase of Services	4,521	1,657	4,521	1%
Financials	684	-	684	0%
Professional Fees	6	561	6	0%
Claim Indemnities	56	43	56	4%
Interest Paid	4	2	4	0%
Interest Received	-	2	N/A	N/A
Claim Losses	15	15	15	0%
Sale of Goods	5,005	180	5,005	0%
Sale of Services	553	203	553	37%
Balance Receivables	69	-	N/A	N/A
SURATEP S.A.				
Purchase of Goods	-	126	N/A	N/A
Purchase of Services	-	134	N/A	N/A
Sale of Goods	-	6	N/A	N/A
Sale of Services	-	14	N/A	N/A

Note: All of the related party transactions were made on terms equivalent to those that prevail in arm’s length transactions.

Report of Independent Auditors

January 29, 2010

To the Stockholders of Grupo Nacional de Chocolates S. A.:

We have audited the accompanying consolidated balance sheets of Grupo Nacional de Chocolates, S. A. and its subsidiaries as of December 31, 2009 and 2010 and the corresponding consolidated statements of income, changes in the stockholders' equity, changes in financial position and cash flows for the years then ended and a summary of significant accounting policies used as stated in Note 2 and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia as well as rules and regulations issued by the Colombian Superintendency of Corporations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Colombia. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grupo Nacional de Chocolates S.A. and its subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations, the financial position and the cash flows for the years then ended in accordance with generally accepted accounting principles in Colombia as well as rules and regulations issued by the Colombian Superintendency of Corporations, all of which were uniformly applied.

/s/ PricewaterhouseCoopers Ltda.

GRUPO NACIONAL DE CHOCOLATES S. A.
CONSOLIDATED BALANCE SHEET
(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	As of December 31 2009		2008	
Assets					
Current assets					
Cash and cash equivalents	4	COP	152,572	COP	200,123
Trade and other receivable, net	5		510,929		645,639
Inventories, net	6		494,120		528,465
Prepaid expenses and deferred charges	7		53,805		14,044
Total current assets			**1,211,426**		**1,388,271**
Non-current assets					
Permanent investments	9		335,272		299,414
Trade and other receivable, net	5		12,600		10,992
Prepaid expenses and other assets	7		44,637		58,226
Intangible assets, net	11		748,013		543,336
Property, plant, and equipment, net	10		977,261		767,527
Reappraisal of assets	12		3,599,917		2,268,787
Total non-current assets			**5,717,700**		**3,948,282**
Total assets		**COP**	**6,929,126**	**COP**	**5,336,553**
Liabilities					
Current liabilities					
Financial obligations	13	COP	210,544	COP	349,791
Trade accounts payable	14		124,270		163,812
Other accounts payable	15		138,138		172,987
Income taxes and other taxes payable	16		78,144		89,896
Labor obligations	17		82,859		76,401
Accrued expenses and short term benefits	18 and 19		14,665		9,370
Other Liabilities			2,514		8,788
Total current liabilities			**651,134**		**871,045**
Non-current liabilities					
Financial obligations	13		804,613		535,026
Other accounts payable	15		3,475		160
Labor obligations	17		1,377		2,417
Retirement obligations	19		18,651		22,590
Deferred taxes and other liabilities			59,636		38,131
Total non-current liabilities			**887,752**		**598,324**
Total liabilities		**COP**	**1,538,886**	**COP**	**1,469,369**
Minority interest			3,611		2,751
Stockholders' equity					
Common shares			2,176		2,176
Additional paid-in capital			24,457		24,457
Reserves	20		751,711		584,597
Equity revaluation	20		796,374		686,565
Cumulative translation adjustment	3		-		
Net income for the year			213,274		299,051
Surplus in reappraisal of assets	12		3,598,637		2,267,587
Total stockholders' equity			**5,386,629**		**3,864,433**
Total liabilities and equity		**COP**	**6,929,126**	**COP**	**5,336,553**
Memorandum accounts	21				
Debtor accounts			**7,741,988**		**251,833**
Creditor accounts			**1,954,275**		**930,718**

GRUPO NACIONAL DE CHOCOLATES S. A.
CONSOLIDATED STATEMENT OF INCOME
(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	For the years ended December 31 2009		2008	
Operating revenues	22	COP	4,588,366	COP	4,009,727
Cost of sales			(2,818,189)		(2,384,094)
Gross profit			**1,770,177**		**1,625,633**
Operating expenses					
Administrative expenses	23		(218,875)		(183,777)
Sales expenses	24		(1,115,606)		(999,288)
Operating income			**435,696**		**442,568**
Other (expenses) income , net					
Dividends received and financial income	25		149,522		124,919
Financial expenses	26		(284,522)		(236,923)
Other income net	27		(5,656)		41,998
Total other expenses, net			**(140,656)**		**(70,006)**
Net income before income tax and minority interest			**295,040**		**372,562**
Income tax	16				
Current			(77,390)		(74,583)
Deferred			(3,919)		1,351
Net income before minority interest			**213,731**		**299,330**
Minority interest			**(457)**		**(279)**
Net income		**COP**	**213,274**	**COP**	**299,051**
Net income per share (in COP)		**COP**	**490**	**COP**	**687**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES S. A.
CONSOLIDATED CHANGES IN STOCKHOLDERS' EQUITY STATEMENT
(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	Notes	Years ended December 31 2009		Years ended December 31 2008	
Common shares					
Opening and closing balance		COP	2,176	COP	2,176
Additional paid-in capital					
Opening and closing balance			24,457		24,457
Reserves	20				
Opening balance			584,597		576,593
Transfer during the year			155,248		124,198
Changes during the year			11,866		(116,194)
Closing balance			**751,711**		**584,597**
Equity revaluation	20				
Opening balance			686,565		544,010
Changes during the year			109,809		142,555
Closing balance			**796,374**		**686,565**
Surplus in reappraisal of assets	21				
Opening balance			2,267,587		2,734,846
Minority interest			(1,280)		(1,200)
Changes during the year			1,332,330		(466,059)
Closing balance			**3,598,637**		**2,267,587**
Income for the year:					
Opening balance			299,051		247,313
Dividends declared on 435,123,458 shares			(135,758)		(120,094)
Transferred to reserves			(155,248)		(124,198)
Changes during the year			(8,045)		(3,021)
Net income for the year			213,274		299,051
Net income		**COP**	**213,274**	**COP**	**299,051**
Total stockholders' equity		**COP**	**5,386,629**	**COP**	**3,864,433**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES
CONSOLIDATED STATEMENT OF CASH FLOW
(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	For the years ended December 31			
	2009		2008	
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	**COP**	**213,274**	**COP**	**299,051**
Adjustments to reconcile net profit to resources provided by operating activities:				
Depreciation		91,033		92,311
Amortization of intangible assets, prepaid expenses and other assets		20,865		77,323
Amortization (recovery) of retirement obligations		(152)		(1,103)
Recovery of impairment charges for property, plant and equipment and intangible assets		(65)		(3,613)
Gain (loss) on sale of investment and property, plant and equipment		(1,346)		(78,834)
Net (recovery) allowance and/or write-off of doubtful account		1,089		1,496
(Recovery) allowance for inventory		(3,314)		2,137
Foreign currency conversion effect		801		(4,874)
Minority interest		457		279
Equity tax		(13,425)		(22,864)
Exchange difference on investments in foreign currency		-		(61)
Changes in operating activities:				
Investments		-		6,771
Decrease (increase) in trade and other receivable		132,013		(231,442)
Decrease (Increase) in inventory		37,659		(95,763)
Decrease in prepaid expenses and deferred assets		29,774		33,552
(Decrease) increase in trade accounts payable and other accounts payable		(75,428)		45,535
Decrease in income tax and other taxes		(9,459)		13,124
Increase in labor obligations		2,449		16,842
(Decrease) Increase in accrued expenses		2,032		6,982
(Decrease) Increase in deferred taxes and other liabilities		15,231		8,744
Other Changes in working capital		(19,388)		-
Net cash provided by operating activities		**424,100**		**165,593**
CASH FLOW FROM INVESTING ACTIVITIES:				
Acquisition of permanent investments		(1,728)		(8,615)
Acquisition of goodwill		(215,634)		-
Acquisition of property, plant, and equipment and other assets		(227,425)		(212,252)
Acquisition of intangible assets and deferred assets		(30,726)		(51,686)
Proceeds from sales of property, plant, and equipment		11,477		1,173
Proceeds from sales of permanent investments		10,663		136,089
Net cash used in investing activities		**(453,373)**		**(135,291)**
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid		(131,469)		(115,468)
Minority interest		860		
Net increase in financial obligations		130,340		166,383
Effects of conversion associated with financing activities		(11,584)		(15,389)
NET CASH USED BY FINANCING ACTIVITIES		**(11,853)**		**35,526**
Net (decrease) increase in cash and cash equivalents		(41,126)		65,828
Effect of exchange rate variations on cash and cash equivalents		(6,425)		-
Cash and cash equivalents received from acquisitions		-		-
Cash and cash equivalents at beginning of the year		200,123		134,295
Cash and cash equivalents at end of the year		**152,572**		**200,123**

The accompanying notes are an integral part of these consolidated financial statements.

GRUPO NACIONAL DE CHOCOLATES S.A.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(All amounts are expressed in millions of Colombian pesos unless otherwise stated)

	For the years ended December 31			
	2009		2008	
FINANCIAL RESOURCES PROVIDED FROM NET INCOME	COP	213,274	COP	299,051
Adjustments to reconcile net income to resources provided by operating activities				
Depreciations		91,033		92,311
Amortization of intangibles assets, deferred assets and other assets		20,865		77,323
Amortization (Recovery) of Labor obligations		(152)		(1,103)
Recovery of allowance for property, plant, equipment and intangible assets		(65)		(3,613)
Gain (loss) on sale of investments and property, plant and equipment		(1,346)		(78,834)
Foreign currency conversion effect		801		(4,935)
Minority interest		457		279
FINANCIAL RESOURCES PROVIDED BY OPERATING ACTIVITIES		**324,867**		**380,479**
Plus:				
Resources from sales of property, plant, and equipment		11,477		1,173
Resources from sales of permanent investments		10,663		136,089
Other changes in working capital		609		-
Decrease in other long-term assets		14,820		-
Long-term financial obligations and other obligations		269,587		64,650
Increase in long–term labor liabilities		-		790
Increase in estimated liabilities and allowances, other liabilities, and deferred liabilities		24,820		17,356
Minority interest		860		-
FINANCIAL RESOURCES PROVIDED BY SOURCES OTHER THAN OPERATIONS		**332,836**		**220,058**
TOTAL PROVIDED FINANCIAL RESOURCES	**COP**	**657,703**	**COP**	**600,537**
FINANCIAL RESOURCES USED FOR:				
Declared Dividends	$	135,821	$	120,157
Increases in permanent investments		1,728		8,615
Increases in goodwill		215,634		-
Increases in intangible assets and deferred assets		30,726		51,686
Increase in property, plant, and equipment and other assets		227,425		212,252
Effects of conversion associated with financing activities and others		11,584		15,176
Decrease in long-term labor obligations		1,040		-
Decrease in long-term trade accounts payable		-		213
Decrease in estimated liabilities and allowances and in deferred liabilities		3,939		300
Increase in long-term debtor accounts		1,608		2,377
Equity tax		10,945		15,243
TOTAL FINANCIAL RESOURCES USED		**640,450**		**426,019**
Variation in Working Capital due to Buy-outs and Splits		**25,813**		**-**
(DECREASE) INCREASE IN WORKING CAPITAL	**COP**	**43,066**	**COP**	**174,518**

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

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AT DECEMBER 31, 2009 AND 2008.
(All amounts are expressed in millions of Colombian pesos
except for values in USD, the exchange rate, and the number of shares)

Note 1
Organization and background

Entity and business purpose of the company and subsidiaries

Grupo Nacional de Chocolates S.A. (the "Company")

This Colombian corporation was incorporated on April 12, 1920. Its main domicile is in the city of Medellin, Colombia and will operate until April 12, 2050.

The Company's business purpose is to invest in companies organized under any legally authorized form, whether domestic or foreign.

The consolidated financial statements includes the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Company in which they hold directly or indirectly 50% or more of the outstanding voting shares (the "subsidiaries"). These financial statements were consolidated line by line and all transactions and significant company balances between companies have been eliminated.

Purpose of these financial statements

The Company's Board of Directors requested management to prepare these consolidated financial statements as of December 31, 2009 and 2008 and for the two years ended December 31, 2009, as part of the process of offering of Notes by Gruposura Finance in international markets. These financial statements have been translated from the original financial statements published in Colombia for statutory purposes, in the Spanish language. The translation into English has been made solely for the convenience of English-speaking readers. Certain reclassifications have been made and certain notes have been modified in order to facilitate the understanding of accounting policies and adopt the presentation of certain accounts as commonly used in international filings.

Subsidiaries

The following table shows the main consolidated subsidiaries as of December 31, 2009 and 2008, the Company's percentage of ownership and other relevant information:

Company	Business purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2009	Percentage of ownership at December 31, 2008
Alimentos Cárnicos S.A.S.	Involved in raising cattle, meat production and commercialization of meat and other food products.	Colombia	100%	100%
Alimentos Cárnicos Zona Franca SantaFé S.A.S (1)	Involved in commercialization of food products in duty free zones including some production	Colombia	100%	100%

Company	Business purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2009	Percentage of ownership at December 31, 2008
	activities.			
Blue Ribbon Product S.A. (1)	Involved in manufacturing, and commercialization of products.	Panama	100%	100%
Compañía de Cacao del Perú S.A.C. (1)	Involved in commercialization, distribution, import & export activities, as well as transformation of agricultural products mostly in the Cocoa industry.	Peru	100%	100%
Compañía de Galletas Noel S.A.S.	Involved in the production and commercialization of food products including cereals, cookies, and confectionery.	Colombia	100%	100%
Compañía de Galletas Pozuelo DCR, S.A. (1)	Mainly involved in the commercialization and production of cookies.	Costa Rica	100%	100%
Compañía de Galletas Pozuelo de Panamá S.A. (1)	Involved in the production and commercialization of consumer market products, such as cookies, crackers, bakery products, canned goods, and others.	Panama	100%	100%
Compañía Nacional de Chocolates de Costa Rica S.A. (1)	Mainly involved in the industry of chocolate and cocoa products.	Costa Rica	100%	100%
Compañía Nacional de Chocolates de Perú S.A.	Mainly involved in the Chocolate and confectionery industry, including cookies and candies.	Peru	100%	100%
Compañía Nacional de Chocolates S.A.S	Involved in the Chocolates and confectionery industry (production and commercialization).	Colombia	100%	100%
Cordialsa Boricua Empaque Inc. S.A. (1)	Involved in the commercialization of food products.	Puerto Rico	100%	100%
Cordialsa Costa Rica S.A. (1)	Mainly involved in the commercialization of food products.	Costa Rica	100%	100%
Cordialsa de México S.A.	Mainly involved in the commercialization of food	Mexico	100%	100%

Company	Business purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2009	Percentage of ownership at December 31, 2008
de C.V. (1)	products.			
Cordialsa El Salvador S.A. de C.V. (1)	Mainly involved in the commercialization of food products.	El Salvador	100%	100%
Cordialsa Honduras, S.A.	Mainly involved in the commercialization of food products.	Honduras	100%	100%
Cordialsa Nicaragua S.A. (1)	Mainly involved in the commercialization of food products.	Nicaragua	100%	100%
Cordialsa Guatemala, S.A.	Mainly involved in the commercialization of food products.	Guatemala	100%	100%
Cordialsa Noel de Venezuela S.A. (1)	Mainly involved in the commercialization of food products.	Venezuela	100%	100%
Cordialsa Panamá S.A. (1)	Mainly involved in the commercialization of food products.	Panama	100%	100%
Cordialsa USA Inc. (1)	Mainly involved in the commercialization of food products.	USA	100%	100%
Corporación Distribuidora de Alimentos S.A., Cordialsa. (1)	Mainly involved in the commercialization of food products.	Ecuador	100%	100%
Gestión Cargo Zona Franca S.A.S (1)	Involved in logistic services in duty free zones including some packaging activities.	Colombia	100%	100%
Industria Colombiana de Café S.A.S.	Mainly involved in the coffee industry and other food products.	Colombia	100%	100%
Industria de Alimentos Zenú S.A.S.	Mainly involved in various stages of meat production chain and in processed foods such as cold cuts. The Company is also involved in commercialization of meats, cold cuts and other food products.	Colombia	100%	100%
Industrias Aliadas S.A	Mainly involved in the coffee industry	Colombia	41.67%	41.67%
Industrias Alimenticias Hermo de Venezuela S.A.	Mainly involved the production and	Venezuela	100%	100%

Company	Business purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2009	Percentage of ownership at December 31, 2008
(1)	commercialization of food products especially cold cuts.			
Meals mercadeo de Alimentos de Colombia S.A.S.	Mainly involved in the food industry, especially in products such as ice creams, dairy products, beverages, fruit products and others.	Colombia	100%	100%
Molinos Santa Marta S.A.S	Involved in the milling industry and bean production.	Colombia	100%	100%
Nutresa S.A. de C.V. (1)	Involved in the production, maquila and commercialization of food products and beverages.	Mexico	100%	-
Productos Alimenticios Doria S.A.S.	Involved in the production and commercialization of flours, noodles, cereals and other relating products.	Colombia	100%	100%
Servicios Nacional de Chocolates S.A.S (1)	Provides services such as administration, accounting, audit, risk management, tax, among others.	Colombia	100%	100%
Distribuidora Maple de Colombia Ltda.	Mainly involved in the commercialization of food products.	Colombia	Spin-off in 2009	100%
Distribuidora Tropical Nicaragua S.A. (1)	Mainly involved in the commercialization of food products.	Nicaragua	100%	100%
Dulces de Colombia, S.A.	Confectionery, sugars and syrups, as well as distributing, selling and marketing said products manufactured	Colombia	Merged with Novaventa S.A.S. en 2009	100%
Ernesto Berard S.A. (1)	Manufacture fresh sausages and canned sausages made of beef, pork or chicken and to process meat products.	Panama	100%	100%
Inversiones Maple S.A.	Lawful economic activity, either with regard to personal property or real estate.	Colombia	Spin-off in 2009	100%
Inversiones Proveg S.A. (1)	Acquiring, selling and granting licenses for all	Colombia	Spin-off in 2009	100%

Company	Business purpose	Jurisdiction of incorporation	Percentage of ownership at December 31, 2009	Percentage of ownership at December 31, 2008
	types of intangibles that are exploited for economic benefits.			
La Recetta Soluciones Gastronómicas Integradas S.A.	Mainly involved in the commercialization of food products.	Colombia	70%	70%
Litoempaques S.A.S	Produce or manufacture and/or assemble, and/or merchandise bottles, cans, lids, caps, and packaging made of any material for any use.	Colombia	100%	100%
Novaventa S.A.S	Mainly involved in the commercialization of food products.	Colombia	100%	100%
Pastas Comarrico S.A.S.	Manufacture and/or commercialize flours, noodles, prepared food made with cereals and their derivatives.	Colombia	100%	100%
Portafolio de Alimentos S.A.S.	Invest in companies organized under any legally authorized form.	Colombia	100%	100%
Serer S.A. de C.V. (1)	Mainly involved in the commercialization of food products.	México	100%	-
Setas Colombianas S.A.	Produce, distribute and commercialize mushrooms.	Colombia	94.7915%	94.7915%
Tropical Coffee Company S.A.S.	Assemble and exploit the coffee industry and the food.	Colombia	100%	100%
Valores Nacionales S.A.S.	Invest or apply resources or have holdings in companies organized under any legally authorized form.	Colombia	100%	100%

(1) At December 31, 2009 and 2008 the Parent Company had no direct investment in these companies. However, it had a majority share through its subsidiaries.

2009 acquisitions

As of March 13, 2009 the Group acquired Nutresa, S. A. de C. V. and Serer S. A. de C. V., both Mexican companies engaged in the manufactory and marketing of candies and chocolate. With these new companies, the Group obtains a direct participation in this important market, an additional platform to attend the markets of the region and a portfolio of innovative products with leading brands. During the year in which the incorporation of Nutresa and

Cordialsa Mexico was realized, efforts and capabilities where unified. The purchase price was COP 238,926 and generated goodwill of COP 229,023.

Spin-offs

Inversiones Proveg S. A., Inversiones Maple S. A., y Distribuidora Maple de Colombia Ltda.

On Stockholders and Board of Partners meetings held as of June 26, 2009, the spin-off these companies was approved. Under this operation, these companies transferred all of their assets to the beneficiary companies: Portafolio de Alimentos S.A.S., Valores Nacionales S.A.S., Industria de Alimentos Zenú S.A.S., Compañía de Galletas Noel S.A.S. y Meals Mercadeo de Alimentos de Colombia S.A.S.

The three holding companies were dissolved, leaving no estate, no activity and disappearing in its own right, as a result of the determination of splitting completely.

All the investments held in other companies by Inversiones Proveg S.A., Inversiones Maple S.A. and Distribuidora Maple de Colombia Ltda., were transferred to Portafolio de Alimentos S.A.S.

Note 2
Summary of the main accounting practices and policies

(a) **Basis of presentation**

Companies in Colombia are required to maintain their accounting records and prepare their financial statements in conformity with generally accepted accounting principles in Colombia issued by the corresponding oversight authorities in Colombia ("Colombian GAAP"). Colombian GAAP requires the consolidation of subsidiaries in which a Company owns, directly or indirectly, more than 50% of the common stock. All of the Company's subsidiaries are then consolidated line by line, and inter-company accounts and transactions are eliminated.

The Subsidiaries apply accounting practices and policies adopted by the Company, which, in the case of foreign subsidiaries, do not substantially differ from the accounting practices used in the countries of origin, and/or have standardized all those practices that produce a significant impact on the consolidated financial statements. Prior to the consolidation process, the accounts of foreign subsidiaries with functional currencies different from the reporting currency are converted into Colombian Pesos.

A minority interest in the Company or a subsidiary is principally defined in relation to the percentage that an investor owns in the equity of the Company or a subsidiary as well as to the income or loss to the Company's subsidiaries.

(b) **Business combinations**

Upon a business combination, the Colombian purchase method of accounting requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the difference between the book value of net assets acquired and the purchase price be recognized as a goodwill (note k) (ii) the costs directly related to the purchase of a business be expensed as incurred.

(c) **Inflation adjustments**

Until December 31, 2006, the Company's financial statements were adjusted for the effects of inflation. Non-monetary assets and liabilities were adjusted on the basis of changes in the Colombian Middle-Income Consumer Price Index (the "CPI) as well as Stockholders' equity accounts (except the surplus from the reappraisal of assets and the income statement accounts for the related year).

In May 2007, the Ministry of Commerce Industry and Tourism (Ministerio de Comercio, Industria y Turismo), issued Decree 1536, which required the elimination of the inflation adjustments system for accounting purposes effective from January 1, 2007. Since that date the Parent Company and Colombian Subsidiaries ceased to recognize the inflation adjustments on non-monetary assets and liabilities and equity accounts, consequently, the figures contained in the accompanying financial statements at December 31, 2009 and 2008 are stated in historical

Colombian pesos, modified by the cumulative effects of inflation on the financial information recognized up to December 31, 2006.

As a result of that decree, the balance of the equity revaluation account (where the effects of inflation of equity accounts were recognized) may be reduced by recording the amount of equity tax due, and may not be distributed in the form of profits until the company is liquidated or its value is capitalized according to current applicable legislation. Once capitalized, it may be used to wipe out losses, only in the event that the Company is being wound up and cannot be used to reduce capital with cash or to reimburse contributions received from partners or stockholders. Based on this provision in the Colombian law, the Company has been recording the equity tax due net of the equity revaluation account for COP 10,945 and COP 15,243 in 2009 and 2008, respectively. These charges were previously recognized in earnings.

For subsidiaries in hyperinflationary environments, effects of inflation are recognized prior to the conversion and consolidation process. Venezuelan economy is deemed a hyperinflationary economy, therefore, the financial statements of subsidiaries which functional currency is the Bolivar fuerte (Industrias Alimenticias Hermo de Venezuela S.A. and Cordialsa Venezuela S.A), have been recognizing the effects of inflation. For the recognition of the effects of inflation in Venezuelan subsidiaries, non-monetary assets and liabilities were restated at the end of the reporting period using the general price index from the dates of origin. The components of stockholders' equity, except retained earnings were restated by applying a general price index from the dates the components were contributed or otherwise arose. All items in the consolidated income statement were restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements. The gain or loss on the net monetary position was included in profit or loss. All items in the consolidated income statement were restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements. The gain or loss on the net monetary position was included in profit or loss.

(d) **Foreign currency transactions and operations**

Conversions of financial statements in foreign currencies:

Balance Sheet accounts are translated to pesos colombianos using the exchange rate applicable at the end of the year, except for equity accounts which are translated at the historical exchange rate. The exchange rates at December 31, 2009 and 2008 were COP 2,044.23 and COP 2,243.59 per USD1.00, respectively. Consolidated statements of income accounts for the years ended December 31, 2009 and 2008 were translated to Colombian pesos using the average exchange rates. In 2009, exchange differences resulting from the translation of financial statements in foreign currencies are recognized in the income statement.

When several exchange rates are available, as it is the case of Venezuela, the rate used by the Company in the conversion process is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. For Subsidiaries in Venezuela the exchange rate used in 2009 and 2008 in the conversion of their financial statements was 2.15 bolivares Fuertes per USD 1.00. The exchange rate used is considered the rate in which the future cash flows could be settled.

Transactions in foreign currencies:

Transactions and balances in foreign currency are translated using the exchange rates applicable on the corresponding dates.

Exchange rate differences arising from the remeasurement of monetary assets and liabilities denominated in foreign currencies are recognized in the accounts of foreign exchange gains and foreign exchange losses on the consolidated statements of income.

(e) **Cash and cash equivalents**

To prepare the cash flow statement, cash equivalents are highly liquid investments with a maturity of three months or less from the date of acquisition.

(f) **Allowance for doubtful accounts**

This represents the amount estimated by management as necessary to account for normal credit losses. The Company and its Subsidiaries record a provision and/or charges doubtful receivables against earnings in the period based on an analysis of receivables ageing and the collectability of individual accounts.

(g) **Inventories**

Inventories are recorded at cost. Cost is determined based upon the average-cost method. A provision is recorded to reduce obsolete and slow-moving inventories to their net realizable value as applicable.

(h) **Prepaid expenses and other assets**

Prepaid expenses – Includes primarily insurance premiums and interest that are amortized over time according to the terms of the policies and when the services are received.

Deferred charges – Include organization costs and pre-operating expenses as well as advertising and promotion expenses, studies and investigations, software on which future benefits are expected. They are amortized over periods ranging between 12 to 60 months.

(i) **Property, plant and equipment**

Property, plant and equipment are recorded at cost of acquisition, including any direct and indirect costs associated with improvements and construction of assets. Exchange differences and interest expenses are capitalized when they are directly related to the construction of assets and are capitalized only during the construction period. Assets acquired prior to January 1, 2007 include effects of inflation from the acquisition date until December 31, 2006.

Repairs and maintenance are charged to the statement of income as incurred. Sales of property, plant and equipment are recorded at their adjusted net cost, recognizing in the income accounts any differences between costs and selling prices.

Depreciation is calculated using the straight-line method applied over the useful life of the asset. In the case of the Company and its subsidiaries, the annual rates used are 5% in the case of buildings, 10% for machinery and office equipment and 20% for transport and computer equipment.

For certain machineries that are used at their full capacities including extra shifts, the Company applies the provisions in the Colombian law to accelerate their depreciation using an annual depreciation rate of 12.5% which considers an additional 25% of the normal rate for each additional shift. For other equipment, a depreciation rate based on work hours was used, based on the technical specifications of the equipment, provided by the supplier.

The net book value of property, plant and equipment (cost less accumulated depreciation) is compared against fair values, determined based on independent professional appraisals. If fair value is higher, the excess of appraised assets over their net book value is charged to "Reappraisal of assets" with a credit to a separate line item in the Stockholders' equity denominated "Surplus in reappraisal of assets" (see note (m)). If the fair value is lower than the book value of assets, a charge is recognized in the income statement. Appraisals for property, plant and equipments are recognized in Colombian Companies pursuant to the provisions in of the Decree 2649 of 1933. Appraisals are performed every three years.

The company and subsidiaries adequately protect their assets and have hired insurance policies to cover them against risks, such as fire, earthquake, theft, and third-party damages.

(j) **Permanent investments**

Valuation

Equity investments are initially accounted for at their acquisition cost and are subsequently marked to market. Trading securities would be those acquired mainly for obtaining profits from fluctuations in short-term prices.

Differences between fair values and book values of equity securities classified as trading are recognized in the income statement.

For permanent investments, differences between fair values and book values are recognized in the line item “reappraisal of assets” with the offset in the stockholders’ equity account “surplus in reappraisal of assets”. (See note (m)).

When equity securities have low liquidity levels, or that are not listed on a securities exchange, and whose only source of valuation are the financial statements of the issuing company, the Company recognizes such investments at cost and subsequently measures them based on the investor’s share in all subsequent changes in the investee’s equity corresponding to the latest financial statements. For listed equity securities the market value is determined, as follows: for high marketability stock, average price of the past ten (10) days; for average marketability stock: the average price of the past ninety (90) days.

(k) Intangible assets

Goodwill

According to Joint Circulars 006 and 11 of 2005, issued by the Colombian Superintendency of Companies and the Colombian Superintendency of Finance, the Company recognizes goodwill when it has acquired control in another Company through the purchase of shares and the purchase price exceeds the corresponding book value of the net assets acquired.

Goodwill is amortized over the time the investment is expected to be recovered, and such term cannot exceed twenty (20) years. If the purchase price is lower than the book value of the net assets acquired, a negative goodwill is not recognized.

Goodwill is subject to annual impairment evaluations.

Trademarks and rights

Trademarks and rights are recognized when they derive from acquisition of companies and are recognized at their book value when acquired.

Trademarks and rights are depreciated over a period of ninety-nine (99) years. This useful life was determined based on a technical study performed by an independent investment bank.

Leasing agreements with a purchase option

Rights in financial leasing agreements with an option to purchase are recorded in asset and liability accounts, at the present value of the agreed upon installments and options to purchase computed as from the date of the commencement of the lease term of the related contract based on its internal return rate.

The rights for assets acquired under leasing agreements are amortized on a monthly basis using the straight-line method at a rate of 10% for rights in equipment leasing agreements and at a rate of 20% for vehicles and computing equipment based on their estimated useful lives. The rentals paid over the term of the contract are charged to liabilities for the amount of principal, and to expenses for the financial costs.

(l) Derivatives financial instruments

Derivatives are mainly used to manage exposures to foreign exchange and interest rate. The Company records the amount of agreements between two or more parties to purchase or sell assets at a future date, whose compliance or settlement is agreed upon more than two business days following the operation initiation date, in order to provide or obtain an economic hedging, in the terms defined by competent authorities. Therefore, these agreements create reciprocal and unconditional rights and obligations. Derivatives are recorded as assets and liabilities at fair value on net basis including derivatives which fair value is a liability. Operations are formalized by contract or letter of intent.

The Company's derivatives mainly consist of fixed rate cross currency swap contracts and forwards contracts. Changes in the fair value of such contracts are recognized in the profit and loss statement of operations.

(m) **Reappraisals of assets**

As previously mentioned in notes (i) and (j), the difference between book values of property, plant and equipment and permanent investments and their fair values is recognized in reappraisals of assets with the offset in the separate line item in the stockholders' equity (surplus in reappraisal of assets).

(n) **Income tax**

The provision for income tax is determined based on the estimated taxable profit of the Company at rates specified in the tax law or subject to the special presumptive minimum income regime, whichever is higher. In addition, the Company records as deferred income tax the effect of the temporary differences between books and taxes in the treatment of certain entries, provided that it is more likely than not that such differences will be reversed.

(o) **Labor obligations and retirement obligations**

Estimated labor obligations are recorded based on applicable legislation and current labor agreements.

Retirement obligations represent the present value of all future payments that the Company must pay to those employees that have met or will meet certain legal requirements related to age, length of service, and other matters, determined based upon actuarial estimates. There are no dedicated investments or funds to cover these future liabilities. For employees covered under the new social security regime (Colombian Law 100 of 1993), the Company complies with its pension obligations through the payment of contributions to the Social Security Institute (Instituto de Seguros Sociales) (the "ISS"), and/or to private pension funds under the terms and conditions provided by law.

(p) **Provisions and accrued expenses**

The Company records provisions to cover estimated liabilities, such as taxes, labor expenses, fines, sanctions, litigations and lawsuits, provided that:

- The Company has acquired a right, and therefore has an obligation; and
- The provision is probable, justifiable, quantifiable and verifiable.

(q) **Memorandum accounts**

Contingent rights and liabilities such as the amount of assets delivered as collateral for debt, goods received in custody, future interest associated with the Company's withholding and value added tax obligations owed to the DIAN (Dirección de Impuestos y Aduanas Nacionales de Colombia), future interest associated with international lease contracts, receivables to be collected in favor of third parties, goods pledged as collateral and litigation and lawsuits, whose resolution is remote, are recorded in memorandum accounts. Additionally, the Company uses tax memorandum accounts to record differences between accounting and tax records.

(r) **Revenue recognition**

Income from the sale of goods is recognized in the income statement when the overall following requirements are met: a) the risks and benefits of the goods have been transferred to the buyer and no significant control thereon is retained, b) the revenue, costs incurred or to be incurred are reliably determined and c) the Company is likely to receive economic benefits from the sale.

(s) **Net earnings per share**

Net earnings per share is computed by dividing the net earnings applicable to common shares by the weighted average number of subscribed and paid shares outstanding for each year presented. The weighted average shares used in the computation of net earnings per share were COP 490.90 for 2009 and COP 687.28 for 2008. As of December 31, 2009 and 2008 the Company had 435,123,458 shares outstanding.

(t) **Dividend distribution**

Dividend distribution to the company's stockholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by the company's stockholders.

(u) **Events occurring after the balance sheet date**

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. Other non-adjusting events are disclosed in the notes.

(v) **Relative importance or materiality**

Economic events are recognized and presented according to their relative importance or materiality. In the preparation of financial statements, materiality is determined with respect to, as applicable, total current assets and liabilities, to total assets and liabilities, to working capital or operating results. As a general rule, the criteria of 5% of total assets, 5% of total revenue and 5% of stockholders' equity.

(w) **Use of estimates in the preparation of consolidated financial statements**

The preparation of consolidated financial statements, according to Colombian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

(x) **Convenience translation to Dollars (unaudited)**

The US dollar amounts presented in the financial statements and accompanying notes have been translated from the corresponding Colombian peso amounts solely for the convenience of international investors, at the exchange rate in effect on December 31, 2009, which was COP 2,044.23 per US dollar. Such translation should not be construed as a representation that the amounts shown could have been or can be converted into US dollars at such rate or any other rate. Once converted, the amounts are presented in whole US dollars.

Note 3
Foreign currency translation

Current regulations allow for the free trade of foreign currency, which must be channeled through the financial system. All the transactions conducted in a foreign currency are subject to certain requirements and legal controls.

The balances and operations in foreing currencies are converted at the representative market rate (RMR) certified by the Superintendency of Finance (Superintendencia Financiera), which was used for the preparation of these financial statements as of December 31, 2009 and 2008.

The exchange rates used to translate US Dollar balances into Colombian pesos as of December 31, 2009 and 2008 were COP 2,044.23 and COP 2,243.59 per 1 USD, respectively. The exchange rates used to translate US Dollar items in the income statements into Colombian Pesos were translated using the annual average exchange rate of COP 2,156.29 and COP 1,966.26 per 1 USD during 2009 and 2008, respectively.

At December 31, 2009 and 2008, the consolidated financial statements of the Company included the following assets and liabilities denominated in foreign currencies (which are translated into Colombian pesos at the closing exchange rates, COP 2,044.23 and COP 2,243.59 per USD1, at December 31, 2009 and 2008, respectively).

	2009		2008	
	USD	Equivalent in Colombian Pesos	USD	Equivalent in Colombian Pesos
Cash and cash equivalents	48,731,402	99,618	60,137,795	134,925
Trade and other receivable, net	96,168,365	196,590	102,240,403	229,386
Inventories	60,024,253	122,703	52,128,099	116,954
Prepaid expenses and deferred charge	17,505,792	35,786	2,786,667	6,252
Property, plant and equipment	122,932,863	251,303	91,286,008	204,808
Intangible assets	127,380,804	260,396	91,095,921	204,382
Total assets	**472,743,479**	**966,396**	**399,674,893**	**896,707**
Financial obligations	116,013,007	237,157	192,751,802	432,456
Trade accounts payable	27,704,972	56,635	28,037,221	62,904
Other accounts payable	35,005,277	71,559	7,148,336	16,038
Income taxes and other taxes payables	3,595,207	7,349	6,949,361	15,592
Labor obligations	8,109,414	16,578	7,535,778	16,907
Accrued expenses	16,403,242	33,532	20,149,194	45,207
Deferred taxes and other liabilities	6,286,888	12,852	428,747	962
Total liabilities	213,118,007	435,662	263,000,439	590,066
Net position	**259,625,472**	**530,734**	**136,674,454**	**306,641**

Note 4
Cash and cash equivalents

The balances at December 31 included:

	2010		2009	
Cash and banks and short-term bank deposits	COP	116,630	COP	142,446
Temporary investments (*)		35,942		57,677
Cash and cash equivalents	COP	152,572	COP	200,123

(*) Relates to highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalent do not include restricted cash.

Note 5
Trade and other receivables, net

Trade and other receivables at December 31 were as follows:

	2009		2008	
Trade receivable:				
Domestic (Customers in Colombia)	COP	243,657	COP	257,963
Foreign customers		154,327		188,193
Allowance for doubtful accounts (1)		(10,625)		(9,536)
Total trade receivable, net	COP	387,359	COP	436,620
Tax prepayments, contributions, and recoverable taxes		75,283		86,951
Advanced payments		25,602		98,926
Loans to employees		10,591		8,634
Others		12,094		13,240
Short term trade and other receivables	COP	510,929	COP	645,639
Loans to employees		12,337		10,606
Advanced payments		63		-
Other loans		200		386
Long term trade and other receivables	COP	12,600	COP	10,992

(1) Trade receivable with clients with more than 1 year past due were written off. The write offs aggregated to COP 6,990 in 2009 and COP 5,243 in 2008. In addition, based on the aging analysis, the allowance for doubtful accounts increased in COP 8,079 as of December 31, 2009 (reduced by COP 6,739 in 2008).

Note 6
Inventories, net

The balances at December 31 were as follows:

	2009		2008	
Raw materials	COP	172,624	COP	182,504
Work in progress		44,444		46,893
Finished goods		125,469		105,620
Resale inventory		26,490		61,349
Spare parts and packaging materials		81,004		64,325
Inventory in transit		18,325		47,908
Livestock inventory		26,780		24,196
Inventory allowance		(1,016)		(4,330)
Inventories, net	COP	494,120	COP	528,465

Note 7
Prepaid expenses and other assets

The balances at December 31 were as follows:

	2009		2008	
Prepaid expenses	COP	24,723	COP	7,344
Deferred charges		54,623		20,831
Derivative financial instruments (note 8)		18,068		33,928
Other assets		1,028		10,167
Total prepaid expenses and other assets	COP	98,442	COP	72,270
Total short term		(53,805)		(14,044)
Total long term	COP	44,637	COP	58,226

The amortization expenses of deferred charges recorded for the two years ended December 31, 2009 and 2008, are as follows: COP 3,762 and COP 68,829, respectively.

Note 8
Derivatives financial instruments

Assets and liabilities corresponding to derivative financial instruments at December 31, 2009 and 2008 are stated at fair value. Profits and losses on valuation of derivative financial instruments are recorded in the statement of income. Gains on valuation of derivative financial instruments aggregated to COP 39,756 and COP 39,467 in 2009 and 2008, respectively. Losses on the valuation of derivatives aggregated to COP 57,184 and COP 46,640, in 2009 and 2008, respectively.

The fair value of derivatives financial instruments at December 31, interest rates and the exchange rates for those instruments are listed below:

2009

Financial institution	Initial financial obligation in USD	Financial obligation balance in USD	Covered value in USD	Start date	Maturity	Rights in COP	Obligations in COP	Non-realized profits (losses) in COP	Initial exchange rate (1)	Future exchange rate (1)	Interest rate on right	Obligation interest rate
Rights												
Purchase of N.D. forwards												
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		
Helm Bank			100,000	09-10-09	05-01-10	17		17	1,859.80	1,878.77		

2009

Financial institution	Initial financial obligation in USD	Financial obligation balance in USD	Covered value in USD	Start date	Maturity	Rights in COP	Obligations in COP	Non-realized profits (losses) in COP	Initial exchange rate (1)	Future exchange rate (1)	Interest rate on right	Obligation interest rate
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	20-01-10	17		17	1,859.80	1,882.03		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	08-02-10	17		17	1,859.80	1,886.16		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	22-02-10	17		17	1,859.80	1,889.20		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	09-03-10	16		16	1,859.80	1,892.48		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Helm Bank			100,000	09-10-09	23-03-10	16		16	1,859.80	1,895.53		
Corficol			600,000	22-09-09	29-03-10	63		63	1,912.50	1,962.13		
Corficol			600,000	22-09-09	29-03-10	63		63	1,912.50	1,962.13		
Swaps												
RBS	8,000,000	2,666,668	2,684,368	28-09-07	09-08-10	29		29		1,970.00	Libor 6 Months + 0.75	9.97% EA
Citibank	7,000,000	2,333,332	2,348,820	15-01-08	09-08-10	87		86		1,945.00	Libor 6 Months + 0.75	9.97% EA
Total current rights						**COP742**						
Swaps												
BBVA	40,285,714	28,535,715	28,578,352	17-04-08	14-02-14	6,523		6,523		1,795.00	Libor 3 Months + 0.95	11.25% EA
RBS	37,714,286	26,714,286	26,755,109	30-04-08	14-02-14	6,735		6,735		1,772.00	Libor 3 Months + 0.95	10.92% EA
Citibank	40,176,271	40,176,271	41,895,829	03-07-08	03-07-18	4,068		4,069		2.96PEN	Libor 6 Months + 1.80	8.84% EA
Total non-current rights						**COP17,326**						
Total rights						**COP18,068**						

2008

Financial institution	Initial financial obligation in USD	Financial obligation balance in USD	Covered value in USD	Start date	Maturity	Rights in COP	Obligations in COP	Non-realized profits (losses) in COP	Initial exchange rate (1)	Future exchange rate (1)	Interest rate on right	Obligation interest rate
Obligations												
Swaps												
Citibank	3,000,000	750,000	749,098	28-03-07	28-03-10		(132)	(132)		2,173.00	Libor 6 Months -1,1	8.16% EA
Citibank	3,000,000	750,000	749,098	28-03-07	28-03-10		(132)	(132)		2,173.00	Libor 6 Months -1,1	8.16% EA
Bancolombia	10,000,000	3,333,332	3,355,440	28-09-07	09-08-10		(171)	(171)		2,030,00	Libor 6 Months + 0.75	9.97% EA
Total current obligations					**(435)**							
Swaps												
RBS	33,000,000	16,500,006	16,508,610	14-06-06	14-06-13		(7,995)	(7,995)		2,518.50	Libor 3 Months + 0.85	9.87% EA
Total non-current obligations							**(7,995)**					
Total obligations							**(8,430)**					
Total						**18,068**	**(8,430)**					
Rights												
Swaps												
ABN AMRO	37,714,286	33,000,000	33,124,983	30-04-08	14-02-14	1,782		1,782		1,772.00	90-day Libor+ 0.95	10.92%
Total non-current rights							**1,782**					
Swaps												
Citibank	3,000,000	2,250,000	2,265,889	28-03-07	28-03-10	93		93		2,173.00	180-day Libor- 1.1	8.16%
Bancolombia	10,000,000	6,666,666	6,769,399	28-09-07	09-08-10	1,128		1,128		2,030.00	180-day Libor+ 0.75	9.97%
Citibank	7,000,000	4,666,666	4,738,579	15-01-08	09-08-10	1,202		1,202		1,945.00	180-day Libor+ 0.75	9.97%
ABN AMRO	8,000,000	5,333,334	5,415,521	09-10-07	09-08-10	1,234		1,234		1,970.00	180-day Libor+ 0.75	9.97%
ABN AMRO	37,714,286	33,000,000	33,124,983	30-04-08	14-02-14	13,310		13,310		1,772.00	90-day Libor+ 0.95	10.92%
BBVA	40,285,714	35,250,000	35,387,274	17-04-08	14-02-14	15,179		15,179		1,795.00	90-day Libor+ 0.95	11.25%

2008												
Financial institution	**Initial financial obligation in USD**	**Financial obligation balance in USD**	**Covered value in USD**	**Start date**	**Maturity**	**Rights in COP**	**Obligations in COP**	**Non-realized profits (losses) in COP**	**Initial exchange rate (1)**	**Future exchange rate (1)**	**Interest rate on right**	**Obligation interest rate**
Total non-current rights							**32,146**					
Total rights							**33,928**					
Obligations												
Purchase of N.D. Forwards												
Corficol			2,500,000	07-10-08	15-01-09		(168)	(168)	2,275.00	2,317.31		
BBVA			2,500,000	08-10-08	15-01-09		(326)	(326)	2,336.20	2,380.88		
Corficol			2,500,000	09-10-08	15-01-09		(104)	(104)	2,250.00	2,291.65		
BBVA			2,500,000	10-10-08	15-01-09		(277)	(277)	2,316.00	2,361.22		
Corficol			2,500,000	04-11-08	15-01-09		(307)	(307)	2,340.50	2,372.97		
BBVA			2,500,000	05-11-08	15-01-09		(242)	(242)	2,314.50	2,347.45		
Citibank			5,000,000	07-11-08	15-01-09		(458)	(458)	2,310.00	2,342.23		
Bancolombia			1,000,000	11-11-08	15-01-09		(89)	(89)	2,310.00	2,340.01		
Bancolombia			4,000,000	12-11-08	15-01-09		(461)	(461)	2,336.00	2,365.91		
Corficol			5,000,000	14-11-08	15-01-09		(487)	(487)	2,320.00	2,347.59		
Corficol			2,500,000	07-10-08	15-01-09		(168)	(168)	2,275.00	2,317.31		
BBVA			2,500,000	08-10-08	15-01-09		(326)	(326)	2,336.20	2,380.88		
Corficol			2,500,000	09-10-08	15-01-09		(104)	(104)	2,250.00	2,291.65		
BBVA			2,500,000	10-10-08	15-01-09		(277)	(277)	2,316.00	2,361.22		
Bancolombia			2,500,000	14-10-08	15-01-09		(102)	(102)	2,250.00	2,290.83		
Bancolombia			2,500,000	16-10-08	15-01-09		(179)	(179)	2,281.00	2,321.79		
Corficol			2,500,000	04-11-08	15-01-09		(307)	(307)	2,340.50	2,372.97		
BBVA			2,500,000	05-11-08	15-01-09		(242)	(242)	2,314.50	2,347.45		
BBVA			2,045,000	09-10-08	08-04-09		(107)	(107)	2,260.00	2,338.20		
Corficol			2,045,000	09-10-08	08-04-09		(80)	(80)	2,249.00	2,322.99		
Selling Forwards												
BBVA			500,000	02-09-08	05-01-09		(113)	(113)	1,973.00	2,019.57		
Citibank			45,000	15-07-08	05-01-09		(18)	(18)	1,780.00	1,847.46		
BBVA			500,000	02-09-08	20-01-09		(113)	(113)	1,973.00	2,025.23		
BBVA			500,000	02-09-08	17-02-09		(113)	(113)	1,973.00	2,035.85		
BBVA			500,000	02-09-08	26-02-09		(113)	(113)	1,973.00	2,039.27		
Swaps												
Citibank	45,000,000	7,500,000	7,530,505	19-05-06	19-05-09		(1,425)	(1,425)	2,450.63	2,417.00	90-day Libor+ 1.25	9.20%
Total current obligations							**(6,706)**					
Swaps												
ABN AMRO	33,000,000	21,214,290	21,241,126	14-06-06	14-06-13		(5,998)	(5,998)	2,569.1	2,518.5	90-day Libor+ 0.85	9.87%
Citibank	40,176,271	40,176,271	41,895,829	03-07-08	03-07-18		(4,011)	(4,011)	2.95PEN	2.96PEN	180-day Libor+ 1.80	8.84%
Total non-current obligations							**(10,009)**					
Total obligations							**(16,715)**					
Total						33,928	**(16,715)**					

(1) Stated in Colombian pesos (COP)

The value of the derivative financial instruments mentioned above includes accrued interests and exchange rate effects.

The purpose of the derivatives financial instruments is to reduce the exchange rate and interest rate risk as much as possible to trade receivable, accounts payable, loans, and futures foreign exchange commitments. Most of the contracts are denominated in USD.

All of the above derivative financial instruments have been contracted with prestigious financial institutions. Management constantly monitors them, and does not expect losses due to performance of the contracts.

Note 9
Permanent investments.

Permanent investments were as follow:

Company	Number of shares owned	Share percentage	2009	2008	2009 Valuation (devaluation) in value	2008 Valuation (devaluation) in value	2009 Dividends received
Grupo de Inversiones Suramericana S.A. (1)	59,387,803	12.66%	COP 147,259	COP 123,875	COP 1,310,118	COP 770,870	COP 14,484
Inversiones Argos S.A. (1)	79,804,628	12.37%	120,795	108,296	1,395,493	541,567	12,911
Bimbo de Colombia S.A.	2,324,630	40.00%	52,986	52,986	(7,949)	(10,738)	
Industrias Aliadas S.A. (2)	1,112,925	41.67%	9,291	7,627	10,359	5,718	
Cía. de Distribución y Transporte S.A.	182,901	24.31%	1,314	1,314	728	711	507
Fondo Ganadero de Antioquia S.A.	522,021	1.20%	1,027	1,027	(470)	(316)	
Sociedad Central Ganadera S.A.(3)	46,862	16.74%	898	866	719	631	148
Predios del Sur S.A.	329,950,777	4.29%	783	783	(291)	(298)	
Agroindustrias Colombianas S.A.	6,950,607	6.08%	489	489	-	-	

Company	Number of shares owned	Share percentage	2009	2008	2009 Valuation (devaluation) in value	2008 Valuation (devaluation) in value	2009 Dividends received
Promotora de Proyectos S. A.	133,410	5.29%	190	190	(149)	(132)	
Promotora de Manufacturas para Exportación S.A.	400,000	2.48%	176	176	-	-	
C.I. Confecciones Colombia S.A.	413,836	0.38%	172	172	(86)	(71)	
Carnes y Derivados de Occidente S.A.	12,462	0.04%	3	3	1	1	
Trigonal S.A.	744	2.08%	2	2	9	6	
Accesorios y Válvulas S.A	45,508	0.07%	-	-	2	2	
Cía. de Inversiones La Merced S.A.	-	0.00%	-	437	-	112,031	872
Fours Runners Inc	-	0.00%	-	597	-	-	
Other companies			36	38	5		54
Sub-total			COP 335,421	COP 298,878	COP 2,708,489	COP 1,419,982	COP 28,976
Allowance for investments			(1,069)	(1,038)			
Mandatory investments and other investments (4)			920	1,574		24	
Total net permanent investments			COP 335,272	COP 299,414	COP 2,708,489	COP 1,420,006	COP 28,976

(1) The increase was due to the spin off of Compañía de Inversiones La Merced S.A. held in 2009.

(2) 222,585 shares were acquired in 2009.

(3) 531 shares were acquired in 2009.

(4) Including Fideicomiso Grupo Nacional de Chocolates S.A. Trust

Note 10
Property, plant, and equipment, net

The balances at December 31 were as follows:

	2009 Cost	2009 Accumulated depreciation	Net book value 2009	Net book value 2008
Land and buildings	COP 713,795	COP (250,833)	COP 462,961	COP 304,399
Furniture, equipment and fixtures	28,655	(15,788)	12,867	8,412
Machinery and equipment	1,037,689	(691,737)	345,952	237,077
Transportation equipment	15,112	(11,440)	3,673	1,810
Construction and assemblies in progress	99,180		99,180	172,108
Sub-total	COP 1,894,431	COP (969,799)	COP 924,632	COP 723,806
Deferred depreciation (note 20)	-	64,068	64,068	55,336
Allowance	(11,440)		(11,440)	(11,615)
Property, plant, and equipment, net	COP 1,882,991	COP (905,730)	COP 977,261	COP 767,527

Property, plant and equipment depreciation expense for the years ended December 31, 2009 and December 31, 2008, amounted to COP 91,033 and COP 92,311, respectively.

Liens

Property, plant and equipment are free of liens, except for:

- The buildings located on Carrera 62 No. 11-31 in Bogotá D.C. with mortgage security No. 51600000784 and buildings located on Carrera 65 No. 12-60 in Bogotá D.C with mortgage security No. 51600000786 are mortgaged in favor of Bancolombia S.A, in order to guarantee open credits owned by Compañía Nacional de Chocolates S.A.S. The net book value at December 31, 2009 was COP 12,205.

- Land with an approximate area of 88,307.20 m2 owned by Compañía de Galletas Noel S.A.S. in favor of Bancolombia. The net book value at December 31, 2009 was COP 2,713.

- A land known as Sopetrana, now Alcalá, located in Yarumal. Real estate Folio: 037-0009592 registered at the Yarumal Public Instruments Registration Office, owned by Setas Colombianas S.A. through open mortgage for future credits.

The following properties with an aggregate net book value of COP 11,230, at December 31, 2009:

- A land located in Yarumal. Real estate Folio: 037-0009591 registered at the Yarumal Public Instruments Registration Office, owned by Setas Colombianas S.A. with open mortgage for future credits.

- Building located in the Municipality of Santa Rosa de Osos (Antioquia) on the site called Sopetrana-Aragón, registered with number 1382. Real estate Folio: 025-0004324 registered at the Santa Rosa de Osos Public Instruments Registration Office, owned by Setas Colombianas S.A. with open mortgage for future credits.

Note 11
Intangible assets, net

The balances at December 31 were as follows:

	2009 Cost		2009 Accumulated amortization		Net book value 2009		Net book value 2008	
Goodwill (1)	COP	285,859	COP	(61,496)	COP	224,363	COP	66,616
Trademarks and rights (2)		490,475		(24,356)		466,119		449,861
Distribution rights (3)		42,205		(4,926)		37,279		-
Leasing agreements with a purchase option (4)		28,224		(8,194)		20,030		19,043
Others		253		-		253		7,847
Allowance		(31)		-		(31)		(31)
Total	COP	846,985	COP	(98,972)	COP	748,013	COP	543,336

(1) Corresponds to the difference between the book value of net assets purchased in the acquisition of a business and the amount paid by the Company and subsidiaries. Goodwill is amortized over a period of 3 to 20 years. The amortization recognized in of 2009 and 2008 amounted COP 8,683 and COP 1,669, respectively.

(2) Corresponds to trademarks and rights over products in the ice cream, cookies and chocolate businesses.

(3) Corresponds to the rights acquired in Puerto Rico to Compañía, Boricua Empaque, Inc.

(4) The machinery and equipment under financial lease agreements with purchase option is detailed below in Colombian pesos:

	2009 Cost		2009 Accumulated amortization		Net book value 2009		Net book value 2008	
Machinery	COP	22,481	COP	(4,601)	COP	17,880	COP	15,080
Transportation equipment		5,743		(3,593)		2,150		3,963
Total machinery and equipment under financial leases	COP	28,224	COP	(8,194)	COP	20,030	COP	19,043

Rentals outstanding amount to COP 2,778 in 2009 and 2,433 in 2008. Amortization of leasing rights recorded in the income statement for the two years ended December 31, 2009 and 2008 amounted to COP 17,104 and COP 8,493, respectively.

NOTE 12
Reappraisal of assets

The balances at December 31 were as follows:

	2009	2008
Permanent investments	COP 2,708,488	COP 1,420,006
Property, plant, and equipment	887,346	841,157
Others	4,083	7,624
Total reappraisal of assets	3,599,917	2,268,787
Minus minority interest	(1,280)	(1,200)
Surplus in reappraisal of assets	COP 3,598,637	COP 2,267,587

Note 13
Financial obligations

The balances at December 31 were as follows:

	Institution	Balance		Interest	Interest rate	Type	Maturity	
		2009	2008				Short-Term	Long-Term
Domestic Banks	Bancolombia (Related party)	COP 94,141	COP125,014	COP 5,706	CPI+2.20% - DTF+0.8%	Promissory Note	COP 49,724	COP 44,417
	BBVA	74,671	24,837	657	3.45% - 5.25% E.A. - LIBOR- 1.10%	Promissory Note	74,671	
	Citibank	22,555	55,981	810	LIBOR- 1.10% - LIBOR+0.75 %	Promissory Note	22,555	
	Leasing Bancolombia	13,460	16,014	1,921	DTF+5.00%	Promissory Note	6,129	7,329
	Banco de Bogotá	27	16,827	154	LIBOR+1.25 %	Promissory Note	28	-
	Davivienda	-	142,616	7,056	DTF+5.35% -	Promissory Note	-	-
	RBS	146,673	252,905	4,012	LIBOR+0.85 % - LIBOR+0.95 %	Promissory Note	36,212	110,461
	Overdrafts	1,365	12,056	-		Promissory Note	1,365	-
Foreign Banks	Arrendadora Centroamericana S.A.	-	31	-	7.75%-8.50%	Promissory Note	-	-
	ASDEPSA	-	7,831	0	15.01%	Contract	-	-
	Banco de Crédito Perú	31,450	178	961	6.90%-8.65%	Contract	6,627	24,822
	BBVA	312	-	7	3.90%-7.75%	Promissory Note	143	169
	Banco del Ismo	-	111	-	LIBOR + 2.5%	Promissory Note	-	-
	Banco Federal	-	1,385	-	15%	Promissory Note	-	-
	Banco de Venezuela	-	7,796	485	19%	Promissory Note	-	-
	Banismo	-	461	-	6.09% - LIBOR+2.50 %	Promissory Note	-	-
	Banismo Leasing corp.	-	230	-	9.0%	Promissory Note	-	-
	Crédito Leasing S.A.		1,173	-	6.9%	Contract	-	-
	H. Tzanetatos INC.	2,528	1,122	77	6.0%	Promissory Note	2,528	-
	RBS	30,919	-	762	LIBOR + 1.375%	Promissory Note	7,666	23,253

	Institution	Balance 2009	Balance 2008	Interest	Interest rate	Type	Maturity Short-Term	Maturity Long-Term
	HSBC Bank Panama	131	-	23	9.0%	Promissory Note	72	59
	Helm Bank	2,377	12,633	423	19.0%	Promissory Note	2,377	-
	PRONAC	-	4,489	234	6.5%	Promissory Note	-	-
	Overdrafts	11	-	-		Promissory Note	12	-
Repos	Alianza Valores	-	4,005	13	11.7%	Shares	-	-
Repos	Asesores en Valores	-	3,668	42	11.75%	Shares	-	-
Repos	Corredores Asociados	-	5,557	11	11.66%	Shares	-	-
Repos	Correval S.A.	-	18,195	288	11.95%	Shares	-	-
Repos	Interbolsa S.A.	-	22,521	314	11.99%	Shares	-	-
Repos	Serfinco S.A	-	5,745	10	11.75%	Shares	-	-
Repos	Stanford Bolsa y Banca	-	983	6	11.82%	Shares	-	-
Repos	Valores Bancolombia	-	29,751	410	11.54%	Shares	-	-
Others	Alpina S.A.	2,302	2,302	226	9.82%	Promissory Note	-	2,302
Others	Compañía de Inversiones La Merced	-	7,000	479	6.82%	Promissory Note	-	-
Others	Fideicomiso Grupo Nacional de Chocolates S.A. (Note 9) (1)	500,000	-	15,155	CPI + 4.19% - 5.59%		-	500,000
Others	Peruvian Bonds (2)	83,805	84,685	7,912	8.84%	Promissory Note	-	83,806
Others	Derivative financial instruments (Note 8)	8,430	16,715			Promissory Note	435	7,995
	Total	COP1,015,157	COP 884,817				COP 10,544	COP 804,613
	Payable in 2011	COP 65,910						
	Payable in 2012	COP 105,079						
	Payable after 2012	COP 633,624						

(1) In August 2009 the Superintendency of Finance authorized through the trust of Grupo Nacional de Chocolates to issue ordinary bonds for an aggregate principal amount of COP 500,000, at a par value of COP 1,000. The detail of the bond maturities is stated below:

Serie	Principal	Interest rate (IPC +)	Maturities
C5	98,541	4.1900%	5 years
C7	131,815	4.9600%	7 years
C10	135,482	5.3300%	10 years
C12	134,162	5.5900%	12 years
TOTAL	500,000		

(2) Corresponds to a private offering in Peru of 118,520,000 New Peruvian Soles in July 2008. The bonds mature in 10 years with an interes rate of 8,65625% EA payable on a semester basis. The Guarantor of these Corporate debenture bonds was Grupo Nacional de Chocolates, S.A.

Interests over bond issuance, mentioned above recorded in the income statement of 2009 and 2008 amounted of COP 7,912 and COP 3,562, respectively.

Note 14
Trade accounts payable

The balances at December 31 were as follows:

	2009	2008
Suppliers in Colombia	COP 67,643	COP 101,522
Foreign suppliers	56,627	62,290
Trade accounts payable	COP 124,270	COP 163,812

Note 15
Other accounts payable

The balances at December 31 were as follows:

	2009		2008	
Costs and expenses payable	COP	50,181	COP	96,382
Dividends payable		37,364		33,012
Withholdings and payroll contributions		23,264		11,997
Withholding tax		20,585		19,846
Others		10,219		11,910
Other accounts payable	COP	141,613	COP	173,147
Short term other accounts payable		(138,138)		(172,987)
Long term other accounts payable	COP	3,475	COP	160

Note 16
Income taxes and other taxes

The income tax provision is determined based on the applicable regulations in the territory of the Company and subsidiaries.

A summary of implications of the Colombian tax regulation in the determination of income tax in the Company and Colombian Subsidiaries is stated below:

a. Taxable income is subject to a 33% tax rate starting the fiscal year 2008. Capital gains are separated from ordinary income but are taxed using the same rate of the taxable income. Capital gains are considered to be those obtained from the disposal of fixed assets owned for two years or more, profits from liquidation of companies, as well as profits from inheritances, legacies, and donations.

b. Alternative minimum tax: A presumptive minimum income is calculated annually at a rate of 3% on the taxpayer's equity held in the year immediately preceding the taxable year. The income tax applies to the higher of the net income and this presumptive minimum income.

   The companies in Colombia that in 2009 settled the tax based on presumptive minimum income are Grupo Nacional de Chocolates S.A., Tropical Coffee Company S.A.S.; Molinos Santa Marta S.A.S.; Pastas Comarrico S.A.S., Setas Colombianas S.A., Litoempaques S.A.S., Servicios Nacional de Chocolates, S.A.S. and Meals Mercadeo de Alimentos de Colombia S.A. The other subsidiaries paid taxes based on their ordinary income.

c. At December 31, 2009 tax losses generated by Colombian subsidiaries amounted to COP 32,127. According to the Colombian tax legislation, tax losses generated from 2003 to 2006 can be carried forward subject to (i) an eight (8) year expiration term, and (ii) a cap equal to 25% of the tax loss in the year the loss was realized. All the tax losses generated from the fiscal year 2007 can be carried forward without any restrictions. Losses incurred by companies may not be transferred to stockholders. Tax losses incurred with revenues that do not constitute income or occasional earnings, as well as costs and deductions that have not been incurred in obtaining taxable income, cannot in any event be offset with the taxpayers net income.

d. At December 2009, an amount of COP 22,503 is pending to be deducted from the taxable net income in relation to the excess of the presumptive minimum income paid over the tax that would have been payable under the regular statutory income tax corresponding to Colombian subsidiaries. According to the applicable tax legislation from fiscal year 2003 and onward, the aforementioned deduction can be taken in a maximum of five years.

e. Starting in the fiscal year 2004, taxpayers that enter into operations with foreign related parties are obliged for purposes of determining their ordinary income and complementary taxes, to prepare a transfer pricing study showing whether the corresponding prices or profit margins are arm's-length, and calculate an additional tax, if applicable. As of the date of these financial statements, management and advisors of Company and its subsidiaries, concluded the study corresponding to 2009 and no adjustments were required in the financial statements.

f. 2006 Law 1111 created the capital tax for taxable years 2007 to 2009 for taxpayers with equity equal or higher than COP 3,000. The rate for this equity tax is 1.2% of assets.

2009 Law 1370 set forth the equity tax for taxable year 2011 for income tax taxpayers. Therefore, those taxpayers with an equity higher than COP 5,000 are obligated to pay taxes corresponding to the 4,8% of equities. When the equity is from COP 3,000 to COP 5,000 the rate is 2.4%. Likewise, through December 2010 the Decree No. 482 5, stipulated a new range of taxpayers obliged to pay this tax, establishing a rate of 1% for net equities ranging from COP 1,000 to COP 2,000 and a rate of 1.4% for equities ranging from COP 2,000 to COP 3,000. In addition, a surcharge of 25% on the tax was set forth.

Additional information about tax legislations in other jurisdictions is included below:

Tax regulations in Mexico stipulates for the fiscal year 2009, a tax rate of 28% on the taxable income for the period. In addition, it sets forth the profit sharing for employee's equivalent to a 10% of the taxable income.

Tax regulations in Costa Rica stipulates that the income tax is determined based on estimations Tax legislation in Costa Rica allows tax-losses carry forwards in the following three years in the case of industrial entities. The income tax rate is 30%. A Deferred income tax is recognized for the differences between book values and tax basis.

Tax regulations in Panama stipulate that the income tax is determined based on estimations, on taxable bases for the fiscal period. The income tax rate is 30%.

The balances of the income tax and other taxes payable at December 31, 2009 and December 31, 2008 were as follows:

	2009		2008	
Income tax and complementary taxes	COP	30,849	COP	47,129
Sales Tax Payable		40,541		37,068
Others		6,754		5,699
Total	COP	78,144	COP	89,896

The movement of the income tax account for the years ended December 31, was as follows:

	2009		2008	
Provision charged to the results of the year	COP	77,390	COP	74,583
Deferred income tax due to excess in deferred depreciations and actuarial calculation		3,919		(1,351)
Minus: Advanced payments and withholdings		(73,747)		(54,515)
Total income tax and complementary taxes payable	COP	7,562	COP	18,717

Note 17
Labor obligations

The balance at December 31 included:

	2009		2008	
Salaries payable	COP	2,448	COP	2,720
Severance payments		30,149		24,842
Accrued vacation		14,752		13,652
Bonuses and interest on severance payment		22,645		31,857
Others		14,242		5,747

	2009		2008	
Labor obligations	COP	84,236	COP	78,818
Short-term labor obligations		(82,859)		(76,401)
Long-term labor obligations	COP	1,377	COP	2,417

Note 18
Accrued expenses

The balances at December 31 included:

	2009		2008	
Costs and expenses		9,042		7,338
Others		1,994		2,191
Total		11,036		9,529
Short-term accrued expenses		(11,036)		(5,393)
Long-term accrued expenses	COP	-	COP	4,136

Note 19
Retirement obligations

The allowance for retirement obligations was determined based on actuarial calculations at December 31, 2009 and 2008, as summarized below:

	2009		2008	
Actuarial calculations for retirement obligations	COP	22,419	COP	22,431
Retirement obligation to be amortized (Db)		(139)		-
Total		22,280		22,431
Total short-term retirement obligations		(3,629)		(3,977)
Total long-term retirement obligations	COP	18,651	COP	18,454

The charges to the statement of income were as follows in 2009 and 2008:

	2009		2008	
Adjustments to actuarial calculations	COP	(152)	COP	(1,103)
For payments made during the year		2,380		4,961
Total	COP	2,228	COP	3,858

The covered benefits are monthly pensions, semester bonuses, readjustments pursuant to effective legal regulations, survivorship annuities and their corresponding bonuses. Also, funeral expenses were included for the personnel completely in charge of the companies.

Pursuant to Colombian Law the present value of obligations for pensions was determined based on actuarial calculations. The balance of actuarial liabilities to be amortized at December 31, 2009 corresponds to nineteen (19) years pursuant to Decree 4565 dated December 7, 2010. The significant assumptions used in the actuarial calculations were as follows:

Mortality rates: Based on tables following resolutions No.1555 at April 11, 1994.
Discount rate 4.51%
Rate of compensation increase (average of 2007, 2008, 2009) 4.8%

Note 20
Stockholders' equity

- Legal Reserve

Pursuant to Colombian law, 10% of the net profits of the Company and its Colombian subsidiaries each year must be appropriated with a credit to a "reserve fund" until the fund reach an amount equivalent to at least 50% of subscribed capital. This legal reserve may not be reduced to less than the indicated percentage, except to cover losses in excess of undistributed profits. Any excess above the minimum required by law may be freely disposed of by the Stockholders.

- Reserve for deferred depreciation (Art. 130 of the Tax Code (Estatuto Tributario))

Determined as 70% of the amount by which tax depreciation exceeds book depreciation in any given year. The reserve is not distributable, but may be reduced in future years when the tax depreciation is lower than that recorded for accounting purposes. This reserve may be capitalized according to the provisions of Article 6 of Law 49 of 1990, in which case it does not constitute income or capital gains for the stockholders and its capitalization fulfills the obligation to keep it as a non-distributable profit.

- Reserve for Stock Buy-back

Some of the companies have constituted a reserve for stock buy-back, through transfer from other reserves. Pursuant to the provisions set forth in the Commerce Code, all rights inherent in stock buy-backs have a suspended status and must be excluded when determining the intrinsic value of the issued stock. The Company must maintain a reserve equal to the cost of the buy-backs of its own stock.

- Other reserves

This includes the value accrued using the share method and the dividends received from subordinated companies and other reserves substantially for free disposal of by the Stockholders Assembly.

The balance at December 31 is broken down as follows:

	2009		2008	
Mandatory reserves	COP	121,355	COP	192,227
Occasional reserves		630,356		392,370
Total reserves	COP	751,711	COP	584,597

Revaluation of stockholder´s equity

Stockholders' equity includes amounts recorded for inflation adjustments until December 31, 2006. Such amounts may not be distributed to stockholders until the Company has been liquidated or such value is formally converted to equity, in conformity with Article 36-3 of the Tax Code. As of December 31, 2009 the Company recognized COP 13,425 related to the equity tax in this account.

This account also includes the effects of inflation adjustments from subsidiaries in countries with hyperinflationary economies, such as subsidiaries in Venzuela. The Company registered in the stockholders' equity an aggregated amount of COP 120,754 in 2009, corresponding to inflation adjustments of foreign subsidiaries.

Surplus in reappraisal of assets

This account relates to the difference between the book value of permanent investments and property, plant and equipment and their fair values. Refer to (note 12) for details.

Note 21
Memorandum accounts

The balances at December 31 were as follows:

	2009		2008	
Debit memoranda accounts:				
Contingent rights				
Collateralized assets	COP	419,949	COP	298,137
Assets held by third parties and others		25,379		58,810
Litigation and claims		2,207		1,875
Subtotal	COP	447,535	COP	358,822
Tax debtors	COP	5,788,353	COP	(1,419,133)
Debit memorandum accounts				
Properties received in financial leasing	COP	11,151	COP	12,760
Property, plant, and equipment fully depreciated		357,052		358,490
Asset inflation adjustment		919,666		872,154
Other debit memoranda accounts		218,231		68,740
Subtotal	COP	1,506,100	COP	1,312,144
Total debit memoranda accounts	COP	7,741,988	COP	251,833
Credit memorandum accounts:				
Contingent responsibilities				
Assets received by third parties	COP	39,261	COP	72,094
Other contingent responsibilities		749,701		217,768
Subtotal	COP	788,962	COP	289,862
Tax creditors	COP	273,513	COP	(422,213)
Creditor memorandum accounts	COP	1,152	COP	3,818
Inflation adjustments		890,648		1,059,251
Subtotal	COP	891,800	COP	1,063,069
Creditor memorandum accounts	COP	1,954,275	COP	930,718

Note 22
Operating revenues

Revenues at December 31 were as follows:

	2009		2008	
Domestic revenues, net	COP	3,092,027	COP	2,893,294
Revenues from exports and foreign subsidiaries, net		1,496,339		1,116,433
Operating revenue	COP	4,588,366	COP	4,009,727

Note 23
Administrative expenses

The balance at December 31 included:

	2009		2008	
Salaries and other Employees' benefits	COP	114,975	COP	101,481
Professional fees		20,019		14,306
Services		24,181		18,914
Taxes, insurance and leasing		15,100		13,443
Amortization		3,488		3,518
Travel expenses		9,684		8,485

	2009		2008	
Depreciation		8,677		4,515
Contributions and affiliations		6,000		4,322
Legal expenses		1,246		982
Maintenance of computing equipment and communications		1,945		1,613
Others		13,560		12,198
Administrative expenses	COP	218,875	COP	183,777

Note 24
Sales expense

The balance at December 31 included:

	2009		2008	
Salaries and other Employees' benefits	COP	293,115	COP	250,608
Professional fees		21,245		23,748
Taxes, insurance and leasing		98,690		94,724
Services		488,944		439,642
Travel expenses		22,444		22,596
Commissions		15,719		6,051
Depreciation		24,925		17,676
Amortization		15,313		27,335
Fuel and oil		6,019		6,245
Allowance for doubtful accounts		8,079		6,739
Advertising materials		30,341		12,725
Packaging material		5,147		7,698
Tasting events and promotions		12,966		7,421
Office maintenance		4,715		3,595
Others		67,944		72,485
Sales expenses	COP	1,115,606	COP	999,288

Note 25
Dividends received and financial income

The balance at December 31 included:

	2009		2008	
Dividends received (Note 9)	COP	28,976	COP	27,907
Foreign exchange gain		71,254		45,965
Gain on fair value of derivative financial instruments		39,756		39,467
Interest income		7,265		8,638
Other financial income		2,271		2,942
Dividends received and financial income	COP	149,522	COP	124,919

Note 26
Financial expenses

The balance at December 31 included:

	2009		2008	
Interest expenses	COP	80,314	COP	57,000
Foreign exchange loss		123,882		101,545
Loss on fair value of derivative financial instruments		57,184		46,640
Prompt payment discount		14,247		16,886
Others		8,895		14,852
Financial expenses	COP	284,522	COP	236,923

Note 27
Other expenses net

The balances at December 31, of other (expenses) income were as follows:

	2009		2008	
Tax recoveries	COP	6,358	COP	26,534
(Loss) gain on disposal of property, plant, equipment		(1,294)		464
Donations		(4,927)		(3,748)
Non-recurring expenses		(10,771)		(8,738)
Others, net (1)		4,978		27,486
Other (expenses) income , net	COP	(5,656)	COP	41,998

(1) Amount for 2008 includes COP 55,067 corresponding to the expense incurred in setting up the new enterprise resource planning.

Note 28
Related party transactions

The following transactions and balances were carried out with related parties:

Company	Value of operations in 2009	Value of operations 2008	Effect on results - 2009	% of share in operating income (expense) - 2009
Colombiana Flexográfica de Plásticos S.A. (Coldeplast S.A.)				
Dividends paid	171	174	N/A	N/A
Sale of goods	35	242	35	0%
Purchase of goods	2	1,314	2	0%
Balance payable	-	124	N/A	N/A
Novectra S.A.				
Fees	-	38	-	0%
Purchase of goods	-	13	-	0%
Cititrus Colombia S.A. Sociedad Fiduciaria				
Purchase of goods	-	3	-	0%
Compañía Suramericana de Construcciones S.A.				
Dividends paid	-	48	N/A	N/A
Fondo de Pensiones Obligatorias Protección S.A.				
Dividends paid	6,592	5,776	N/A	N/A
Balance payable	151	36	N/A	N/A

Company	Value of operations in 2009	Value of operations 2008	Effect on results - 2009	% of share in operating income (expense) - 2009
Compañía Suramericada de Inversiones S.A.				
Dividends received	14,907	15,059	14,907	0%
Dividends paid	34,851	26,630	N/A	N/A
Portafolio Inversiones Suramericana				
Dividends paid	11,106	2,225	N/A	N/A
Purchase of services	16	-	N/A	0%
Fees	265	-	265	0%

Company	Value of operations in 2009	Value of operations 2008	Effect on results - 2009	% of share in operating income (expense) - 2009
Sodexho Pass de Colombia				
Sale of goods	-	243	-	0%
Purchase of goods	510	2,171	510	0%
Purchase of services	1,848	500	1,848	0%
Commissions on check books	13	5	13	0%
Sodexho Colombia				
Fees	21	9	21	0%
Sale of services	7	2	7	0%
Purchase of services	3,274	2,695	17,263	1%
Sale of goods	2,902	2,025	2,902	0%
Purchase of goods	17,263	10,744	3,274	2%
Balance receivable	40	515	N/A	N/A
Protección S.A.				
Sales of services	23	32	23	0%
Balance receivable	2	21	N/A	N/A
Purchase of goods	83	-	-	0%
Sale of goods	85	-	-	0%
Cia de Inversiones La Merced				
Dividends received	-	2,640	-	0%
Dividends paid	1,996	3,573	N/A	N/A
Inversiones Argos S.A.				
Dividends received	12,250	12,643	12,250	0%
Dividends paid	2,503	2,167	N/A	N/A
Fees	459	-	919	0%
Interest received	273	-	-	0%
Sale of services	1	-	-	0%
Enlace Operativo				
Sale of services	3	-	3	0%

Company	Value of operations in 2009	Value of operations 2008	Effect on results - 2009	% of share in operating income (expense) - 2009
Inversiones y Construcciones Estratégicas S.A.				
Sale of services	-	1	-	0%
Balance receivable	-	2	N/A	N/A
Microplast S.A.				
Sale of goods	11	3	11	0%
Purchase of goods	25,612	9,795	25,612	2%
Purchase of services	36	26	36	0%
Fees	7	-	7	0%
Balance payable	2,684	1,292	N/A	N/A

Company	Value of operations in 2009	Value of operations 2008	Effect on results - 2009	% of share in operating income (expense) - 2009
Bancolombia S.A.				
Sale of goods	2,442	-	2,442	0%
Sale of services	274	281	274	0%
Purchase of services	123	9,848	123	0%
Purchase of goods	2	-	2	0%
Interest paid	2,516	-	2,516	0%
Interest received	1	-	1	0%
Commissions	56	114	56	0%
Others (financial)	450	4	450	0%
Balance receivable	5	215	N/A	N/A
Balance payable	98,714	128,852	N/A	N/A

Note: All of the related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

INVERSIONES ARGOS S.A.

Audited Consolidated Financial Statements

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STATUTORY AUDITOR'S REPORT

To the shareholders of

INVERSIONES ARGOS S.A.:

I have audited the consolidated balance sheets of INVERSIONES ARGOS S.A. and its subsidiaries mentioned in Note 1 to the consolidated financial statements, as of December 31, 2010 and 2009 and the corresponding consolidated statements of income, changes in equity, changes in financial position, and cash flows for the years then ended, and the summary of the major accounting policies and other explanatory notes.

The Administration is responsible for the preparation and accurate presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining an adequate internal control system for the preparation and presentation of financial statements free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, as well as making accounting estimates that are reasonable in the circumstances.

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

As of December 31, 2010 and 2009, INVERSIONES ARGOS S.A. has direct and indirect investments in companies not audited by Deloitte & Touche that represent 31% and 9% of the assets and 42% and 17% of the total consolidated income, respectively, consolidated under the global integration method, according to the financial statements of these companies, as of that date. Those financial statements were audited by other auditors, who issued an unqualified opinion.

In my opinion, based on my audits and on those from other auditors, the consolidated financial statements referred to above, reasonably present, in all material respects, the consolidated financial position of INVERSIONES ARGOS S.A. and its subsidiaries as of December 31, 2010 and 2009 and the results of its operations, changes in its equity, changes in its financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia, applied uniformly.

As stated in Note 3 to the accompanying consolidated financial statements, these consolidated financial statements were translated into English, originally issued in Spanish, for the convenience of readers. All amounts are stated in millions of Colombian pesos (Col$). The consolidated financial statements are presented on the basis of accounting principles generally accepted in Colombia. Certain accounting principles applied by the Company that conform to the generally accepted accounting principles applied in Colombia may not conform to generally accepted accounting principles applied in other countries.

JORGE ENRIQUE MÚNERA DURANGO
Statutory Auditor
Professional Card No. 25295-T
Designated by Deloitte & Touche Ltda.

February 24, 2011

Inversiones Argos S.A.

Consolidated Balance Sheets

As of December 31, 2010 and 2009

(In millions of Colombia pesos)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and banks		295,151	156,306
Negotiable investments	5	766,163	497,264
Accounts receivable, net	6	987,130	823,683
Inventories, net	7	297,947	361,135
Prepaid expense		30,511	39,550
TOTAL CURRENT ASSETS		**2,376,902**	**1,877,938**
NON-CURRENT ASSETS			
Long-term accounts receivable	6	38,579	57,531
Inventories, net	7	84,541	-
Permanent investments	8	840,152	1,799,391
Property, plant and equipment, net	9	5,916,160	2,870,677
Deferred charges and intangibles	10	2,264,536	1,911,710
Other assets		72,977	77,507
Asset valuations	19	12,704,429	9,589,136
TOTAL NON-CURRENT ASSETS		**21,921,374**	**16,305,952**
TOTAL ASSETS		**24,298,276**	**18,183,890**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial obligations	11	767,593	758,099
Bonds payable	12	9,320	-
Commercial paper	12	250,000	300,000
Suppliers and accounts payable	13	802,615	609,123
Taxes payable	14	130,021	198,543
Labor obligations	16	44,677	28,520
Other liabilities	17	496,290	272,108
TOTAL CURRENT LIABILITIES		**2,500,516**	**2,166,393**
LONG-TERM LIABILITIES			
Financial obligations	11	2,363,638	1,360,962
Labor obligations	16	303,259	226,773
Deferred liabilities	15	202,889	131,623
Accounts payable	13	136,850	175,395
Bonds payable	12	1,828,506	1,226,864
TOTAL NON-CURRENT LIABILITIES		**4,835,142**	**3,121,617**

	Notes	2010	2009
TOTAL LIABILITIES		**7,335,658**	**5,288,010**
Minority interest		**6,581,704**	**3,641,163**
Shareholders' equity (Please refer to attached Statement)	18	10,380,914	9,254,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,298,276**	**18,183,890**
Memorandum accounts	20	(8,361,293)	(311,557)

The accompanying notes form an integral part of these consolidated financial statements.

Inversiones Argos S.A.

Consolidated Income Statements

For the years ended December 31, 2010 and 2009

(In millions of Colombia pesos, except for net earnings per share)

	Notes	2010	2009
Operating revenues	21	5,409,150	4,491,761
Cost of sales		3,642,454	2,812,055
GROSS INCOME		**1,766,696**	**1,679,706**
Operating expense			
Administrative	22	460,797	340,559
Sales	23	127,327	133,896
TOTAL OPERATING EXPENSE		**588,124**	**474,455**
OPERATING INCOME BEFORE ASSET IMPAIRMENT		**1,178,572**	**1,205,251**
Asset impairment	10	88,343	81,691
OPERATING INCOME AFTER ASSET IMPAIRMENT		**1,090,229**	**1,123,560**
OTHER NON-OPERATING INCOME (EXPENSE)			
Financial income		38,698	38,171
Dividends and investment income		199,051	69,957
Financial expense		(363,596)	(330,261)
Foreign exchange difference	24	8,190	(51,436)
Other income	25	203,800	582,636
Other expense	26	(425,182)	(393,444)
INCOME BEFORE INCOME TAX AND MINORITY INTEREST		**751,190**	**1,039,183**
Income tax expense	14	187,336	65,077
INCOME BEFORE MINORITY INTEREST		**563,854**	**974,106**
Minority interest share in subsidiary income		(175,521)	(67,586)
NET CONSOLIDATED INCOME		**388,333**	**906,520**
Net earnings per share		601.69	1,404.59

The accompanying notes form an integral part of these consolidated financial statements.

Inversiones Argos S.A.
Statements of Changes to Consolidated Shareholders' Equity
For the years ended December 31, 2010 and 2009
(In millions of Colombia pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Legal Reserve	Reserve for Future Expansion and Investments	Total Reserves	Equity Revaluation	Profits from Prior Years	Profits for the Year	Asset Valuation Surplus	Total Shareholders' Equity
BALANCES AS OF DECEMBER 31, 2008		40,694	553	20,347	756,919	777,266	650,352	-	91,205	3,873,723	5,433,793
Transferred amounts to profits from prior years		-	-	-	-	-	-	91,205	(91,205)	-	-
Equity tax		-	-	-	-	-	(21,063)	-	-	-	(21,063)
Dividends issued at COP 173 per share		-	-	-	(20,449)	(20,449)	-	(91,205)	-	-	(111,654)
Changes due to conversion of financial statements		-	-	-	(91,153)	(91,153)	20,784	-	-	-	(70,369)
Valuation adjustment		-	-	-	-	-	-	-	-	3,117,490	3,117,490
Profits for the year		-	-	-	-	-	-	-	906,520	-	906,520
BALANCES AS OF DECEMBER 31, 2009		40,694	553	20,347	645,317	665,664	650,073	-	906,520	6,991,213	9,254,717
Transferred amounts to profits from prior years		-	-	-	-	-	-	906,520	(906,520)	-	-
Dividends issued at COP 184 per share		-	-	-	-	-	-	(118,754)	-	-	(118,754)
Other movements recorded in reserves		-	-	-	83,023	83,023	-	-	-	-	83,023
Changes due to conversion of financial statements		-	-	-	-	-	19,870	-	-	-	19,870
Appropriated amounts for reserve for future expansion		-	-	-	787,766	787,766	-	(787,766)	-	-	-
Equity tax		-	-	-	-	-	(21,063)	-	-	-	(21,063)
Valuation adjustment		-	-	-	-	-	-	-	-	774,788	774,788
Profits for the year		-	-	-	-	-	-	-	388,333	-	388,333
BALANCES AS OF DECEMBER 31, 2010	18	40,694	553	20,347	1,516,106	1,536,453	648,880	-	388,333	7,766,001	10,380,914

The accompanying notes form an integral part of these consolidated financial statements.

Inversiones Argos S.A.

Statements of Changes to Consolidated Financial Position

For the years ended December 31, 2010 and 2009

(In millions of Colombia pesos)

	2010	2009
FUNDS PROVIDED BY:		
Net consolidated income	388,333	906,520
Add (less) debits (credits) to income statement accounts that do not affect working capital:		
Depreciation on property, plant and equipment	324,974	260,517
Amortization of deferred charges and other	122,081	88,535
Other amortization expense	1,642	1,642
Recovered amounts from provisions for investments	-	(393)
Exchange differences on financial obligations and long-term payables	2,321	(64,545)
(Profit) loss on sale of property, plant and equipment	(207)	65,530
Losses on disposal of property, plant and equipment	76,083	16,058
Profits from sales of permanent and negotiable investments, net	(387,530)	(367,850)
Amortization of retirement pensions	4,697	5,389
Minority interest	175,521	67,586
Asset impairment	88,343	81,691
WORKING CAPITAL PROVIDED BY ACTIVITIES FOR THE YEAR	796,258	1,060,680
FUNDS PROVIDED BY OTHER SOURCES:		
Sales of property, plant and equipment	176,795	54,274
Sales of permanent and negotiable investments	541,731	928,965
Increase in long-term labor liabilities	71,789	1,936
Increase in long-term financial obligations	1,006,220	-
Increase in long-term bonds	600,000	640,000
Increase in long-term deferred liabilities	71,266	-
Transfers of property to deferred items	-	2,829
Transfers of portfolio investments to controlled investments	1,288,411	17,077
Decrease in other long-term assets	4,530	-
Decrease in long-term receivables	18,952	-
Increase in minority interest and other equity items	527,408	-
TOTAL FINANCIAL RESOURCES PROVIDED	5,103,360	2,705,761
FUNDS USED FOR:		
Increase in long-term inventories	84,541	-
Purchases of property, plant and equipment	492,849	505,568
Purchases of permanent investments	483,373	1,408,636
Dividends declared	118,754	111,654
Decrease in long-term financial obligations	-	266,098
Decrease in long-term accounts payable	44,410	28,557
Decrease in deferred long-term liabilities	-	31,986
Increase in long-term receivables	-	16,669
Increase in other assets	-	4,145
Increase in deferred items and intangibles	563,250	80,967
Net increase in property, plant and equipment due to new companies included	3,130,279	-
Equity tax payments	21,063	21,063

	2010	2009
Other equity movements	-	224,973
TOTAL FINANCIAL RESOURCES USED	4,938,519	2,700,316
INCREASE IN WORKING CAPITAL	164,841	5,445
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Cash and banks plus temporary investments	407,744	(535,068)
Accounts receivable, net	163,447	(171,834)
Inventories, net	(63,188)	(41,161)
Property, plant and equipment, net	-	(57,507)
Deferred charges and intangibles	-	(106,777)
Prepaid expense	(9,039)	6,622
Financial obligations	(9,494)	618,357
Commercial paper	50,000	-
Bonds outstanding	(9,320)	-
Suppliers and accounts payable	(193,492)	259,103
Taxes payable	68,522	36,961
Labor liabilities	(16,157)	1,601
Other liabilities	(224,182)	(4,852)
INCREASE IN WORKING CAPITAL	164,841	5,445

The accompanying notes form an integral part of these consolidated financial statements.

Inversiones Argos S.A.

Statements of Consolidated Cash Flows

For the years ended December 31, 2010 and 2009

(In millions of Colombia pesos)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net consolidated income	388,333	906,520
Adjustments to reconcile net income with net cash provided by operating activities		
Depreciation on property, plant and equipment	324,974	260,517
Amortization of deferred charges and other	122,081	88,535
Other amortization expense	1,642	1,642
Recovered amounts from provisions for investments	-	(393)
(Profit) loss on sale of property, plant and equipment	(207)	74,894
Losses on disposal of property, plant and equipment	76,083	16,058
Profits from sales of permanent and negotiable investments, net	(387,530)	(367,850)
Exchange differences on financial obligations and long-term payables	2,321	(64,545)
Amortization of retirement pensions	4,697	5,389
Amortization of deferred revenue	(14,888)	(26,079)
Provision for accounts receivable	18,440	7,757
Provision for inventories	7,798	5,298
Minority interest	175,521	67,586
Asset impairment	88,343	81,691
OPERATING CASH FLOWS SUBTOTAL	**807,608**	**1,057,020**
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Accounts receivable	(148,047)	173,487
Inventories	(29,151)	35,863
Prepaid expense	9,039	(6,622)
Other assets	4,530	(4,145)
Suppliers and accounts payable	193,492	(259,103)
Labor obligations	87,946	335
Taxes payable	(68,522)	(36,961)
Other liabilities	224,182	4,852
Deferred liabilities	71,266	(31,986)
Transfers of portfolio investments to subsidiaries	1,288,411	17,077
Transfers of properties to deferred items	-	2,829
Increase in minority interest and other equity items	527,408	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,968,162**	**952,646**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of property, plant and equipment	176,795	209,194
Sales of permanent and negotiable investments	541,731	928,965
Purchases of property, plant and equipment	(492,849)	(505,568)
Purchases of permanent investments	(483,373)	(1,408,636)
Net increase in property, plant and equipment due to new companies included	(3,130,279)	-
Increase in deferred items and intangibles	(563,250)	(80,967)
Other equity movements	-	(224,973)
NET CASH USED IN INVESTING ACTIVITIES	**(3,951,225)**	**(1,081,985)**

CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends declared	(118,754)	(111,654)
Increase (decrease) in financial obligations	1,015,714	(884,455)
Decrease in commercial paper	(50,000)	-
Decrease in long-term accounts payable	(44,410)	(28,557)
Increase in long-term bonds	609,320	640,000
Equity tax payments	(21,063)	(21,063)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**1,390,807**	**(405,729)**
Net increase (decrease) in cash and cash equivalents	407,744	(535,068)
Cash and cash equivalents at beginning of year	653,570	1,188,638
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,061,314**	**653,570**
CASH EQUIVALENTS		
Cash and banks	295,151	156,306
Negotiable investments	766,163	497,264
CASH AND CASH EQUIVALENTS	**1,061,314**	**653,570**

The accompanying notes form an integral part of these consolidated financial statements.

Certification from the Company's Legal Representative

Medellin, February 24, 2011

To the Shareholders of Inversiones Argos S.A.
and to the General Public:

As the Company's Legal Representative, I hereby certify that the consolidated financial statements at December 31, 2010, that have been made public, do not contain any errors, inaccuracies or flaws that could prevent people from knowing the Company's financial position or the operations carried out during said period.

José Alberto Vélez C.
Legal Representative

Certification from the Company's Legal Representative and Corporate Accounting Manager

Medellin, February 24, 2011

To the Shareholders of Inversiones Argos S.A.

We, as the undersigned Legal Representative and Accounting Manager of Inversiones Argos S.A., duly certify that the figures included in the Company's consolidated financial statements for the fiscal years ended December 31, 2010 and 2009 were faithfully taken from the Company's books. In addition, before being made available to both of you, our Shareholders, as well as third parties, we duly checked the following disclosures made therein, including the following:

a) All assets and liabilities included in the Company's consolidated financial statements for the fiscal years ended December 31, 2010 and 2009, duly exist and all transactions therein included were carried out during these same periods ending on said dates.

b) All economic events on the part of both the Company and its subsidiaries during the fiscal years ended December 31, 2010 and 2009, have been duly acknowledged in the financial statements.

c) Assets represent probable future earnings (rights) and liabilities represent probable future commitments (obligations), either obtained by or for the benefit of the Company at December 31, 2010 and 2009.

d) All items have been posted at their appropriate values according to generally-accepted accounting principles in Colombia.

e) All economic events affecting the Company and its subsidiaries have been correctly classified, described and revealed in these financial statements.

José Alberto Vélez C.
Legal Representative

Oscar Rodrigo Rubio C.
Corporate Accounting Manager
Lic. #47208-T

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
(In millions of Colombia pesos, except where otherwise stated)

Note 1 – Reporting Entity

Inversiones Argos S.A. (hereinafter, the "Company") was incorporated in accordance with Colombian legislation on February 27, 1934.

The Company's corporate purpose is to invest in all types of real estate and personal property, particularly in shares, equity stakes or any other kinds of investments in companies, entities, organizations, funds or any other legally-defined entity in which funds can be invested. It may also invest in commercial paper or securities that bear a fixed or variable income, whether these are listed on a stock exchange or not. In any event, the issuers and/or investees may be either public, private or mixed, Colombian or foreign.

Furthermore, the Company has sufficient capacity to conduct business within the cement industry, produce concrete mixes and any other materials or articles made of cement, lime or clay; purchase and sell minerals or mineral deposits that are used by the cement industry and others, acquire and sell rights to explore and mine the aforementioned minerals by means of concessions, privileges, leasing agreements or any other type of arrangement, provide port services and contract, build, inspect or design or provide any type of consultancy services with regard to civil engineering or any other kind of projects and before any type of public or private entity. The Company may also set up factories, stores and agencies to manufacture, store, distribute and sell its products as well as purchasing, processing and selling raw materials, machinery and equipment required in order to carry out its corporate purpose or ensure its ongoing development.

The Company is domiciled in Medellin with a term of duration that expires on February 27, 2033.

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

Alexios N.V.

Incorporated according to Surinamese legislation on March 1, 2006, it has an indefinite term of duration and is domiciled in Paramaribo, Surinam. Its business purpose is to invest. This company is consolidated with Vensur N.V.

American Cement Terminals LLC

Incorporated according to the laws of the state of Delaware, United States, on September 20, 2007, it has a indefinite term of duration. Its business purpose is to make investments.

Argos U.S.A. Corp.

This company was incorporated according to the laws of the state of Delaware, USA on December 19, 2006, and is domiciled in Houston, Texas. Its business purpose is to carry out all lawful investment activities in the cement, concrete and related sectors. It has a perpetual term of duration. This Company is included in the consolidation in conjunction with 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 y Consort Livestock Inc.

C.I. Carbones del Caribe S.A.S.

Incorporated according to Colombian legislation on October 28, 1981, this company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to promote Colombian exports abroad, especially international sales of coal and other coal-related minerals, as well as prospecting for, exploring, mining, producing, processing, transforming, acquiring, selling, marketing and transporting coal together with any other type of hydrocarbon, and carrying out any other lawful business activity both at home and abroad. Through a merger than took place in 2010, the Company took over Carbones Nechí S.A.S. whereupon it changed its place of domicile from Barranquilla to Medellín.

C.I. del Mar Caribe BVI Inc.

Incorporated according to the laws of the British Virgin Islands on June 2, 2004 and domiciled in Tortola. Its corporate purpose is to sell cement, clinker and lime. It has a indefinite duration, in accordance with the laws of that country.

Canteras de Colombia S.A.S.

Incorporated according to Colombian legislation on November 9, 1979, and domiciled in Medellín, Antioquia, this company has an indefinite term of duration. Its business purpose is to mine, explore, process, transform, transport, use, exploit, market and sell quarry and shore materials and generally speaking rock aggregates, such as sand, gravel and any other materials and elements inherent to such that are used in the construction industry and generally speaking carry out all those activities relating to mining, marketing and selling renewable and non-renewable natural resources and conduct any lawful business activity both at home and abroad.

Carbones Nechí S.A.S.

Incorporated according to Colombian legislation on September 11, 1965, its registered place of business was in Medellín. Its business purpose was to mine, explore, process, transform, transport, use, exploit, market and sell quarry and shore materials and generally speaking rock aggregates, such as sand, gravel and any other materials and elements inherent to such that are used in the construction industry and generally speaking carry out all those activities relating to mining and marketing and selling renewable and non-renewable natural resources as well as any other lawful economic activity both at home and abroad. In 2010, this company was taken over by Canteras de Colombia S.A.S., and duly dissolved without being liquidated thereby terminating its legal status.

Caricement Antilles NV

This limited liability company was incorporated according to the laws of the Dutch Antilles on December 10, 1999. Its business purpose is to make investments. It is domiciled in Curacao, Venezuela, and has an indefinite term of duration. This company is included in the consolidation in conjunction with Caricement USVI Corp., Caribbean Construction and Development Ltd., Caricement Antigua Limited and Caricement Saint Maarten NV.

Cement and Mining Engineering Inc.

Incorporated according to Panamanian legislation on February 4, 1997 and domiciled in Panama City, its business purpose is to build, provide technical assistance, install and assemble equipment, buy, sell and manage real estate and movable property, investments, financing, stakes in companies, purchase or obtain patents, trademarks, copyright, licenses and formulas, carry out transactions with banks and other financial institutions, It may also purchase and sell shares, securities or bonds, financing and stakes held in companies as well as mining and shipping concerns as well as any other lawful business permitted by the laws of the Republic of Panama. It has an indefinite term of duration.

Cemento Panamá S.A.

This joint stock company was incorporated according to the laws of Panama on June 25, 1943. Its business purpose consists of producing, selling, importing and exporting cement and its byproducts, as well as importing any type of raw material, machinery, equipment and spare parts for producing and selling cement. It is domiciled in Panama City, Panama and has a indefinite term of duration. This company in included in the consolidation along with Grava S.A., Concreto S.A., Terminal Granelera Bahía Las Minas S.A., Comercializadora Incem S.A., Extracción Arci-Cal

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
(In millions of Colombia pesos, except where otherwise stated)

S.A., Inversiones e Inmobiliaria Tocumen S.A., Arenas del Golfo S.A., Canteras Nacionales Centrales S.A. and Canteras Nacionales Chiriquí S.A.

Cementos Argos S.A.

Incorporated according to Colombian legislation on August 14, 1944, the company's corporate purpose is to conduct business within the cement industry, produce concrete mixes and any other materials or articles made of cement, lime or clay; purchase and sell minerals or mineral deposits that are used by the cement industry and others, acquire and sell rights to prospect for and mine the aforementioned minerals by means of concessions, privileges, leasing agreements or any other type of arrangement, provide port services and act as contractor, constructor, consultant, inspector, designer or draftsman with regard to civil engineering or any other kind of projects and before any type of public or private entity. It is domiciled in Barranquilla and has a term of duration that expires on August 14, 2060.

Cementos Colón S.A.

This joint stock company was incorporated according to the laws of the Dominican Republic on February 12, 1996. Its business purpose is to produce, sell, import and export clinker and cement as well as mine and sell minerals used by or in connection with the cement industry. It is domiciled in Santo Domingo and has an indefinite term of duration. This Company is included in the consolidation in conjunction with Compañía de Electricidad de Najayo S.A.

Colcaribe Holdings S.A.

Incorporated according to the laws of Panama on June 25, 1996 and domiciled in Panama City, its business purpose is to negotiate or trade in securities, bonds and stakes in other companies together with any type of rights, whether belonging to the company or third parties, as well as opening, operating and closing accounts and deposits in financial institutions, lending or borrowing money and providing guarantees for third parties in any currency. It has a perpetual term of duration.

Comercial Arvenco C.A.

Incorporated in Caracas Venezuela on November 2, 2006, its term of duration is for 50 years beginning on such date. It is domiciled in Barquisimeto, in the State of Lara, Venezuela. Its purpose is to conduct business and carry out activities relating to importing, exporting, transporting, purchasing and selling all types of merchandise and products, metal ore and non-metallic minerals, cement, clinker, coal, equipment, artifacts, vehicles, machinery, tools, spare parts, accessories as well as any other lawful commercial activity.

Compañía Colombiana de Inversiones S.A. E.S.P.

Incorporated according to Colombian legislation on October 4, 2001, this company is domiciled in Medellín. Its business purpose is to generate and sell electricity as well as provide any other service related, complementary or ancillary to such public utility services. It has an indefinite term of duration. This Company is included in the consolidation along with Termoflores S.A. E.S.P., Colener S.A.S., Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P., Compañía de Electricidad de Tuluá S.A. E.S.P., CETSA S.A. E.S.P., Artículos de Seguridad Industrial S.A.S. - ARSEG S.A.S., Prevencionistas de Ambiente, Salud y Seguridad S.A.S. as well as Compañía Latinoamericana de Seguridad Industrial S.A.S.

Concretos Argos S.A.

Concretos Argos S.A. is a joint stock company incorporated according to Colombian legislation on April 22, 1985. Its business purpose is to explore, mine, transport, process, use in their entirety, trade and sell rock-based minerals such as: sand, cement and gravel, premixed concrete and prefabricated concrete articles, concrete blocks and any related materials and articles In addition to and complementing the aforementioned as used in the construction industry. The company is domiciled in Bogotá and its term of duration expires September 8, 2093.

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

Incorporated according to Colombian legislation on December 14, 1982, domiciled in Medellín and with an indefinite term of duration, this Company's business purpose is to carry out any lawful business activity both at home and abroad. In 2010, it merged with Colcaribe Holdings Dos S.A. and was given authorization to register as a foreign company in Panama.

Domar LTD.

This limited liability company was incorporated according to the laws of the Bermudas under Company Registration No. EC 21125 on September 12, 1995. Its business purpose is to make investments. It was domiciled in Hamilton, Bermuda. This company was included in the consolidation along with Dominicana Cement Holding S.A. In 2010, the company was taken over by Colcaribe Holdings Dos.

Empresa de Carbones del Cesar y La Guajira S.A. en Liquidación

Incorporated according to Colombian legislation on February 2, 1994 and domiciled in Medellin, its business purpose consisted of carrying out development projects of a social and economic nature as well as marketing activities in the coal-mining region of Colombia, particularly in the Departments of César and Guajira. In carrying out its business purpose, it maintained a preference for all those large-scale projects relating to prospecting for, mining, transforming and selling coal. It has now been dissolved and is subject to liquidation proceedings according to the decision taken by its shareholders in 2010. Also in 2010, the company changed its place of domicile from Valledupar to Medellín. This company was only included in the consolidation until 2009.

Flota Fluvial Carbonera S.A.S.

Incorporated according to Colombian legislation on December 30, 1982, this company is domiciled in Barranquilla and has an indefinite term of duration. Its business purpose is to conduct business within the river transport industry as well as any other lawful business activity both at home and abroad. In 2010, Argos sold its entire stake in this company to a third-party firm, MERCURIA S.A.S. This company was only included in the consolidation until 2009.

Ganadería Río Grande S.A.S.

Incorporated according to Colombian legislation on September 8, 2006, this company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to carry out any activity relating to the agricultural and livestock industries. It may also carry out any lawful business activity both at home and abroad.

Haiti Cement Holding S.A.

This company was incorporated in Panama City, Panama, on October 7, 1997, where it has its registered place of business. Its business purpose is to acquire, purchase and invest in securities, bonds, shares and equity stakes in other companies, as well as conduct any other lawful activity permitted by Panamanian legislation. It has a perpetual term of duration. This company is included in the consolidation in conjunction with Cimenterie Nationale S.E.M. (CINA).

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International Cement Company S.A.

Incorporated according to Panamanian legislation on November 24, 1997 and domiciled in Panama City, its business purpose is to purchase, own, manage, encumber, rent, sell and dispose of in any way any kind of property either for its own account or that of third parties. It has a perpetual term of duration, according to the laws of this country.

Inversiones El Duero S.A.S.

Incorporated according to Colombian legislation on March 31, 2009, this Company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad.

Logística de Transporte S.A.

Incorporated according to Colombian legislation on April 16, 1996 and domiciled in Medellin, its business purpose is to transport passengers and all types of cargo, at home or abroad, and via all its forms, overland, air, river and sea, either in vehicles, vessels or airplanes belonging to the company or to associated third parties. The term of its duration expires April 16, 2026.

Marítima de Graneles S.A.

Incorporated according to Panamanian legislation on December 29, 1978 and domiciled in Panama City, it has a perpetual term of duration. Its business purpose is to transport goods by sea, particularly cement and clinker, as well as to purchase and sell these products, rent cargo ships and supply the same.

Point Corp.

Incorporated according to the laws of the British Virgin Islands on February 20, 2001 this company is domiciled in Road Town Tortola, the British Virgin Islands. Its business purpose is to purchase, sell and transfer shares, purchase, borrow, lend, hire and rent property and all those activities which it is permitted to carry out and that lead to the Company achieving its goals. It has an indefinite term of duration.

Port Royal Cement Company, LLC

Incorporated according to the laws of the state of Delaware, United States, on March 10, 1998, and later acquired by American Cement Terminals, LLC on December 31, 2001, its business purpose is to market cement and related products. It has a indefinite term of duration.

Reforestadora del Caribe S.A.S.

Incorporated according to Colombian legislation on February 14, 1983, this company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad. In 2010, this company changed its place of domicile from Cartagena to Medellín.

Sociedad Portuaria de Cementeras Asociadas S.A. – Cemas S.A.

Incorporated according to Colombian legislation on August 6, 1993 and domiciled in Buenaventura, its business purpose is to build, operate, manage and maintain ports and port terminals; carry out activities related to landfills, dredgings as well as civil and ocean engineering works and generally-speaking all those works that are carried out at ports and port terminals, wharves and constructions that exist on beaches and adjacent areas. The term of its duration expires on August 6, 2043.

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Sociedad Portuaria Golfo de Morrosquillo S.A.

Incorporated according to Colombian legislation on October 31, 1995, its business purpose is to invest in building and managing ports as well as sea and river docks. It is domiciled in Sincelejo and its term of duration expires on October 31, 2045.

South Caribbean Trading & Shipping S.A.

Incorporated according to Panamanian legislation on March 8, 1999, and registered with the Panamanian Public Registry on March 17, 1999, this company is domiciled in Panama City. Its business purpose is to invest in any type of negotiable instrument. It has a perpetual term of duration, according to the laws of this country.

Transatlantic Cement Carriers, Inc.

Incorporated according to Panamanian legislation on July 26, 1974 and domiciled in Panama City, it has a perpetual term of duration. Its business purpose is to transport cargo by sea, especially cement, clinker as well as purchasing and selling these same products.

Trans Atlantic Ship Management LTD.

Incorporated in the British Virgin Islands on June 3, 2004, this company is domiciled in Road Town, Tortola, in the British Virgin Islands. Its business purpose relates to the international shipping business, and to this end, it may lease, charter or own ships and transport cargo belonging to third parties in third party ships as well as carry out any other lawful activity permitted by the laws of the British Virgin Islands. This company is included in the consolidation in conjunction with Somerset Shipping Co. Ltd., Winterset Shipping Co. Ltd. and Dorset Shipping Co. Ltd.

Urbanizadora Villa Santos S.A.S.

Incorporated according to Colombian legislation on June 18, 1974, this company is domiciled in Barranquilla and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad.

Valle Cement Investments LTD.

Incorporated according to the laws of the British Virgin Islands on November 18, 1998 and domiciled in the British Virgin Islands, its business purpose is to make any type of investments. This company is included in the consolidation along with Belsford Ltd., Climsford Investments Ltd., Godiva Investments Ltd. and Fortecol Investments Ltd.

Venezuela Ports Company S.A.

This Company was incorporated in Panama City, Panama, on February 26, 2002, where it has its registered place of business. Its business purpose is to invest in companies, enterprises or projects and negotiate, run or participate in any industrial, mining, commercial, real estate or shipping company or any other type of companies as well as conduct any lawful business activity permitted by Panamanian legislation. It has a perpetual term of duration.

Zona Franca Argos S.A.S.

Incorporated according to Colombian legislation on July 5, 2007, this company is domiciled in Cartagena and has an indefinite term of duration. Its corporate purpose is to conduct business within the cement industry, produce concrete mixes, or any other materials or articles made of cement, lime or clay; purchase and sell minerals or mineral deposits to be used by the cement and similar industries, as well as acquire rights to explore or mine the aforementioned minerals, whether through concessions or chartering, leasing or other types or arrangements, manage, run, supervise, market and develop a free trade zone, and carry out all those activities inherent to its capacity as exclusive user of a special free trade zone and that should be considered convenient, relevant or necessary to perform the following activities as a port operator: loading and unloading, storing in port warehouses, importing and exporting goods and services, handling container cargos and cargos in general. The company may also carry out any lawful business activity both at home and abroad.

Note 2 - Basis for Presenting the Consolidated Financial Statements

Consolidation

Our companies in Colombia must prepare their own individual general-purpose financial statements which are presented to the shareholders at their annual meetings and which serve as a basis for the distribution of dividends and other appropriations. Also, the Colombian Code of Commerce requires general-purpose consolidated financial statements to be drawn up, which are also presented to the shareholders at their annual meetings for subsequent approval, but said statements do not serve as a basis for distributing dividends and appropriating profits.

According to the rules and regulations issued by the Superintendency of Finance, the consolidated financial statements include all those accounts pertaining to subsidiary companies where:

a) More than 50% of their share capital belongs to the Company, either directly, or through the agency of, or in conjunction with the other subsidiary companies or any of their respective subsidiaries. For this purpose, non-voting preferred shares are not taken into account.

b) When the Company and its subsidiaries, either jointly or individually, are entitled to cast a ballot making up the minimum deciding majority vote at a meeting of partners or shareholders, or possess the number of votes required to elect the majority of the members of the board of directors, should this exist.

c) The Company, either directly or through the agency of or in conjunction of the subsidiary companies, with regard to any act or business with a controlled company or with its parties, exercises a dominant influence on the decisions taken by the management of the company in question.

The consolidated financial statements are prepared in accordance with generally-accepted accounting principles in Colombia. Company management must make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) disclosures regarding contingent assets and liabilities on the closing date of the financial statements and (iii) the reported amounts of revenues and expenses obtained or incurred during the reporting period. Actual results could differ from said estimates.

The global integration method was used to consolidate the financial statements, which consists of adding to the parent or controlling company's financial statements, the total amount of assets, liabilities, shareholders' equity and results reported by the subsidiary companies, after eliminating the investment made by the parent or controlling company in the subsidiary company's equity, as well as all reciprocal balances and transactions existing at the closing date of the financial statements in question.

The elimination of balances and transactions between the parent company and its subsidiaries, as well as those between subsidiaries, together with calculations regarding minority interest, the proportional value of the corresponding equity and amortizations of surpluses and/or deficits between the cost of the investment and its book value, have been duly carried out in compliance with that provided by the Colombian Superintendency of Finance in Circular No. 002 of 1998, subsequently amended by Circular No. 011 issued in 1998.

Financial information pertaining to Inversiones Argos S.A.'s consolidated subsidiaries is prepared, as far as possible, pursuant to the same accounting criteria and methods used for its individual financial statements. This

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information is taken at the cut-off date at December 31st, which is the date established by the parent company for closing its annual books and presenting its financial statements according to its bylaws and that provided by Article 9 of Decree 2649 of 1993.

Considering that our subsidiaries abroad prepare their financial statements based on international financial reporting standards (IFRS) together with generally-accepted accounting principles in the United States (US GAAP), using a coherent set of quality accounting principles and bearing in mind that said principles are considered benchmark accounting techniques in Colombia, these subsidiaries do not have to make substantial adjustments to their financial statements, except for those differences that go against the principle of essence over form.

In October 2006, Compañía Colombiana de Inversiones S.A. E.S.P. acquired a controlling interest in Promotora de Hoteles Medellín S.A. and Hotel de Pereira S.A. In August 2010, the Company signed a promissory sales agreement with New Continent Hotels S.A.S., committing it to sell in January 2011, the stake held in Promotora de Hoteles Medellín S.A. and Hotel de Pereira S.A. Given the commitment made to sell these investments, the Company appraised these investments using the equity method only until July 2010, and then changed to the cost method until December of this same year. Therefore, said investments were not included in the consolidated financial statements at December 31, 2010.

The following table lists the assets, liabilities, shareholders' equity and results for each of the companies included in the consolidation:

2010

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	EQUITY	RESULTS FOR THE YEAR
Alexios N.V.	50.00	10,659	1,641	9,018	(60)
American Cement Terminals LLC	100.00	12,185	-	12,185	22
Argos USA Corp.	100.00	1,280,992	835,740	445,252	(145,968)
Belsford Ltd.	100.00	55,254	96	55,158	(276)
C.I. Carbones del Caribe S.A.S.	100.00	189,717	79,595	110,122	(24,963)
C.I. del Mar Caribe BVI, Inc.	100.00	14,991	7,998	6,993	(602)
Canteras de Colombia S.A.S.	100.00	83,529	14,081	69,448	(2,336)
Caribbean Construction and Development Ltd.	100.00	7,183	1,493	5,690	(256)
Caricement Antigua Limited	100.00	6,528	2,400	4,128	(881)
Caricement Antilles NV	100.00	18,622	3,925	14,697	(10,717)
Caricement Saint Maarten NV	100.00	11,263	9,752	1,511	(126)
Caricement USVI Corp.	100.00	2,131	10,298	(8,167)	(1,715)
Cement and Mining Engineering, Inc.	100.00	10,740	24,503	(13,763)	(2,310)
Cemento Panama S.A.	98.40	423,954	184,442	239,512	43,683
Cementos Argos S.A.	62.09	14,732,805	3,475,900	11,256,905	288,878
Cementos Colóu S.A.	70.00	78,197	7,907	70,290	17,986
Central Aggregates LLC	100.00	24,543	3,146	21,397	(97)
Cimenterie Nationale S.E.M.	65.00	56,194	13,734	42,460	5,601
Climsford Investments Ltd.	100.00	65,880	10,720	55,160	(276)
Colcaribe Holdings S.A.	100.00	181,296	27,315	153,981	3,000
Comercial Arvenco C.A.	100.00	1,412	1,323	89	-
Compañía Colombiana de Inversiones S.A. E.S.P. (Consolidated)	50.05	6,743,871	4,058,943	2,684,928	259,010
Concretos Argos S.A.	100.00	658,915	284,425	374,490	(28,144)
Consort Livestock Inc.	100.00	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	100.00	210,962	66,116	144,846	(6,690)
Dorset Shipping Co. Ltd.	100.00	1,259	36	1,223	(22)
Fortecol Investments Ltd.	100.00	24,820	4	24,816	(1,865)
Ganadería Río Grande S.A.S.	100.00	6,474	3,430	3,044	(1,421)
Godiva Investments Ltd.	100.00	24,864	-	24,864	(2,098)
Gulf Coast Cement LLC	100.00	-	-	-	-
Haití Cement Holding S.A.	100.00	29,420	-	29,420	860

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NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	EQUITY	RESULTS FOR THE YEAR
International Cement Company S.A.	100.00	437	-	437	(1)
Inversiones Argos S.A.		11,523,357	573,052	10,950,305	388,333
Inversiones el Duero S.A.S.	100.00	195,288	86	195,202	2,179
Logística de Transporte S.A.	100.00	42,401	22,504	19,897	545
Marítima de Graneles S.A.	100.00	20,900	7,411	13,489	(855)
Piazza Acquisition Corp.	100.00	445,065	14,673	430,392	(68,990)
Point Corp.	100.00	177,057	14,450	162,607	610
Port Royal Cement Company LLC	100.00	13,561	1,376	12,185	22
Reforestadora del Caribe S.A.S.	100.00	29,389	10,057	19,332	2,779
RMCC Group Inc.	100.00	197,331	-	197,331	(73,142)
Savannah Cement Company LLC	100.00	16,340	5,976	10,364	(383)
Sociedad Portuaria de Cementeras Asociadas S.A.	100.00	15,804	13,398	2,406	565
Sociedad Portuaria Golfo de Morrosquillo S.A.	100.00	16,911	8,498	8,413	(2,541)
Somerset Shipping Co. Ltd.	100.00	20,446	17,299	3,147	2,124
South Caribbean Trading & Shipping S.A.	100.00	189,301	42,577	146,724	5,245
South Central Cement Ltd.	100.00	61,418	12,669	48,749	(2,697)
Southern Equipment Company Inc.	100.00	803,138	605,807	197,331	(73,142)
Southern Star Concrete, Inc.	100.00	684,922	239,878	445,044	(63,335)
Southern Star Leasing, LLC	100.00	-	-	-	-
Trans Atlantic Ship Management Ltd.	50.00	23,485	493	22,992	1,832
Transatlantic Cement Carriers, Inc.	100.00	39,785	8,282	31,503	(37)
Urbanizadora Villa Santos S.A.S.	100.00	57,685	55,615	2,070	381
Valle Cement Investments Ltd.	100.00	470,649	270,883	199,766	(91,884)
Venezuela Ports Company S.A.	100.00	3,361	9	3,352	-
Vensur N.V.	84.40	15,984	6,049	9,935	(66)
Winterset Shipping Co. Ltd.	100.00	22,143	19,048	3,095	(752)
Zona Franca Argos S.A.S.	100.00	1,050,714	252,657	798,057	(36,689)
		41,105,532	**11,331,710**	**29,773,822**	

2009

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	EQUITY	RESULTS FOR THE YEAR
American Cement Terminals LLC	100.00	13,013	-	13,013	(22)
Argos USA Corp.	100.00	1,517,797	883,131	634,666	(126,674)
Belsford Ltd.	100.00	56,108	102	56,006	(1,323)
C.I. Carbones del Caribe S.A.S.	100.00	243,628	50,183	193,445	(70,236)
C.I. del Mar Caribe BVI, Inc.	100.00	22,483	14,354	8,129	4,169
Canteras de Colombia S.A.S.	100.00	84,057	12,143	71,914	(1,996)
Carbones Nechí S.A.S.	100.00	8,795	10,784	(1,989)	(5,047)
Caribbean Construction and Development Ltd.	100.00	8,257	1,683	6,574	161
Caricement Antigua Limited	100.00	7,766	2,244	5,522	911
Caricement Antilles NV	100.00	32,199	4,051	28,148	(3,640)
Caricement Saint Maarten NV	100.00	9,536	7,576	1,960	646
Caricement USVI Corp.	100.00	3,156	9,967	(6,811)	(1,931)
Cement and Mining Engineering Inc.	100.00	11,471	23,732	(12,261)	(3,016)
Cemento Panama S.A.	98.40	478,417	207,773	270,644	53,722
Cementos Argos S.A.	62.75	13,284,562	3,463,341	9,821,221	209,821
Cementos Colón S.A.	70.00	68,429	10,252	58,177	15,605
Central Aggregates LLC	100.00	26,213	3,253	22,960	(2)
Cimenterie Nationale S.E.M.	65.00	58,269	15,646	42,623	11,604
Climsford Investments Ltd.	100.00	71,777	15,769	56,008	(1,321)
Colcaribe Holdings S.A.	100.00	217,522	26,680	190,842	16,648
Comercial Arvenco C.A.	100.00	752	571	181	(12)
Concretos Argos S.A.	100.00	614,134	200,755	413,379	(5,437)
Consort Livestock Inc.	100.00	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	99.60	208,555	75,884	132,671	(5,072)

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Domar Ltd.	100.00	40,680	14,342	26,338	27,743
Dominicana Cement Holding, S.A.	87.00	40,722	-	40,722	10,865
Dorset Shipping Co. Ltd.	100.00	1,475	146	1,329	2,268
Empresa de Carbones del Cesar y La Guajira S.A.	99.90	76,148	29,602	46,546	40,467
Flota Fluvial Carbonera S.A.S.	100.00	12,872	4,947	7,925	2,008
Fortecol Investments Ltd.	100.00	27,397	4	27,393	(366)
Ganadería Río Grande S.A.S.	100.00	10,233	5,843	4,390	(768)
Godiva Investments Ltd.	100.00	27,698	-	27,698	(1,714)
Gulf Coast Cement LLC	100.00	-	-	-	-
Haití Cement Holding S.A.	100.00	32,641	2	32,639	7,094
International Cement Company S.A.	100.00	468	-	468	(2)
Inversiones Argos S.A.		10,130,660	454,889	9,675,771	906,520
Inversiones el Duero S.A.S.	100.00	150,541	204	150,337	2,973
Logística de Transporte S.A.	100.00	46,218	18,327	27,891	(160)
Marítima de Graneles S.A.	100.00	24,519	22,148	2,371	(192)
Piazza Acquisition Corp.	100.00	543,781	9,587	534,194	(23,506)
Point Corp.	100.00	173,013	-	173,013	13,786
Port Royal Cement Company LLC	100.00	16,514	3,501	13,013	24
Reforestadora del Caribe S.A.S.	100.00	37,079	10,806	26,273	(1,570)
RMCC Group Inc.	100.00	291,752	-	291,752	(101,956)
Savannah Cement Company LLC	100.00	19,658	8,142	11,516	(452)
Sociedad Portuaria de Cementeras Asociadas S.A.	100.00	16,350	14,509	1,841	(310)
Sociedad Portuaria Golfo de Morrosquillo S.A.	100.00	18,765	7,811	10,954	(2,142)
Somerset Shipping Co. Ltd.	100.00	22,131	21,027	1,104	1,181
South Caribbean Trading & Shipping S.A.	100.00	204,078	45,475	158,603	24,844
South Central Cement Ltd.	100.00	74,274	19,299	54,975	1,097
Southern Equipment Company, Inc.	100.00	932,217	640,465	291,752	(103,516)
Southern Star Concrete, Inc.	100.00	767,681	223,923	543,758	(19,003)
Southern Star Leasing, LLC	100.00	-	-	-	-
Trans Atlantic Ship Management Ltd.	50.00	22,567	(111)	22,678	(1,620)
Transatlantic Cement Carriers, Inc.	100.00	45,231	20,858	24,373	(1,422)
Urbanizadora Villa Santos S.A.S.	100.00	61,035	53,179	7,856	1,623
Valle Cement Investments Ltd.	100.00	624,282	311,307	312,975	243,896
Venezuela Ports Company S.A.	100.00	5,176	10	5,166	1,118
Winterset Shipping Co. Ltd.	100.00	24,065	19,885	4,180	(669)
Zona Franca Argos S.A.S.	100.00	985,665	150,847	834,818	17,019
		32,554,482	**7,150,848**	**25,403,634**	

In 2010, our group of subsidiaries underwent the following changes:

- The consolidation was extended to: Compañía Colombiana de Inversiones S.A. E.S.P., Colener S.A.S., Artículos de Seguridad Industrial S.A.S. - ARSEG S.A.S., Prevencionistas en Ambiente, Salud y Seguridad S.A.S., Compañía Latinoamericana de Seguridad Industrial S.A.S., Termoflores S.A. E.S.P., Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P., Compañía de Electricidad de Tuluá S.A. E.S.P. - CETSA S.A. E.S.P., Alexios N.V. and Vensur N.V.

- For the consolidation of Compañía Colombiana de Inversiones S.A. E.S.P. and subsidiaries, the guidelines established in External Circular 2 issued in 1998 by the Colombian Superintendency of Securities, now known as the Colombian Superintendency of Finance, were considered. These guidelines provide for the financial statements subject to consolidation closing on the same date and covering the same accounting period. The company is also in compliance with Opinion No. 2010085116-005 issued by the Colombian Superintendency of Finance on January 4, 2011, which states that the subsidiary's financial statements, including its income statement, must correspond to the same entire accounting period in order to be consolidated with the parent company's financial statements at the corresponding cut-off date.

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- Upon including Compañía Colombiana de Inversiones S.A. E.S.P. and subsidiaries for the accounting year January to December 2010, in the consolidated financial statements of Inversiones Argos S.A. this produced increases of approximately COP 1,8 billion in operating revenues, COP 273 thousand million in non-operating revenues, COP 710 thousand million in EBITDA and COP 130 thousand million in net income.

- The following companies were merged: Carbones Nechí S.A.S. with C.I. Carbones del Caribe S.A.S.; Dominicana Cement Holding S.A. with Domar Ltd.; Colcaribe Holdings S.A. was split off to form Colcaribe Holdings Dos S.A.; Domar Ltd. was merged with Colcaribe Holdings Dos S.A. as was Colcaribe Holdings Dos S.A. with Corporaciones e Inversiones del Mar Caribe S.A.S.

- The following companies are in the process of being liquidated: Emcarbón S.A. en Liquidación, Profesionales a su Servicio Ltda. en Liquidación, Asesorías y Servicios Ltda. en Liquidación and Caribe Trading Corporation.

- The following company was sold off: Flota Fluvial Carbonera S.A.S.

- Corporación de Cemento Andino C.A. and its subsidiaries Andino Trading Corporation, Comercializadora Dicemento C.A. and Depoan S.A. as well as Intership Agency Venezuela C.A. and Surandina de Puertos C.A. were excluded from the consolidation since the Company does not possess a controlling stake in these same.

The consolidation, with regard to the non-consolidated financial statements of Inversiones Argos S.A., represented increases in total assets of COP 12,582,040 (2009 - COP 8,053,230) and in liabilities of COP 13,344,310 (2009 - COP 8,474,284) together with a reduction in Shareholders' Equity of COP 762,270 (2009 - COP 421,054).

The effect of consolidating the Company's financial statements with those of its subsidiaries was as follows:

	Balance before eliminations	**Eliminations**	**Consolidated balance**
Assets	41,105,532	(16,807,256)	24,298,276
Liabilities and minority interest	11,331,710	2,585,652	13,917,362
Shareholders' equity	29,773,822	(19,392,908)	10,380,914

The reconciliation between Inversiones Argos S.A.'s individual net income and its total consolidated net income is as follows:

	2010	**2009**
Non-consolidated net income	388,333	906,520
Consolidated net income	**388,333**	**906,520**

The reconciliation between Argos S.A.'s own equity and its total consolidated equity is as follows:

	2010	**2009**
Individual equity	10,950,305	9,675,771
Unrealized gains on sale of property plant and equipment	(12,911)	(14,473)
Unrealized gains on sale of investments	(538,712)	(387,497)
Unrealized gains on sale of land	(17,768)	(19,084)

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	2010	2009
Consolidated equity	**10,380,914**	**9,254,717**

Note 3 - Main Accounting Policies and Procedures

In preparing its consolidated financial statements, the Company by law must follow generally accepted accounting principles in Colombia as well as rules and regulations established by the Colombian Superintendency of Finance and other legal provisions; said principles may differ in some aspects from those established by other oversight authorities in Colombia. Certain subsidiaries must abide by the accounting principles established by the Colombian Superintendency for Companies as well as for Public Utility Service Providers in Colombia.

Essence over form

Consolidated companies recognize and disclose their assets and economic events based on their essence or their economic reality and not just based on their legally-defined nature. For this reason, accounting principles are applied that allow for an adequate recognition of the economic events in each of the countries where operations exist.

Converting the financial statements

Given the fact that Colombian legislation lacks a technical framework with regard to accepted conversion methods, but does however establish that, given the inexistence of this conversion framework, the proper course is to refer to a superior application standard which in this case is the International Accounting Standard (IAS) No. 21 “The Effects of Changes in Foreign Exchange Rates”, which was duly adopted.

As a result, the financial statements pertaining to companies abroad, stated in currencies other than the U.S. dollar are converted into U.S. dollars according to the standards provided in IAS No. 21, in the following manner.

- Assets and liabilities are converted at the exchange rate applicable on the closing date.
- The equity accounts are converted using the exchange rates applicable on each of the dates on which the transactions were conducted. In the case where companies were not able to provide any historical information, their corresponding equity was converted at the exchange rate applicable at the close of December 2005.
- The income accounts are converted using the exchange rates applicable on each of the dates on which the transactions were conducted. If this is not possible, the average exchange rate for each month is applied.
- Conversion differences are recorded under shareholders’ equity specifically in the accumulated conversion adjustments account, containing all those differences obtained from converting items on the income statements using average exchange rates, together with those items on the balance sheet, using the rates applicable on the closing date.

Furthermore, figures in U.S. dollars are converted to COP using the market exchange rate applicable at the close of the fiscal period, as certified by Colombia’s Central Bank.

Adjustments for Inflation

When Decree 1536 was issued on May 7, 2007, amending Decrees 2649 and 2650, the application of inflation adjustments was duly eliminated. Pursuant to said Decree, all adjustments for inflation recorded in books from January 1, 1992 to December 31, 2006, form part of the balance of their respective accounts.

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The balance of the equity revaluation account cannot be distributed until the company is either liquidated or capitalized. In the event that the company is capitalized, the funds in this account can be used to wipe out losses should there be grounds for liquidating the company. However, they can never be used for reimbursing capital. In the case of a debit balance being obtained in this account, this can be reduced with profits for the period or from prior periods, but only upon complying with all those rules and regulations governing profits that are contained in the Colombian Code of Commerce.

Law 1111 of 2006 established the possibility of charging equity tax to this account, without affecting the income accounts, which was the option chosen by the companies belonging to the Argos Group.

Negotiable and Permanent Investments

The Colombian Superintendency of Finance requires that all investments be classified and entered in the Company's books as follows:

a) Investments that the Company or its subsidiaries intend to hold until maturity or until they expire or for at least a term of three years in the case of all those investments whose term is greater than three years or that simply do not have a maturity date are classified as permanent investments. These investments are appraised and posted on a prospective basis in the following manner:

- i. Debt securities or investments incorporating debtor's rights (non-equity securities) earning a fixed or variable rate are initially posted at their purchase cost and are appraised on a monthly basis based on the IRR of each security calculated at the moment of purchase; the resulting adjustment is recorded on the income accounts.

- ii. Investments in shares or equity stakes (equity securities) earning a variable return and held in entities where the Company does not possess a controlling stake are recorded at their inflation-adjusted cost and these are duly adjusted on a monthly basis at their realizable value. The resulting adjustment, whether it is positive or negative, is posted in the revaluation account debiting or crediting the revaluation surplus account under Shareholders' Equity, as applicable. The realizable value of securities classified as having high or medium liquidity by the Colombian Superintendency of Finance, is calculated based on the average share price registered on the Colombian Stock Exchange during the previous 10 to 90 days, depending on the corresponding parameters established by this Superintendency. The realizable value of all those equity securities with a low or minimum liquidity or which are not listed on the Stock Exchange is calculated based on their intrinsic value as shown on the latest financial statements presented by the issuer of said securities.

b) Investments corresponding to securities that are easily disposed of and that the Company intends to sell within a period of up to three years to a third party outside the business group are classified as negotiable investments. These investments are initially posted at cost and then are adjusted on a monthly basis to reflect their realizable value debiting or crediting the income accounts, as applicable. Their realizable value is calculated in the same way as indicated in the previous subsection for each type of investment.

Subsidies and Contributions

Subsidies and contributions, in the case of all those companies who provide public electricity generating or marketing services, consist of all those amounts awarded by the Colombian State and paid out by business and industrial users belonging to income brackets Nos. 5 and 6 to finance the subsidies provided to lower income brackets Nos. 1 and 2.

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Contributions paid by users of public electricity services must be billed and collected by the public utility service providers so that these may be used according to applicable legislation.

Subsidies and contributions are posted separately and in more detail under Accounts Receivable.

As a result of posting such subsidies and contributions in the Company's books, a deficit was produced between the subsidies awarded and the contributions received from users belonging to income brackets Nos. 5 and 6 plus non-residential users, as well as with the contributions paid out by the Colombiam State through the Colombian Ministry for Mining and Energy.

Provision for Doubtful Accounts

The provision for doubtful accounts is reviewed and updated every year based on an analysis carried out by Company management of how long the balances due have remained in arrears as well as the probability of these being recovered. Periodically, the amounts considered uncollectible are charged to the corresponding provision.

Inventories

Inventories are posted at cost and at the end of the fiscal period, these are reduced to their market value, should this be lower than their cost. This cost is determined according to the average-cost method. At the end of each fiscal year, obsolete inventories of materials and spare parts are duly reviewed and updated, a provision is set up in the financial statements. As of 2009, these included construction work and land to be built upon. All costs and taxes incurred in preparing the land until it is ready to be sold are duly recorded in the Company's books.

Property, Plant and Equipment

Property and equipment are recorded at cost, which when relevant includes financing expense and exchange differences on the liabilities incurred in acquiring property and equipment until these are ready to be used.

Sales and withdrawals of such assets are discharged at their respective adjusted net cost, and the difference between the selling price and the adjusted net cost is recorded in the income accounts.

Depreciation is calculated using the straight-line method, on the inflation-adjusted cost, based on the probable useful life of the assets listed as follows: between 20 and 40 years in the case of buildings, construction work, plants and networks; between 3 and 10 years in the case of machinery as well as industrial and office equipment; between 5 and 10 years for fleets of vehicles together with transport, computer and communication equipment; between 6 and 8 years in the case of ships; 50 years in the case of civil engineering projects relating to hydroelectric generating plants and 25 years for machinery and electronic equipment belonging to electricity generating plants.

Repairs and maintenance performed on these assets are charged to the income accounts, while any improvements and extensions to such are added to the cost.

Property, plant and equipment assigned to EPSA E.S.P. by the Corporación Autónoma Regional del Valle del Cauca (C.V.C), at January 1, 1995, as a result of the restructuring of this entity, were posted based on the values stated by the Colombian Government in resolutions issued by the Colombian Ministry of Finance, as well as the subsequent adjustments for inflation until December 2005.

Deferred Charges

This account consists of prepaid expense and deferred charges. Prepaid expense mainly includes insurance premiums which are amortized using the straight line method over a 12 month period.

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Costs incurred in the organization, building, installation, assembly and start-up stages of a project are posted as deferred charges and these include all costs incurred in building, installing and starting up the hydroelectric generating plants. Deferred charges also include software, deferred income tax, organizational and preoperating expense, improvements to third-party properties and automation projects, which are amortized using the straight-line method over a period of 3 to 5 years, and for electricity companies deferred charges are amortized in the shortest time between that estimated as part of a feasibility project for recovering said expense and the scheduled timeframe for the project in question.

Intangibles

Intangibles are recorded at their purchase cost and represent the value of certain rights such as trademarks, goodwill and utilization rights (concessions and franchises), amongst others. These are amortized using the straight-line method.

The period for amortizing trademarks is 20 years, and in the case of all those other rights, depending on the length of the licensing term or the time estimated for using these reserves, which is estimated at between 3 and 30 years. Acquired goodwill is given the following treatment.

Goods and Property Acquired through Financial Leasing Arrangements

Goods and property acquired through financial leasing arrangements are posted as an asset and a liability calculating the present value of the corresponding rental payments as well as the purchase options stipulated in the corresponding financial leases. Leased assets are depreciated using the straight-line method during the same useful life of the property, plant and equipment, based on the corresponding asset.

Acquired Goodwill

Colombian companies must record in their corresponding Acquired Goodwill Account, any additional sum paid over and above the corresponding intrinsic value, as certified by the respective company, when purchasing shares, or equity stakes in active economic entities so as to take over the business in question, as provided for by Articles 260 and 261 of the Code of Commerce, that were subsequently amended by Articles 26 and 27 of Law 222 of 1995 and any other rules or regulations that should so amend, extend or replace such provisions.

Based on the Joint Circulars 007 of 1997 and 011 of 2005, as issued by the Superintendency of Finance, the amortization of goodwill arising from business mergers, is calculated using the straight-line method based on the estimated time that the intangible is due to be used, which shall not exceed a term of twenty years.

At the close of each fiscal year, or at the end of each month that is included in the basis for preparing extraordinary financial statements, the Company assesses the goodwill obtained from each investment so as to check its source within the balance sheet.

In other countries where our subsidiaries are based, goodwill is calculated according to the accounting rules and regulations applicable in the country in question, which are governed by an overarching accounting standard governing essence over form, according to generally-accepted accounting principles in Colombia as well as that provided by the Superintendency of Finance and in keeping with that laid out in Article 11 of Decree 2649 of 1993, regarding essence over form.

Derivatives

The Company is exposed to different risks existing on the financial market, as part of its normal course of business, which is duly handled through derivatives. These risks can be summarized as follows:

Strategic Risk: any changes between the expected benefits of a strategy and the actual results obtained.

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Market Risk: any change in the reasonable value of the derivative due to fluctuations in market prices.

Liquidity Risk: losses incurred due to: i.) failure to pay off an obligation due to difficulties in obtaining liquidity or ii.) the impossibility of taking up or liquidating a position in derivatives given the fact that there is no market for such.

Credit Risk: Losses that could be incurred due to counterparty default.

Operating Risk: Losses to which the Company is exposed to due to errors with the recording and/or valuation systems. Also on a poorly designed system of limits, deficient checks performed on the contracts and an inadequate information management system.

The Company also periodically appraises its derivatives based on market prices for the purpose of providing proper administrative control.

The Company effectively handles these risks by carrying out the following operations:

Swaps

Swaps are financial transactions in which the Company, as part of an agreement with a bank, exchanges flows of money so as to reduce risks relating to liquidity, rates, terms or issuers, as well as with regard to the restructuring of assets and liabilities.

In the case of interest rate swaps, no capital is exchanged and the Company is responsible for the money due in terms of both amounts and terms established, which are recorded separately from the value of the swap. With regard to the actual recording of the swap, only those payments net of interest between the parties are posted in the Company's books, limiting this to recognizing the positive or negative difference between the flows of interest that the parties agree to exchange. The resulting profits or losses are not recognized as assets or liabilities, but are directly recognized in the income accounts.

In the case of currency swaps, the existence of an agreement of this type does not affect the value of the pending debt original value. During the term of this agreement, the parties pay a differential on the interest, and the exchange difference which is posted directly in the income accounts.

Forwards

Forwards are used to cover the risk inherent to the exchange rate on debt operations and investments in foreign currency. At the end of each period, these are appraised by deducting their forward rate based on the depreciation rate agreed on. This present value is then compared with the representative market rate at the close of the period and the positive or negative difference thus obtained is recorded in the income accounts.

Options

Options are used to hedge exchange rate risk mainly with monthly exports and the corresponding future flows derived from such. These are carried out through structured hedging arrangements such as export collars, which allow for a range of monetization at market prices thereby safeguarding risks against sharp exchange rate fluctuations. These are valued using the Black – Scholes model.

Hedge Accounting

All these arrangements are posted using hedge accounting principles. In order to post a derivative using hedge accounting, the instrument must comply with the following requirements:

- They must be formally documented by means of an agreement.
- They must be highly effective.
- In the case of all those transactions involving cash flow hedges, the underlying to be covered in the future must be highly probable.
- They must have all the necessary models in order to be able to measure the effectiveness of the hedge.
- The hedge shall have been evaluated against the entity's continued performance.

Asset Valuations

These consist of:

a) Excess amounts between the market or intrinsic value of investments in shares, quotas or equity stakes at the end of the fiscal year and their net inflation-adjusted cost in the Company's books.

b) Surplus amounts resulting from technical appraisals of property, plant and equipment compared with their respective net inflation-adjusted costs. Said appraisals were carried out by both employees and third parties, on the basis of their replacement or depreciated value for the years 2009 and 2008. These appraisals must be updated every three years.

Labor and Retirement Pension Obligations

Labor liabilities are adjusted at the end of each fiscal period based on applicable legal provisions and the current labor agreements in force.

Retirement pension obligations represent the present value of all future amounts to be paid out by the Company to its pensioned employees or corresponding beneficiaries. These pensioned employees are essentially long-standing personnel. The respective charges to the income accounts for the year, are carried out based on actuarial studies, according to current legal provisions, which are prepared using methods such as the system of actuarial equivalences for pension payments due and life annuities that are immediate, fractional, payable and prospective.

On December 7, 2010, the Colombian Ministry of Finance and Public Credit issued Decree 4565 amending that provided in Article 77 of Decree 2649 of 1993, containing instructions as to how economic entities must calculate and disclose their retirement pension liabilities, provided they are obliged to do so. In drawing up their actuarial calculations at December 31, 2010, the aforementioned entities must use the Mortality Tables for Male and Female Annuitants, duly updated by the Colombian Superintendency of Finance by means of Resolution No. 1555 issued on July 30, 2010. The percentage to be amortized compared to the retirement pension liability balance as of December 31, 2009, as well as the remaining amounts to be provisioned, must be amortized from the year ending December 31, 2010 until 2029, using the straight line method, with no exception to completing such amortization before 2029. The Company decided to amortize the unprovisioned balance within 8 years.

Pension payments made during the fiscal year are charged directly to the income accounts for the period.

In the case of all those employees who are covered by the new social security system (Law 100 of 1993) the Company covers its pension obligations by paying contributions to the Colombian Social Security Institute and/or private pension funds according to the terms and conditions provided by such law.

In consolidating its financial statements, the Company registers its labor obligations as determined for the different countries in keeping with applicable accounting techniques and based on all those legal and implicit obligations acquired by the subsidiaries. In this sense, there is no need to prepare new accounting estimates as a result of recording the consolidated amount of employee benefits on a basis different from that presented in all those countries where the corresponding labor liabilities were incurred.

Income Tax

The Company calculates the provision for income tax based on estimated taxable earnings at rates contained in applicable tax legislation, or based on the presumptive income method. Tax effects on the income, costs and expense accounts, corresponding to temporary differences between the book and tax figures are recorded as deferred tax. However, in the case of deferred tax assets, only temporary differences are recorded to income when a higher tax payment during the current year is considered likely, providing it is reasonably expected that sufficient taxable income shall be generated in the periods in which the tax benefit shall be obtained.

Memorandum Accounts

Memorandum accounts contain all those commitments waiting to be fulfilled as well as contingent rights or responsibilities, such as the value of goods and securities given up as security, guarantees issued, unused letters of credit, securities received for safekeeping or as security, assets that are totally depreciated, as the difference between the tax and book equity values.

Recognition of Revenues, Costs and Expenses

Sales revenue is recognized when the product is shipped; when the land or construction work has been recorded as a public deed, when rental revenue is recognized in the month it accrues and revenue from services is recognized when provided. Dividends accrue in their entirety when these are declared. All income, costs and expenses are recorded on an accrual basis.

Operating Income before Asset Impairment

This account contains the operating earnings obtained by the consolidated companies, excluding extraordinary operating expense recorded by Argos USA Corporation in the United States and Caricement Antilles NV. This specific expense consisted of a long-term asset impairment, this considered as an unusual and non-recurring business event.

Asset Impairment

Asset impairment corresponds to an expense originating from a long-term asset impairment study carried out by experts, recorded as operating expense by Argos USA Corporation, who applies US GAAP and Caricement Antilles NV who applies International Financial Reporting Standards (IFRS). This expense arose as a result of events that are entirely unrelated to the Company's main business activity.

Converting Transactions and Balances in Foreign Currency

Transactions in foreign currency are posted at the exchange rate applicable on the dates these are carried out. At the end of each fiscal period, amounts to be paid or collected are adjusted according to the market exchange rate as certified by Colombia's Central Bank. With regard to amounts receivable or payable in foreign currency, exchange differences are posted in the income accounts, except when such exchange differences are charged to the cost of acquiring the corresponding assets. Exchange differences that can be charged to the cost of acquiring assets are those that occur while assets are being built or installed and until they are ready to be used.

Beginning in 2007, and as provided in the Decree 4918 of 2007, the exchange difference on equity investments held in foreign-based subsidiaries must be recorded as a higher or lower value of equity, specifically as a surplus obtained from the equity method.

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Statements of Cash Flows

The attached Statements of Cash Flows were prepared using the indirect method, which includes reconciling the year's net income with net cash provided by operating activities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and banks, savings deposits and all highly liquid investments.

Materiality in Preparing the Financial Statements

In preparing the financial statements according to generally accepted accounting principles in Colombia, Company Management is required to make estimates and assumptions regarding the reported amount of assets and liabilities on the closing date of such financial statements as well as the amounts of revenues and expense reported during the period in question. Generally speaking, economic events are recognized and presented based on their relative importance or materiality. In the case of the financial statements for 2010, materiality was determined on the basis of 5% of consolidated EBITDA.

Consolidated Net Earnings per Share

Basic earnings per share are calculated on the basis of the annual weighted average subscribed shares outstanding of the Company. The Company's own repurchased shares are excluded from this calculation.

Contingencies

Certain contingencies may exist on the date on which the financial statements are issued and these could result in a loss for the Company. However, the outcome of such contingencies may only be determined at a future date based on whether one or more events occur. Such contingencies are estimated by Company management in conjunction with the Company's legal advisors. Estimated loss contingencies necessarily imply a judgment call and therefore are a matter of opinion. In estimating loss contingencies relating to legal proceedings taken against the Company, legal advisors analyze the merits of the case, the case law of the courts involved and the current status of such proceedings, among other factors.

If upon analyzing the contingency, a material loss is probable and the amount of the liability can be estimated, this is duly recorded in the financial statements. If, on the other hand, there is no indication of a probable potential loss but the result is still uncertain or there could be a probable loss but the amount cannot be estimated, then the nature of the contingency is disclosed in a note to the financial statements. Loss contingencies considered as remote are generally not disclosed.

Comparability

Inversiones Argos S.A. included Compañía Colombiana de Inversiones S.A. E.S.P. and its subsidiaries ("Colinversiones") in its consolidated financial statements for 2010. As a result, the figures therein cannot be properly compared with previous years.

Reclassifications in the Financial Statements

Certain figures included in the financial statements at December 31, 2009 were reclassified for presentation purposes in order to conform with the presentation of the financial statements at December 31, 2010.

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Change in Accounting Terminology

The accounting terminology used in the previously issued English-translated consolidated financial statements as of December 31, 2009 and 2008 and for the years then ended was adapted to conform with the current year financial statements.

Translation to English

Inversiones Argos S.A.' s financial statements have been prepared on the basis of accounting principles generally accepted in Colombia, or Colombian GAAP. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Note 4 – Transactions in foreign currency

Basic rules and regulations in Colombia allow foreign currency to be freely negotiated through banks and other financial institutions at freely determined exchange rates. However, the majority of transactions in foreign currency still need to fulfill certain legal requirements.

Transactions and balances in foreign currency are converted using the market exchange rate as certified by the Central Bank, which was used to prepare the financial statements at December 31, 2010 and December 31, 2009. The market exchange rate at December 31, 2010 was COP 1.913,98 (2009 - COP 2.044,23) per U.S. dollar.

The Company and its subsidiaries held the following net position in foreign currency, mainly in U.S. dollars, posted at their equivalent values in millions of COP at December 31, 2010 and 2009:

	2010		**2009**	
	Dollars	**Millions of Pesos**	**Dollars**	**Millions of Pesos**
Current Assets	571,034,865	1,092,949	431,435,830	881,954
Non-current assets	1,227,896,588	2,350,170	1,236,769,392	2,528,241
	1,798,931,453	**3,443,119**	**1,668,205,222**	**3,410,195**
Current liabilities	(700,414,074)	(1,340,579)	(566,379,465)	(1,157,810)
Non-current liabilities	(849,518,434)	(1,625,961)	(608,791,840)	(1,244,511)
	(1,549,932,508)	**(2,966,540)**	**(1,175,171,305)**	**(2,402,321)**
Net Long Position	**248,998,945**	**476,579**	**493,033,917**	**1,007,874**

In order to mitigate risk with transactions in foreign currency, the Argos Group performs hedging operations as described in Notes 6 and 13.

Note 5 – Negotiable Investments

Negotiable investments at December 31, 2010 and 2009 are as follows:

	ANNUAL AVERAGE RATE - 2010	**2010**	**2009**
CDs (1)	4.00%	519.671	261,977
Trusts in local currency (2)	2.72%	88,051	65,437
Repo rights on investments (3)	7.32%	148,161	169,846
Bonds		248	249
Securities		10,280	-

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	ANNUAL AVERAGE RATE - 2010	2010	2009
Other		-	3
		766,411	**497,512**
Less – Provision		(248)	(248)
		766,163	**497,264**

(1) Corresponds mainly to securities worth USD 110,000,000 in Cementos Argos S.A. (2009 - USD 116,000,000) and COP 279,948 in Empresa de Energía del Pacífico S.A. E.S.P.

(2) Consists mainly of fiduciary rights totaling COP 23,629 and independent trusts for another COP 63,485 used to manage and collect monies due from the regulated energy market.

(3) Includes an investment fund managed in Colombia totaling COP 123,211 earning an average rate of return of 7.32% and an abroad for COP 21,937.

Note 6 – Accounts Receivable, net

At December 31, 2010 and 2009, the Accounts Receivable account included the following:

	2010	2009
Domestic customers (1)	644,800	282,914
Foreign customers USD 6,286,379 (2009 - USD 7,599,101)	12,032	15,534
Accounts receivable due from related companies (2)	31,455	38,869
Advances to contractors and others (3)	56,728	95,393
Buy-sell promise (4)	48,711	42,975
Loans to private individuals (5)	426	15,467
Miscellaneous receivables	56,195	126,059
Accounts receivable due from workers	34,960	24,407
Income receivable (6)	40,080	116,267
Advance tax payments	150,941	174,050
Deposits	1,815	97
Current trade accounts	442	97
Others (7)	19,483	2,592
	1,098,068	**934,721**
Less: Provision for doubtful accounts	(72,359)	(53,507)
Long-term portion	(38,579)	(57,531)
	987,130	**823,683**

(1) This increase is due mainly to cement sales in the central part of the country as well as accounts receivable on urban construction projects (Portal Alejandría I and II, Portal de Genovés and Miramar Phase IV, as well as sales of electricity generation services and gas.

(2) Includes COP 16,434 (2009 - COP 15,759) with non-consolidated related companies and COP 15,021 with consolidated related companies (see Note 27).

(3) Decrease is mainly due to the start up of the Line 4 project and the authentication of advance payments for this project. This balance consists mainly of advanced payments made for the construction of the Amaime and Tuluá hydroelectric generating plants.

(4) Corresponds mainly to advance payments made on purchases of land for the forestry project in Carmen de Bolívar, land belonging to the Hacienda Centenario estate as well as offices acquired in Bogotá.

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(5) Corresponds mainly to having written off the account receivable due from Industrial Hullera S.A. According to its legal advisors, the Company shall not receive any payment of amounts owed from this subsidiary.

(6) Decrease is mainly due to having collected COP 61,944 from the sale of shares in Reforestadora El Guásimo.

(7) Includes allowance for doubtful accounts totaling COP 14,191 and claims for another COP 4,907.

The amount charged to results for the accounts receivable allowance totaled COP 18,440 (2009 - COP 7,757).

The allowance for accounts receivable is as follows:

	2010	2009
Opening balance	53,507	38,872
Provision for the year	18,440	7,757
Amounts recovered	412	6,878
Ending balance	**72,359**	**53,507**

At December 31, 2010, the accounts receivable and inventories belonging to Southern Star Concrete were surrendered as collateral to Wells Fargo, for each of the Company's revolving credit lines, approved for up to USD 30.000.000, of which USD 76.343 had been used up at December 31, 2010.

Long-term accounts receivable at December 31, 2010 become due and payable as follows:

	Value
2012	6,903
2013	14,582
2014	1,812
2015	1,097
2016 and thereafter	14,185
	38,579

Interest rates on long-term receivables are as follows: between 1.98% and 14.41% in the case of employee loans, and 4.11% for loans to related companies.

The value of past-due customer receivables at December 31, 2010, was COP 115,336 (2009- COP 84,296). Uncollectible accounts more than 12-months past due that corresponded to 41 customers totaled COP 627 (2009 – COP 357).

Year-end gains from derivatives are as follows:

SWAPS TYPE	UNDERLYING	UNDERLYING VALUE	RATE APPLICABLE TO UNDERLYING	AMOUNT OF SWAP	SWAP RATE	EXPIRATION DATE
Currency Swap	Accounts Payable	USD 85,800,000	4.90% in arrears	COP 163,869	CPI + 5.354%	Aug. 8, 2016
Currency Swap	Bonds due in 2017	COP 432,922	CPI + 3.17%	USD 240,000,000	Libor + 1.78%	Nov. 23, 2017

FORWARDS TYPE	UNDERLYING	UNDERLYING VALUE	AMOUNT OF FORWARD	FORWARD RATE	EXPIRATION DATE
Forward purchase	Fin. Obligation	USD 30,000,000	USD 30,278,812	COP 1,792,74	April 5, 2011
Forward purchase	Fin. Obligation	USD 20,000,000	USD 20,198,130	COP 1,835,64	April 13, 2011
Forward purchase	Fin. Obligation	USD 39,000,000	USD 39,418,945	COP 1,836,99	April 27, 2011
Forward purchase	Fin. Obligation	USD 20,000,000	USD 20,095,327	COP 1,854,57	Feb. 8, 2011
Forward sale	CD in dollars	USD 12,500,000	USD 12,500,000	COP 1,910,52	Jan. 24, 2011

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FORWARDS TYPE	UNDERLYING	UNDERLYING VALUE	AMOUNT OF FORWARD	FORWARD RATE	EXPIRATION DATE
Forward purchase	Fin. Obligation	USD 25,500,000	USD 25,737,666	COP 1,809,69	April 13, 2011
Forward purchase	Fin. Obligation	USD 16,800,000	USD 16,857,747	COP 1,788,08	Jan. 12, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,926,28	Jan. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,926,48	Feb. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,907,12	Feb. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,930,35	Mar. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,913,99	Mar. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,932,81	April 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,921,62	April 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,935,14	May 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,927,58	May 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,937,17	June 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,932,68	June 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,939,15	July 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,934,06	July 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,941,23	Aug. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,934,64	Aug. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,942,81	Sep. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,935,23	Sep. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,944,03	Oct. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,935,47	Oct. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,945,42	Nov. 25, 2011
Forward purchase	Future Cash Flow	USD 500,000	USD 500,000	COP 1,939,39	Nov. 25, 2011

Currency swaps are carried out for a two-fold purpose:

- To balance out the Company's exposure to the exchange rate.
- To take full advantage of currency arbitrage on the derivative market compared to the dollar lending market.

Currency forwards are carried out to hedge the risk of fluctuations with the exchange rate on dollar-denominated debt and temporary investments. These forwards are appraised at their fair value, bearing in mind the market curves applicable on the date on which the appraisal is carried out (see derivatives accounting policy above).

Note 7 – Inventories, net

Inventories at December 31, 2010 and 2009 are as follows:

	2010	2009
Finished goods	57,370	63,201
Goods in process	21,906	20,708
Raw and direct materials	81,639	92,706
Materials, spare parts and accessories	142,711	111,437
Inventories in transit	10,579	7,280
Assets for sale	13,482	13,622
Land	9,594	10,360
Goods not manufactured by the Company	16,859	16,923
Urban construction work (1)	20,466	14,957
Others	14,735	15,515
	389,341	**366,709**
Less - Provision for inventories	(6,853)	(5,574)
Long-term portion (2)	(84,541)	-
	297,947	**361,135**

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(1) Increase due to additional investment in urban construction projects began in 2009, as well as new project development. At year-end 2010, the following urban construction projects were in progress:

- Portal de Genovés
- Institutional cluster
- Centro Internacional del Caribe
- Miramar Phase IV
- Portal de Alejandría
- Villa Carolina 7 E.T.
- San Juan de Dios
- Pajonal (a long-term project)

(2) Includes materials, generating supplies and consumables that are held in safekeeping at the different generating plants belonging to Compañía Colombiana de Inversiones S.A. E.S.P. and Subsidiaries, which totaled COP 45,129. This also includes spare parts for use at these same electricity generating plants. In addition, it includes construction-ready land for COP 39,412.

The change in the allowance for inventories was as follows:

	2010	**2009**
Opening balance	5,574	7,305
Provision for the year	7,798	5,298
Write-offs	(6,519)	(7,029)
Ending balance	**6,853**	**5,574**

Note 8 – Permanent Investments

Permanent investments at December 31, 2010 and 2009 are as follows:

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
2010											
A. SHARES											
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	203	–	163
Bancolombia S.A.	Medellín	Financial brokerage services	B	509,704,584	45,828,671	8.99%	O	139,611	1,351,947	–	1,212,336
Cartón de Colombia S.A.	Cali	Cardboard manufacturing	B	107,716,050	3,117,675	2.89%	O	6,871	42,048	–	35,177
Cementos de Caldas S.A.	Manizales	Cement production	I	50,666,501	20,179,195	39.83%	O	3,027	3,289	–	262
Companie de Distribution de Ciment S.A.(2)	Haití	Cargo transport	I	200	200	100.00%	O	181	181	–	–
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging	I	54,607	5,905	10.81%	O	81	15,091	–	15,010
Compañía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	33.33%	O	1,562	–	1,562	–
Concentra Inteligencia en Energia S.A.S	Bogotá	IT services	I	1,344,000	84,000	6.25%	O	84	84	–	–
Concesiones Urbanas S.A.	Bogotá	Civil engineering construction	I	1,554,726	518,345	33.34%	O	6,361	8,840	–	2,479
Corficolombiana S.A.	Cali	Finance	I	196,376,667	58,913	0.03%	O	489	884	–	395
Corporación Club Deportivo El Rodeo S.A.	Medellín	Social	I	44,661	12	0.03%	O	6	31	–	25
Corporación de Cemento Andino C.A.	Venezuela	Cement production	I	37,697,288	37,580,426	99.69%	O	39,108	-	39,108	–
Electrificadora del Caribe S.A. E.S.P.	Barranquilla	Energy	I	55,425,635,000	11,085,127	0.02%	O	463	464	–	1
Electrificadora Ituango S.A. E.S.P.	Medellín	Energy	I	13,725,988	222,361	1.62%	O	326	189	–	(137)
Emcarbón S.A.	Medellín	Coal-mining	I	65,322	65,196	99.81%	O	70,350	44,339	25,926	(85)
Emgesa S.A.	Bogotá	Energy	I	149,310,345	433	0.00%	O	17	17	–	–
Fondo Regional de Garantías de la Costa Atlántica	Barranquilla	Financial brokerage services	I	68,359	2,730	3.99%	O	40	178	–	138
Fundiciones Colombia S.A.	Medellín	Metal-casting	I	2,496,845,128	1,326,765,022	53.14%	O	1,647	704	943	–
Gases de Occidente S.A. E.S.P.	Cali	Energy	I	1,943,395	83,566	4.30%	O	2,138	10,328	–	8,190
Gestión Energética S.A.	Cali	Energy	I	33,098,146,114,519	323,699,869	0.00%	O	6,805	262	–	(6,543)
Grupo de Inversiones Suramericana S.A.	Medellín	Investment	B	469,037,260	176,195,326	37.57%	O	281,632	5,861,614	–	5,579,982
Grupo Nacional de Chocolates S.A.	Medellín	Confectionery	B	435,123,458	45,243,781	10.40%	O	196,923	1,226,106	–	1,029,183

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
Hidrosogamoso S.A.	Bucaramanga	Energy	I	142	3	2.11%	O	56	–	–	(56)
Hipódromo Los Comuneros S.A.	Guarne	Horse-racing	I	3,199,388	16,870	0.53%	O	12	–	–	(12)
Hotel de Pereira S.A.	Medellín	Hotels	I	7,147,729	6,855,214	95.91%	O	30,383	31,812	–	1,429
Industria del Carbón del Valle del Cauca S.A.	Cali	Sales	I	2,900,129	1,081,748	37.30%	O	652	379	–	(273)
Industrial Hullera S.A.	Medellín	Coal-mining	I	6,474,711	2,426,054	37.47%	O	155	–	155	–
Industrias Metalúrgicas Apolo S.A.	Medellín	Metal-working	I	234,438,170	179,631,921	76.62%	O	2,128	–	2,128	–
Inmobiliaria Incem	Panamá	Real-estate	I	2,196,430	281,143	12.80%	O	191	191	–	–
Intership Agency Venezuela	Venezuela	Ocean transport	I	-	-	100.00%	O	19	–	19	–
Isagén S.A. E.S.P.	Medellín	Energy	B	30,910,000	3,091	0.01%	O	3	7	–	4
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,080,000	50.00%	O	473	19,774	–	19,301
Omya Andina S.A.	Guarne	Non-metallic minerals	I	12,690,910	6,345,455	50.00%	O	11,554	32,214	–	20,660
Papeles y Cartones S.A.	Barbosa	Paper	I	11,426,975,951	1,112,158	0.01%	O	1	13	–	12
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promo	I	143,215,801	188,756	0.13%	O	62	230	–	168
Poblado Country Club S.A.	Medellín	Social	I	1,750	15	0.86%	O	554	429	125	–
Predios del Sur S.A.	Medellín	Construction	I	7,685,304,157	401,065,661	5.22%	O	952	716	236	–
Productora de Carbón de Occidente S.A.	Cali	Sales	I	1,222,142	170,000	13.91%	O	469	469	–	–
Promotora de Hoteles Medellín S.A.	Medellín	Hotels	I	28,136,395	24,991,585	88.82%	O	72,829	73,313	–	484
Promotora de Proyectos S.A.	Medellín	Finance	I	3,763,185	442,988	11.77%	O	255	96	159	-
Promotora Nacional de Zonas Francas S.A.	Rionegro	Finance	I	381,310,997	63,940,688	16.77%	O	1,815	622	1,193	-
Propal S.A.	Cali	Paper	I	150,826,378	116,767	0.08%	O	2	144	–	142
Propuerto S.A.	Barranquilla	Port Services	I	1,145,337	128,965	11.26%	O	1,151	–	1,147	(4)
Siderúrgica del Pacífico S.A.	Cali	Sales	I	104,240,000	10,424	0.01%	O	4	19	–	15
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port Services	I	16,667	2,625	15.75%	O	70	–	–	(70)
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transport	I	172,158,489	4,440,945	2.58%	O	1,015	–	1,015	-

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Railway Services	I	2,450,625	72,294	2.95%	O	331	–	331	–
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port Services	I	16,198,079	403,130	2.49%	O	484	403	–	(81)
Sociedad Portuaria de Barrancabermeja S.A.	Barranquilla	Port Services	I	52,714	1,000	1.90%	O	15	11	–	(4)
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port Services	I	50	3	6.00%	O	4	–	4	–
Sociedad Portuaria La Inmaculada S.A. (2)	Barranquilla	Port Services	I	40,000	40,000	100.00%	O	56	38	2	(16)
Sociedad Portuaria Las Flores S.A. (2)	Barranquilla	Port Services	I	50,000	50,000	100.00%	O	61	48	1	(11)
Sociedad Portuaria Regional de Barranquilla S.A	Barranquilla	Port Services	I	2,799,646	12,771	0.46%	O	63	370	–	307
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port Services	I	8,742,710	4,390	0.05%	O	103	47	–	(56)
Surandina de Puertos C.A.	Venezuela	Port Services	I	250,000	250,000	100.00%	O	4,865	3,509	–	(1,356)
Tableros y Maderas de Caldas S.A.	Manizales	Timber	B	25,398,319,390	104,026,961	0.41%	O	4,272	1,020	–	(3,252)
Termosur S.A.	Cali	Energy	I	60	5	8.33%	O	108	35	–	(73)
Transoccidente S.A. E.S.P.	Cali	Energy	I	185,400	18,540	10.00%	O	510	817	–	307
Triple A S.A. E.S.P.	Barranquilla	Public Utility Services	I	73,445,177	82,214	0.11%	O	350	213	–	(137)
Ufinet Colombia S.A.	Cali	Sales	I	1,180,000	118,000	10.00%	O	151	511	–	360
Others								4,287	595	6,125	2,433
B. TOTAL SHARES AND EQUITY QUOTAS											
Compañía de Navegación del Mar Caribe Ltda. (1)	Barranquilla	Ocean Cargo Transport	I	61,169	50,334	82.29%	O	10	0	10	–
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Sales	I	200,000	200,000	100.00%	O	3,674	4,861	–	1,187
Distribuidora de Cementos Ltda. (1)	Medellín	Sales	I	50,000	50,000	100.00%	O	1,914	1,196	764	46
Servigranel	Barranquilla	Sales	I	-	-	-	O	37	–	37	–
Transmarítima del Caribe Ltda. (1)	Barranquilla	Ocean Transport	I	50	34	68.00%	O	53	–	53	–
Transportadora Sucre Ltda. (1)	Barranquilla	Cargo Transport	I	100	40	40.00%	O	75	75	–	–
Transportes Elman Ltda. (1)	Barranquilla	Ocean, River and Land	I	800,000		48.64%	O				–

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
		Transport			389,148			1,592	3,893	6	
Others								54	26	29	2
TOTAL SHARES AND QUOTAS								905,636	8,744,895	81,078	7,920,338
C. BONDS AND SECURITIES								4,840	2,525	2,315	
D. OTHER INVESTMENTS								13,697	89,584	628	76,514
Less – Provision								(84,021)			
								840,152	8,837,004	84,021	7,996,852
2009											
A. Shares											
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	149	-	109
Bancolombia S.A.	Medellín	Financial brokerage services	B	509,704,584	58,353,500	11.45%	O	177,290	1,350,300	-	1,173,010
Cartón de Colombia S.A.	Cali	Cardboard manufacturing	B	107,716,050	3,192,175	2.96%	O	7,034	26,119	-	19,085
Cementos de Caldas S.A.	Manizales	Cement production	I	50,666,501	20,179,195	39.83%	O	3,027	3,363	-	336
Companie de Distribution de Ciment S.A. (2)	Haití	Cargo transport	I	200	200	100.00%	O	181	181	-	-
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging	I	54,607	5,905	10.81%	O	81	11,731	-	11,650
Compañía Colombiana de Inversiones S.A.	Medellín	Financial brokerage services	B	71,958,450	31,556,870	43.85%	O	631,826	1,421,717		789,891
Compañía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	33.33%	O	1,562	–	1,562	
Concesiones Urbanas S.A.	Bogotá	Civil Engineering construction	I	1,554,726	518,345	33.34%	O	6,361	11,452	-	5,091
Corporación de Cemento Andino C.A.	Venezuela	Cement production	I	37,697,288	37,580,426	99.69%	O	39,484	–	39,484	–
Corporación Club Deportivo El Rodeo S.A.	Medellín	Social	I	44,661	12	0.03%	O	6	25		19
Empresa de Energía del Pacífico S.A. E.S.P. - EPSA	Cali	Energy	I	346,701,360	50,460,672	14.55%	O	462,590	335,463		(127,127)
Fondo Regional de Garantías de la Costa	Barranquilla	Financial brokerage	I	68,359		3.99%	O	40	103	–	

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
Atlántica		services			2,730						63
Fundiciones Colombia S.A.	Medellín	Metal-casting	I	2,496,845,128	1,326,765,022	53.14%	O	1,647	794	853	–
Grupo de Inversiones Suramericana S.A.	Medellín	Investments	B	469,037,260	165,883,504	35.37%	O	196,134	3,816,700	–	3,620,566
Grupo Nacional de Chocolates S.A.	Medellín	Confectionery	B	435,123,458	45,243,781	10.40%	O	196,923	950,120	–	753,197
Hipódromo Los Comuneros S.A.	Guarne	Horse-racing	I	3,199,388	16,870	0.53%	O	12	–	–	(12)
Industrial Hullera S.A.	Medellín	Coal-mining	I	6,474,711	2,426,054	37.47%	O	155	–		(155)
Industrias Metalúrgicas Apolo S.A.	Medellín	Metal-working	I	234,438,170	179,631,921	76.62%	O	2,127	–	2,127	
Inmobiliaria Incem	Panamá		I	2,196,430	281,143	12.80%	O	204	204	–	–
Intership Agency Venezuela	Venezuela	Shipping agency	I	-	-	100.00%	O	20	–	20	–
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,080,000	50.00%	O	473	18,345	–	17,872
Omya Andina S.A.	Guarne	Non-metallic minerals	I	12,690,910	6,345,455	50.00%	O	11,554	30,674	–	19,120
Papeles y Cartones S.A.	Barbosa	Paper manufacturing	I	11,426,975,951	1,112,158	0.01%	O	1	13	–	12
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promo	I	58,622,019	188,756	0.32%	O	62	228		166
Poblado Country Club S.A.	Medellín	Social	I	1,750	15	0.86%	O	554	420	134	
Predios del Sur S.A.	Medellín	Construction	I	7,685,304,157	401,065,661	5.22%	O	952	575	377	
Promotora de Proyectos S.A.	Medellín	Finance	I	1,051,919	178,360	16.96%	O	147	53	94	
Promotora Nacional de Zonas Francas S.A.	Rionegro	Finance	I	381,310,997	63,940,688	16.77%	O	1,815	597	1,218	
Propal S.A.	Cali	Paper manufacturing	I	150,826,378	116,767	0.08%	O	2	164	–	162
Propuerto S.A.	Barranquilla	Port services	I	1,145,337	128,965	11.26%	O	1,151	–	1,147	(4)
Reforestadora El Guásimo S.A.	Medellín	Agroindustrial projects	I	3,656,092,780	111,699,594	3.06%	O	775	2,104		1,329
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,667	2,625	15.75%	O	70	5	–	(65)
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transport	I	172,158,489	4,440,945	2.58%	O	1,015	–	1,015	
Sociedad Portuaria de Barrancabermeja S.A.	Barranquilla	Port services	I	52,714	1,000	1.90%	O	16	14	–	(2)
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	I	16,198,079	403,130	2.49%	O	484	404	–	(80)
Sociedad Portuaria La Inmaculada S.A. (2)	Barranquilla	Port services	I	40,000	40,000	100.00%	O	56	39	2	(15)

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
Sociedad Portuaria Las Flores S.A. (2)	Barranquilla	Port services	I	50,000	50,000	100.00%	O	59	51	2	(6)
Sociedad Portuaria Regional de Barranquilla S.A	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	63	160	–	97
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port services	I	50	3	6.00%	O	9	–	9	–
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	I	356,132	4,390	1.23%	O	103	47	–	(56)
Surandina de Puertos C.A.	Venezuela	Port services	I	250,000	250,000	100.00%	O	5,353	5,353	–	–
Tableros y Maderas de Caldas S.A.	Manizales	Timber	B	25,398,319,390	999,681,490	3.94%	O	1,429	5,948		4,519
Textiles Fabricato Tejicondor S.A.	Medellín	Textiles	I	8,255,282,680	299,314,289	3.63%	O	5,780	8,943	143	3,306
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Railway services	I	2,450,625	72,294	2.95%	O	331	–	331	–
Triple A S.A. E.S.P.	Barranquilla	Public utility services	I	59,079,605	82,214	0.14%	O	350	213	-	(137)
Others								6,538	–	3,964	(2,574)
B. TOTAL SHARES AND EQUITY QUOTAS											
Compañía de Navegación del Mar Caribe Ltda. (1)	Barranquilla	Ocean Cargo Transport	I	61,169	50,334	82.29%	O	10	–	10	–
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Sales	I	200,000	200,000	100.00%	O	3,674	4,977	-	1,303
Distribuidora de Cementos Ltda. (1)	Medellín	Sales	I	50,000	50,000	100.00%	O	1,915	1,762	227	74
Servigranel	Barranquilla	Sales	I	-	-	-	O	37	–	37	–
Transportadora Sucre Ltda. (1)	Barranquilla	Shipping	I	100	40	40.00%	O	75	75	–	–
Transportes Elman Ltda. (1)	Barranquilla	Ocean, River and Land Transport	I	800,000	389,148	48.64%	O	1,592	4,332	–	2,740
Transmarítima del Caribe Ltda. (1)	Barranquilla	Ocean Transport	I	50	34	68.00%	O	53	-	53	–
Others								11	5	6	–
TOTAL SHARES AND QUOTAS								1,773,253	8,013,922	52,815	6,293,484
C. BONDS AND SECURITIES								6,817	4,502	2,315	

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Company	Location	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake	Type of Share	Adjusted Cost	Commercial Value	Provision	Increase (Decrease) in Value
D. OTHER INVESTMENTS								78,065	156,171	3,614	81,720
Less – Provision								(58,744)			
								1,799,391	8,174,595	58,744	6,375,204

Market values at December 31, 2010 and 2009

Values:
I: Intrinsic B: Stock market price

Type of share:
O: Ordinary P: Preferred

(1) Companies being liquidated
(2) Companies at pre-start-up stage

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At December 31, 2010, the following investments in Cementos Argos S.A. were pledged as collateral for a line of credit with Bancolombia:

Company	Nº Shares	Bank	Value
C.I. Carbones del Caribe S.A.S.	661,000	Bancolombia	11,182
Grupo de Inversiones Suramericana S.A.	5,200,000	Bancolombia	194,896
Grupo Nacional de Chocolates S.A.	2,706,018	Bancolombia	73,333
			279,411

In the case of the Company, the following investments were pledged as collateral for financial obligations worth COP 451,060 with Bancolombia S.A., Banco de Bogotá, HSBC and BBVA:

Company	Nº Shares	Bank	Value
Grupo de Inversiones Suramericana S.A.	21,200,000	Bancolombia	794,576
Grupo de Inversiones Suramericana S.A.	5,524,303	Banco de Bogotá	207,051
Grupo de Inversiones Suramericana S.A.	3,252,209	HSBC	121,893
Bancolombia S. A.	6,864,309	BBVA	257,274
			1,380,794

In 2009, the total number of shares held by Compañía Colombiana de Inversiones S.A. E.S.P. in Empresa de Energía del Pacífico S.A. E.S.P. were pledged as collateral for financial obligations with Bancolombia S.A. and Bancolombia Panamá, as shown below:

	2010		2009	
Issuer	No. Shares	Value - Guarantee	No. Shares	Value - Guarantee
Empresa de Energía del Pacífico S.A. E.S.P.	116,462,020	1,048,158	164,063,583	1,503,616

Note 9 – Property, plant and equipment

The balance of the Property, Plant and Equipment including depreciation at December 31, 2010 and 2009 included the following:

2010	ADJUSTED COST	ACCUMULATED COST	NET VALUE	APPRAISAL GAIN	APPRAISAL METHOD	
Land	430,034	-	430,034	2,366,348	1,936,314	Comparative
Construction in progress	684,246	-	684,246	684,246	-	Cost
Buildings and construction	691,842	263,830	428,012	643,602	215,590	Comparative/ cost
Production machinery and equipment	6,332,193	2,598,403	3,733,790	5,466,936	1,733,146	Revenue capitalization
Furniture, office, computer and communication equipment	138,352	102,807	35,545	39,618	4,073	Cost
Mines, quarries and mineral deposits	135,106	104,552	30,554	772,606	742,052	Rental income
Land transport equipment	453,061	219,643	233,418	263,668	30,250	Revenue capitalization
River transport fleet	79,955	23,465	56,490	57,705	1,215	Revenue capitalization
Roads	141,003	12,435	128,568	133,320	4,752	Comparative/ cost
Crop plantations	8,390	1,324	7,066	7,868	802	

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2010	ADJUSTED COST	ACCUMULATED COST	NET VALUE	APPRAISAL GAIN	APPRAISAL METHOD	
Machinery and equipment being installed	161,976	-	161,976	161,976	-	Revenue capitalization
Property, plant and equipment in transit	3,147	-	3,147	3,147	-	Net
Other assets	3,323	1,516	1,807	41,190	39,383	Net
Subtotal	9,262,628	3,327,975	5,934,653	10,642,230	4,707,577	
Less provision for asset devaluation	-	-	(18,493)	-	-	
TOTAL	**9,262,628**	**3,327,975**	**5,916,160**	**10,642,230**	**4,707,577**	
2009	**ADJUSTED COST**	**ACCUMULATED COST**	**NET VALUE**	**APPRAISAL GAIN**	**APPRAISAL METHOD**	
Land	368,305	-	368,305	1,627,930	1,259,625	Comparative
Construction in progress	144,231	-	144,231	144,231	-	Cost
Buildings and construction	522,535	292,014	230,521	428,946	198,425	Comparative/ cost
Production machinery and equipment	2,232,628	1,335,438	897,190	1,855,520	958,330	Revenue capitalization
Furniture, office, computer and communication equipment	49,131	32,369	16,762	20,110	3,348	Cost
Mines, quarries and mineral deposits	134,849	123,738	11,111	757,566	746,455	Rental income
Land transport equipment	443,973	199,759	244,214	274,992	30,778	Revenue capitalization
River transport fleet	87,406	10,092	77,314	86,949	9,635	Revenue capitalization
Roads	101,973	3,202	98,771	103,523	4,752	Comparative/ cost
Crop plantations	6,260	-	6,260	7,062	802	
Machinery and equipment being installed	778,130	-	778,130	778,130	-	Revenue capitalization
Property, plant and equipment in transit	25,630	-	25,630	25,630	-	Cost
Other assets	2,281	589	1,692	3,474	1,781	Cost
Subtotal	4,897,332	1,997,201	2,900,131	6,114,063	3,213,932	
Less provision for asset devaluation	-	-	(29,454)	-	-	
TOTAL	**4,897,332**	**1,997,201**	**2,870,677**	**6,114,063**	**3,213,932**	

The Company performed valuation appraisals on its property, plant and equipment in 2009 and 2008 for Cementos Argos S.A. and in December 2010 for Compañía Colombiana de Inversiones S.A. E.S.P. The appraisal methods used are listed in Note 19. These appraisals are updated at least every three years.

Depreciation recorded in 2010 was COP 324,974 (2009 - COP 260,517).

In 1994, our cement plant in Sogamoso, including adjacent land, was pledged as collateral for financial obligations of Acerias Paz del Río S.A.. This collateral at December 31, 2010 and 2009 consisted of senior mortgages totaling USD 8,365,573; a second mortgage for COP 659, and a chattel mortgage for USD 21,337,187. The Company is taking all the corresponding measures to have these liens lifted since all those obligations that gave rise to such liens have been duly paid-off.

In addition, land belonging to the Hacienda Casanare, which is a ranch located in Puerto Nare, Antioquia, is pledged as collateral to guarantee financial obligations with Bancolombia of COP 265.

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Note 10 – Deferred and Intangible Items

The Deferred and Intangible Items account at December 31, 2010 and 2009 included the following:

	2010	2009
Goodwill (1)	1,351,600	1,174,344
Trademarks (2)	265,775	267,129
Rights (3)	323,273	108,670
Concessions, franchises and licenses (4)	261,990	241,689
Deferred items (5)	204,788	225,161
Others	31,524	76
Accumulated amortization	(172,307)	(103,252)
Subtotal	**2,266,643**	**1,913,817**
Less – Provision	(2,107)	(2,107)
	2,264,536	**1,911,710**

(1) Represents goodwill acquired in the purchase of concrete companies Southern Star and Ready Mixed Concrete Company in the United States in 2005 and 2006, respectively. Acquired goodwill corresponds to the difference between the value paid and the fair value of the net assets of the acquired US companies. This value was recorded according to generally-accepted accounting principles in the United States, whose accounting standards vis-à-vis the Colombian conceptual framework, are considered superior standards given the fact that they apply to more developed economies. According to these accounting standards, goodwill is not amortized but appraised for the existence of impairment, when there are indications that are present. At the end of 2010 and 2009, the corresponding goodwill was appraised by experts, resulting in an impairment of these assets.

Generally accepted accounting principles in the United States (US GAAP) and International Financial Reporting Standards (IFRS), provide guidance on the impairment of assets. This ensures that the value of assets do not exceed their recovery value. When there are impairment indicators, such as, adverse events, changes in the operating environment, changes in the projected use of its assets or a decline in its operating results that lead to a decrease in future discounted cash flows projected by an operating unit (resulting in book value surpassing its recoverable fair value, through either use or sale of the asset in question), an asset is considered impaired, with a loss recorded on the Company's financial statements. Colombian accounting principles, as stipulated in Decree 2649 of 1990, do not specifically provide guidance for the determination of asset impairment.

The effect of this impairment is recorded in the consolidated financial statements as "Asset Impairment" under the heading "Operating Earnings before Asset Impairment", and is derived from events that are not related to the main operating activities of Argos USA Corporation and Caricement Antilles NV, classified as unusual and non-recurring in nature. The most significant item here corresponds to goodwill and the customer data lists acquired, which both have a total accumulated impairment of COP 244,820, which in 2010 includes increases of COP 79,292 (2009 – COP 81,691) for Argos USA Corporation and COP 9,051 for Caricement Antilles NV, for a total increase of COP 88,343 in 2010 (2009 COP 81,691).

For National entities, the goodwill balance also corresponds to the additional amount paid over and above the respective book cost for shares belonging to:

- C. I. Carbones del Caribe S.A.S. for a value of COP 6,023, compared to an intrinsic value in pesos per share of COP 41,668, which is being amortized using the straight-line method over a period of 5 years.

- Cemento Panama S.A. for a total value of COP 22,688, compared to an intrinsic value in pesos per share of COP 218,190, which is being amortized using the straight-line method over a period of 5 years.

- Corporaciones e Inversiones del Mar Caribe S.A.S. took over Colcaribe Holdings Dos S.A. which in turn had taken over Domar Ltd. and Dominicana Cement Holding S.A., through which Corporaciones e Inversiones del Mar Caribe S.A.S. purchased Cementos Colón S.A.. Goodwill from the purchase of shares in Domar Ltd. on August 13, 2009, was for COP 71,522. The intrinsic value in pesos per share upon acquiring Domar Ltd was COP 0. This is being amortized using the straight-line method over a period of 10 years.

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- Haití Cement Holding for at total value of COP 975, compared to an intrinsic value in pesos per share of COP 195,340, which is being amortized using the straight-line method over a period of 12 months. This company was acquired in August 13, 2009.

- Caricement Antilles NV. COP 25,648, compared to an intrinsic value in pesos per share of COP 2,480,232. This is being amortized using the straight-line method over a period of 10 years. This company was acquired on August 13, 2009.

- Alexios N.V. for COP 1,802. The intrinsic value per share in pesos upon acquiring this Company came to COP 88,198,366. This is being amortized using the straight-line method over a period of 4 years. This company was acquired on February 16, 2010.

- Compañía Colombiana de Inversiones S.A. E.S.P. for COP 28,968, the intrinsic value per share as certified on August 31, 2010 was COP 3,658.79, equity value of COP 34,456. The term for amortizing this goodwill is sixteen (16) years using the straight-line method.

- Termoflores S.A. E.S.P. amounting to COP 43,719; Generar S.A. E.S.P., COP 20,078; Artículos de Seguridad Industrial S.A.S.,COP 5,213; Prevencionistas en Ambiente Salud y Seguridad S.A.S., COP 3,650; Hidromontañitas S.A. E.S.P., COP 1,050; Meriléctrica S.A., COP 113; Empresa de Energía del Pacifico S.A. E.S.P., COP 254,621 and Compañía de Electricidad de Tuluá S.A. E.S.P. totaling COP 895.

(2) Corresponding to the appraisal value of trademarks that were acquired; the appraisal methodology used for this purpose is based on the Discounted Cash Flow method. The value of the Company is the result of the operating cash flows that the Company may generate over a period of time, discounted at a rate that reflects the risk of such cash flows. This methodology is based on the return obtained from the wholly-owned trademark on such cash flows (i.e., contribution of the trademark to the business, both in the present as in the future):

- The Argos brand purchased from Inversiones Argos S.A. was appraised by Corporación Financiera Colcorp. This trademark was acquired in December 2005 and is being amortized over a period of 20 years. Its purchase price was COP 115,389. This was adjusted for inflation of COP 5,274.

- The Fortaleza and Uno A trademarks were acquired from the allocation by Cementos Argos S.A. of the assets remaining from the liquidation of Cementos La Unión S.A. and Cementos Apolo S.A.. These trademarks were appraised in March 2007 by Sumatoria S.A. for a total of COP 52,137 for the Fortaleza trademark and COP 73,854 for the Uno A trademark. These trademarks are being amortized over a period of 20 years and the inflation adjustment balance of COP 959 was also transferred.

(3) This increase was largely due to a real estate trust set up with Fiducor S.A. for a forestry project in Carmen de Bolívar. This also includes assets received as part of financial leasing arrangements, for which monthly rentals are being paid, as shown below:

Contract No.	Initial Amount	Balance at Dec. 31, 2010	Expiration Date	Term (months)	Pending Installments	Type of Asset
85689	91	50	16/12/2012	60	24	Vehicles
117984	32	32	16/03/2012	15	15	Vehicles
106219	46	15	16/04/2011	15	4	Vehicles
104892	61	30	16/12/2011	25	12	Vehicles
109521	79	41	16/12/2011	20	12	Vehicles

(4) Corresponding mainly to having acquired a right of product availability for USD 41,256,757 on a minimum of 150,000 tons of slag per year from Acerias Paz del Río for a term of 15 years which was extended via a signed contract, for another equal term in December 2008. The increase is due to having purchased certain mining titles.

(5) Deferred charges at December 31, 2010 and 2009 included the following:

	2010	2009
Computer programs	16,941	24,782
Research studies	23,284	1,354

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	2010	2009
Deferred tax income asset (a)	54,551	73,122
Organization and pre-operating expense	13,742	2,750
Mining development	18,455	18,031
Improvements to third-party property	1,013	23
Deferred monetary correction	11,506	-
Licenses	45	45
Projects	1,621	-
Molds and dies	-	115
Other deferred charges (b)	58,783	77,119

(a) Mainly due to accounts payable, swaps, estimated contingency liabilities and deferred depreciation.

(b) Corresponding mainly to projects, particularly the overhauling of the Cartagena TPC Plant, technological developments, information systems, premium due on legal stability contract and the mobile plant projects.

Note 11 – Financial Obligations

Financial Obligations at December 31, 2010 and 2009 are as follows:

	2010	2009
Loans from domestic banks and financial institutions	2,228,362	1,423,635
Loans from foreign banks and financial institutions	623,671	439,729
Letters of credit and loans from financing companies	29,150	37,766
Other obligations with private individuals (1)	28,899	37,524
Other domestic obligations	221,149	180,407
	3,131,231	**2,119,061**
Less non-current portion	(2,363,638)	(1,360,962)
	767,593	**758,099**

(1) Includes leasing arrangements governing ships totaling COP 28,899 (2009 COP 37,524), which according to International Financial Reporting Standards (IFRS), are posted as financial leasing arrangements. In Colombia, such arrangements would have been recorded as an operating lease, without representing any financial obligation whatsoever.

The main obligations of the Colombian companies are as follows:

FINANCIAL OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS BOTH AT HOME AND ABROAD

			2010		2009		
BANK	TYPE OF OBLIGATION	CURRENCY	AMOUNT IN DOLLARS	AMOUNT IN MILLIONS OF PESOS	AMOUNT IN DOLLARS	AMOUNT IN MILLIONS OF PESOS	EXPIRATION DATE
BBVA	Short-term loan	Pesos	-	-	24,459,087	50,000	Sept-10
Davivienda	Long-term loan	Pesos	-	-	48,918,175	100,000	July-10
Bancolombia	Short-term loan	Pesos	-	-	19,567,270	40,000	Aug-10
BBVA	Short-term loan	Pesos	-	-	19,567,270	40,000	April-10
Banco de Bogotá	Long-term loan	Pesos	-	-	22,013,179	45,000	Sept-11
Citibank	Bancoldex loan	Dollars	-	-	499,944	1,022	April-10
BBVA	Bank loan	Pesos	-	-	27,638,768	56,500	Feb-10
Banco de Crédito	Bank loan	Pesos	-	-	5,691,140	11,634	Feb-10
Davivienda	Bank loan	Pesos	-	-	1,467,545	3,000	Jan-10
Banco Santander	Bank loan	Pesos	-	-	4,011,290	8,200	Jan-10
Banco de Crédito	Bank loan	Pesos	-	-	4,500,472	9,200	Jan-10
Davivienda	Bank loan	Pesos	-	-	105,663	216	Jan-10
Citibank NA Adm Agent	Syndicated loan(*)	Dollars	-	-	63,333,382	129,468	Dec-11
Bancolombia	Bank loan	Pesos	-	-	1,858,891	3,800	May-10
Banco AV Villas	Bank loan	Pesos	-	-	48,918	100	Jan-10
Banco de Crédito	Bank loan	Pesos	-	-	2,445,909	5,000	Jan-10

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			2010		2009		
BANK	**TYPE OF OBLIGATION**	**CURRENCY**	**AMOUNT IN DOLLARS**	**AMOUNT IN MILLIONS OF PESOS**	**AMOUNT IN DOLLARS**	**AMOUNT IN MILLIONS OF PESOS**	**EXPIRATION DATE**
Banco AV Villas	Bank loan	Pesos	-	-	2,396,991	4,900	Jan-10
Bancolombia	Bank loan	Pesos	-	-	2,788,336	5,700	Jan-10
Banco AV Villas	Bank loan	Pesos	-	-	1,213,171	2,480	Jan-10
Bancolombia	Bank loan	Pesos	-	-	342,427	700	Feb-10
Banco de Crédito	Bank loan	Pesos	-	-	489,182	1,000	Jan-10
Bancolombia	Bank loan	Pesos	-	-	978,363	2,000	Jan-10
Wells Fargo	Revolving credit	Dollars	-	-	4,510,006	9,219	2010
Bancolombia	Long-term loan	Pesos	156,741,450	300,000	-	-	Sept-20
Banco Popular	Long-term loan	Pesos	31,348,290	60,000	-	-	May-13
Davivienda	Working capital loan	Dollars	15,000,000	28,709	-	-	April-11
Banco de Bogotá	Working capital loan	Dollars	20,000,000	38,279	-	-	April-11
Davivienda	Working capital loan	Dollars	39,000,408	74,646	-	-	April-11
Bancolombia	Working capital loan	Dollars	20,000,209	38,280	-	-	Feb-11
BBVA	Working capital loan	Dollars	50,000,000	95,699	-	-	Feb-11
Santander	Working capital loan	Dollars	30,000,313	57,420	-	-	Jan-11
Citibank PLC London (1)	Long-term ECA loan	Dollars	130,026,960	248,869	145,324,156	297,076	June -19
Bancafé Panamá	Short-term loan	Dollars	15,000,157	28,710	-	-	April-11
UBS (3)	Bank Loan	Dollars	4,493,782	8,601	4,493,782	9,186	2011
Andino Trading (3)	Long-term loan	Dollars	9,564,830	18,307	-	-	2014
Suntrust Bank (3)	Long-term capital lease	Dollars	3,419,667	6,545	-	-	2013
Bancolombia	Treasury loan	Dollars	16,800,000	32,155	-	-	2011
Citibank	Long term EKF loan	Dollars	5,323,453	10,189	5,949,743	12,163	June -19
Leasing Bancolombia	Leasing contract	Pesos	2,136,386	4,089	-	-	2013
Banco de Occidente	Long-term loan	Pesos	1,643,173	3,145	-	-	2014
Banco de Bogotá	Long-term loan	Pesos	57,471,865	110,000	-	-	2015
Davivienda	Long-term loan	Pesos	70,011,181	134,000	-	-	2015
Bancolombia	Long-term working capital loan	Pesos	305,353,765	584,441	-	-	2020
Corporación Andina de Fomento	Long-term working capital loan	Dollars	62,500,000	119,624	-	-	2020
Corporación Financiera Internacional	Long-term working capital loan	Dollars	62,500,000	119,624	-	-	2020
Deutsche Investitions-Und-Entwicklungsgesellschaft MBH (DEG)	Long-term working capital loan	Dollars	24,999,739	47,849	-	-	2020
Davivienda	Long-term loan	Pesos	31,348,290	60,000	29,350,905	60,000	2013
Bancolombia	Long term treasury loan	Pesos	26,123,575	50,000	-	-	2020
Citibank	Bank Loan	Pesos	25,500,266	48,807	-	-	2012
Citibank NA, Panama Branch (Adm. Agent) (2)	Long-term syndicated loan	Dollars	45,000,000	86,129	50,000,000	102,212	2015
BNP Paribas, Panama branch	Bank Loan	Dollars	-	-	24,000,000	49,062	Mar -10
BNP Paribas, Panama branch	Bank Loan	Dollars	-	-	1,500,000	3,066	Jan-10

(*) The syndicated loan was paid before maturity in September 2010.

(1) The long-term loan with Citibank PLC, underwritten by EKF Dinamarca, stipulates the following covenants with regard to the consolidated balance sheets:

- The Net Debt to EBITDA + Dividends ratio shall not exceed 4.0
- The debt service coverage ratio shall not be lower than 1.5

(2) The syndicated loan from the Panama Branch of Citibank, acting as administrative agent, stipulates, amongst other factors, the following obligations regarding the financial statements of Cemento Panamá S.A and its subsidiaries:

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- The Net Debt to EBITDA ratio shall not exceed 2.5
- The debt service coverage ratio shall not be lower than 4.0
- The total debt to equity ratio shall not be lower than 1.3.

The rate for Cemento Panamá's syndicated loan is Libor + 1.5%.

(3) Interest rates on financial obligations held by related companies based in the United States consist of Libor + 0.85% and annual fixed rates of between 3.25% and 5.60%.

For companies in Colombia, financial obligations rates fluctuate between DTF + 1% and DTF + 6% and CPI + 5.8%. Interest rates for obligations with foreign institutions, range from Libor 1% to Libor + 6%.

Lines of credit with Bancolombia S.A. and Bancolombia Panamá, as well as loans disbursed by other banks are secured with permanent investments in the amount of COP 2,708,363 (2009 - COP 725,811) as stated in Note 8.

At the end of 2010, the Company held currency forwards synthetically converting dollar loans into their peso-denominated equivalents.

Interest totaling COP 313,433 (2009 - COP 312,960) was accrued on financial obligations, bonds, commercial paper and payables.

Long-term financial obligations at December 31, 2010, become due and payable as follows:

Year	Value at Maturity
2012	481,998
2013	121,039
2014	51,966
2015	341,503
2016 and thereafter	1,367,132
	2,363,638

Note 12 – Commercial Paper and Bonds payable

Bonds outstanding issued on November 23, 2005, included the following at December 31, 2010:

Term	Amounts Issued	Rate	Interest Payment Frequency
7 years	80,000	CPI + 2.40%	Half-yearly in arrears
10 years	80,000	CPI + 2.88%	Half-yearly in arrears
12 years	290,000	CPI + 3.17%	Half-yearly in arrears
12 years	150,000	CPI + 5.25%	Half-yearly in arrears
	600,000		

Bonds outstanding issued on April 28, 2009, included the following at December 31, 2010:

Term	Amounts Issued	Rate	Interest Payment Frequency
3 years	144,002	9.0%	Quarterly in arrears
5 years	81,175	9.7%	Yearly in arrears
7 years	114,943	CPI + 6.0%	Quarterly in arrears
10 years	70,350	CPI + 6.3%	Quarterly in arrears

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Term	Amounts Issued	Rate	Interest Payment Frequency
15 years............................	229,530	CPI + 7.19%	Quarterly in arrears
	640,000		

Both debt issuances were qualified with a AA+ rating by Fitch Ratings Colombia S. A. These bonds are made out to the bearer and are traded on the secondary market.

Part of the debt due in 2017 (2005 Argos Bonds) were converted to dollars by means of a currency swap. Out of a total of COP 440,000, COP 433,320, equivalent to USD 240,000,000, were transferred at an average rate of Libor + 1.78% .

The bonds issued on February 23, 2007, for at total of COP 132,211, produced a bond placement discount of COP 17,788, which is being amortized using the straight-line method over a period of 12 years.

Bonds and commercial paper outstanding on the part of Compañía Colombiana de Inversiones S.A. E.S.P., at December 31, 2010, are broken down as follows:

Bonds – issue placed in 2010...	600,000
Interest..	9,320
Total..	**609,320**
Less short-term portion..	(9,320)
Long-term portion..	600,000

The following bonds were issued on April 21, 2010:

Ordinary Bonds	Interest Rate	Value	Maturing Year
C-7	CPI + 4.58%	85,754	2017
C-10	CPI + 5.05%	214,120	2020
C-20	CPI + 6.08%	300,126	2030
		600,000	

The following balances were recorded at December 31, 2010 and 2009:

	2010	2009
Total bonds outstanding..	1,849,320	1,240,000
Discount value..	17,788	17,788
Amortization...	(6,294)	(4,652)
Balance to be amortized	(11,494)	(13,136)
	1,837,826	1,226,864
Less current portion..	9,320	-
	1,828,506	1,226,864

An issue of commercial paper (Argos 2010) had been approved up to a maximum amount of COP 300,000, of which COP 250,000 were issued. These are made out to the bearer, traded on the secondary market and consisted of the following tranches at December 31:

Term	Amounts Issued	Interest Rate	Payment Frequency
363 days	COP 150,000	4.61%	In arrears
363 days	COP 100,000	4.80%	In arrears
	COP 250,000		

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Funds from placing this issue were allocated in their entirety to financing working capital. This issue was given a F1+ rating by Fitch Ratings Colombia S.A., which is their maximum short-term rating.

In 2010, accrued interest totaling COP 102,177 (2009 – COP 128,723) was outstanding on the Company's commercial paper and ordinary bonds.

The cost of the Company's total financial liabilities, including Argos bonds, commercial paper, derivatives and loans for 2010 is as follows:

Average cost of financial liabilities in pesos: 6.60% (2009 - 9.95%)

Average cost of financial liabilities in dollars: 1.90% E.A. (2009 – 2.85% E.A.)

Note 13 – Suppliers and Accounts Payable

The Suppliers and Accounts Payable Account at December 31, 2010 and 2009 is as follows:

	2010	**2009**
Costs and expense payable	154,177	151,004
Domestic suppliers	219,666	147,939
Foreign suppliers	10,916	80,256
Dividends payable	62,897	51,671
Current trade accounts (1)	69,879	20,760
Accounts payable – Contractors	6,468	6,887
Miscellaneous payables (2)	379,551	250,511
Withholding tax payable	26,723	19,207
Installments payable (3)	4,728	46,715
Other accounts payable	4,460	9,568
	939,465	**784,518**
Less: Miscellaneous long-term payables (4)	(136,850)	(175,395)
	802,615	**609,123**

(1) Includes mainly COP 64,809 (2009 - COP 15,880) corresponding to non-consolidated related companies (see Note 27).

(2) Corresponds to an account payable to Cementos Andino S.A. and Concrecem S.A. on the purchase of Cementos La Unión S.A. and Cementos Apolo S.A., under the following conditions:

Balance at December 31, 2010: USD 85,800,000
Due date: August 2016
Interest rate: 5% quarterly in arrears
Amortization schedule: 10 annual payments

Accrued interest for 2010 and 2009 was USD 4,636,914 and USD 4,931,353, respectively. In 2010, a total of USD 14,300,000 (2009 – USD 14,300,000) was paid to capital. Under this underlining credit, an operating currency swap was entered into, under the following conditions:

Type	Underlying	Value-Underlying	Rate-Underlying	Amount - Swap	Swap Rate	Due Date
Currency Swap	Payable	USD 85,800,000	4.90% in arrears	COP 163,869	CPI + 5.354%	Aug 8, 2016

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Year-end counterparty gains (Bank) from derivatives at the end of the year are as follows:

Swaps

Type	Underlying	Value-Underlying	Rate-Underlying	Amount - Swap	Swap Rate	Due Date
Currency Swap	Bonds due in 2017	COP 432,922	CPI + 3.17%	USD 240,000,000	Libor + 1.78%	Nov 23, 2017

Forwards

TYPE	UNDERLYING	VALUE OF UNDERLYING	AMOUNT OF FWD	FWD RATE	EXPIRY DATE
Forward sale	Future Cash Flow	USD 500,000	USD 500,000	COP 1,887.47	Jan 25, 2011

Options

Type	Underlying	Value of Underlying	Amount of collar	Strike put	Strike Call	Due Date
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	Jan 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	Jan 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	Feb 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	Feb 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	Mar 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	Mar 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	April 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	April 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	May 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	May 25, 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	24 June 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	24 June 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	25 July 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	25 July 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	25 Aug 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	25 Aug 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	26 Sept 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	26 Sept 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	25 Oct 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	25 Oct 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,850.00	COP 1,943.00	25 Nov 2011
Collar - exports	Future Cash Flow	USD 500,000	USD 500,000	COP 1,900.00	COP 1,950.00	25 Nov 2011

These currency forwards are carried out in order to hedge the exchange rate fluctuation risks with dollar-denominated obligations and temporary investments. These are appraised at their fair value, bearing in mind the market curves applicable on the date on which the appraisal is carried out (see Derivative Policy).

Currency swaps are carried out for a two-fold purpose:

- Balance out the Company's exposure to the exchange rate.
- Take full advantage of currency arbitrage on the derivative market compared to the dollar lending market.

The balance of sundry creditors at Compañía Colombiana de Inversiones S.A. E.S.P. was COP 154,140.

(3) Corresponding to a swap of 114,368 shares in Bancolombia S.A. with Cementos del Caribe S.A.'s Foundation for Employee Welfare. In 2009, this corresponded to the purchase of a 50% stake in Cemento Panamá S.A.

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Note 14 – Taxes payable

The detail of the Tax and Rates balance at December 31, 2010 and 2009 is as follows:

	2010	**2009**
Income tax	81,325	169,418
Sales tax	32,364	22,532
Industry and Commerce tax	7,600	649
Land tax	765	4,953
Others	7,967	991
	130,021	**198,543**

Tax legislation, as it applies to the Company and its subsidiaries in Colombia, stipulates the following:

a) Taxable income is taxed at a rate of 33%. As of 2007, Law 1111 of 2006 reestablished the occasional gains tax treatment for all those taxpayers who are obliged to adjust for inflation, particularly with regard to the sale of investments and fixed assets when these are sold after being held for more than 2 years.

b) The basis for determining income tax cannot be lower than 3% of the taxpayer's net equity on the last day of the immediately preceding fiscal year.

c) As of 2010, taxpayers who are also users of free trade zones who pay a 15% income tax, may not be entitled to special tax deductions on real fixed productive assets, this pursuant to Article 158-3 of the Colombian Tax Code.

d) As of 2007, companies may offset tax losses, duly adjusted for tax purposes and without any time limit, using net ordinary income obtained in subsequent periods, without detriment to presumptive income for the fiscal period in question.

Fiscal losses, incurred on the special deduction granted for investing in fixed, productive assets can also be offset using the taxpayer's net income.

Fiscal losses incurred, as of 2003, may be offset with net ordinary income obtained during the following eight years, without exceeding 25% of the value of the loss per year, and without detriment to the presumptive income obtained for the fiscal year in question. Until 2006, tax losses were adjusted for inflation. As of the 2007 fiscal year, these are readjusted on a tax basis.

At December 31, 2010, Inversiones Argos S.A., and its subsidiaries recorded tax losses of COP 962,273 (2009 - COP 325,239).

e) Surplus amounts existing between presumptive income and ordinary income obtained as of 2003 may only be offset with net ordinary income obtained during the following five years

In any case excess amounts between presumptive income and ordinary income were adjusted for inflation until 2006. As of 2007, excess amounts between presumptive income and ordinary income are readjusted on a tax basis.

At December 31, 2010 and 2009, Inversiones Argos S.A. and its subsidiaries held COP 240,644 (2009 - COP 196,874) in surplus presumptive income for the fiscal years of 2006 and 2009.

f) As of 2004, income taxpayers who carry out operations with related companies or parties abroad are obliged to determine, for the purpose of calculating income and complementary taxes, their ordinary and extraordinary income, costs and deductions, assets and liabilities, bearing in mind the prices and profit margins that they might have applied in comparable transactions with non-related companies or third parties.

(In millions of Colombia pesos, except where otherwise stated)

Income tax was calculated for the years ending December 31, 2010 and 2009 as follows:

	2010	2009
Taxable income – Colombian companies	588,791	205,294
	33%	33%
Current tax	194,301	67,747
Deferred income tax expense (benefit)	1,783	(2,398)
Income tax expense– Colombian companies	196,084	65,349
Income tax benefit – foreign companies	(8,748)	(272)
Total Income tax expense charged to the income accounts	187,336	65,077

Inversiones Argos S.A.'s income tax returns for 2007, 2008 and 2009 are still pending review and acceptance on the part of the Colombian Tax Authorities. Company Management together with their legal advisors consider that the figure posted for the Company's tax payable liability is sufficient to cover any additional tax liability that may accrue for the years in question.

Equity tax

The amount of equity tax declared for 2010 came to COP 21,063, which was recorded against the Equity Revaluation account.

Tax Reforms - Colombia

The following are the most important reforms to income and equity tax for the years 2011 and thereafter, pursuant to Law 1370 of 2009, as well as Decree 4825 and Law 1430 passed on December 29, 2010:

- For 2011, a equity tax shall be calculated on the value of the net equity balance held on January 1, 2011, at a rate of 1% of equity with a taxable base of between COP 1.000 and COP 2,000 million, 1.4% for equity between COP 2,000 and 3,000 million, 2.4% for equity between COP 3,000 and 5,000 million and 4.8% for equity of COP 5,000 million or higher. For equity greater than COP 3,000 million, a surtax of 25% has been levied on the equity tax rate. Equity tax for equities of less than COP 3,000 million along with the surtax on equities of more than COP 3,000 million are not eligible for legal stability agreements with the Government.

- This equity tax must be paid in 8 installments between 2011 and 2014. The Company has again selected the option of recording said tax against the equity revaluation account. The net equity value of shares held in Colombian companies does not form part of the tax base.

- As of 2011, no income taxpayer is entitled to special tax deductions on real productive assets. All those who requested legal stability agreements with the Government before November 1, 2010, including the guarantee for this deduction, may proceed with said agreements where this deduction is included. In these cases, this special deduction may not be guaranteed for periods of more than three years.

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Note 15 – Deferred Liabilities

	2010	**2009**
Deferred tax (1)	170,762	123,923
Deferred monetary correction	32,127	7,700
	202,889	**131,623**

(1) This corresponds to tax on deferred depreciation.

Note 16 – Labor Obligations

	2010	**2009**
Pensions payable	304,836	228,462
Consolidated severance pay	10,221	7,698
Consolidated vacation pay	14,927	8,408
Employment benefits	15,496	9,629
Salaries payable	1,249	188
Others	1,207	908
	347,936	**255,293**
Less – Long-term portion	(303,259)	(226,773)
	44,677	**28,520**

The actuarial reserve was calculated on the following technical merits:

1. **Mortality table**: Colombian mortality table for male and female annuitants RV08 (Resolution 1555 of 2010 issued by the Colombian Superintendency of Finance).

2. **Pension and salary adjustments**: the formula employed explicitly contains future salary and pension increases at a rate of 4.51% for 2010 (Decree 2783 issued December 20, 2001).

3. **Technical interest**: 4.8% per year.

4. **Reserves**: These are determined using the fractional annuities in arrears system (Article 112 of the Colombian Tax Statute.)

The actuarial method used to calculate this liability is that established in Decree No 2783 of 2001 issued by the Colombian Government.

The main factors used in the actuarial calculations for the years ending December 31, 2010 and 2009 were as follows:

	2010	**2009**
Number of persons	2,705	1,747
Interest rate	4.80%	4.80%
Future pension increases	4.51%	6.48%

The amounts charged to the annual income accounts corresponding to retirement pensions were as follows:

	2010	**2009**
Retirement pensions	40,596	32,640

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Pension bonds and securities have been totally amortized. Cementos Argos S.A. shall amortize 15% of its pension liability over the next 7 years, pursuant to Decree 4565 dated December 7, 2010. Whereas in the case of Compañía Colombiana de Inversiones S.A. E.S.P. and Subsidiaries, the amount of amortized pension liability was 79.52% as of December 31, 2010.

The following is a breakdown of the number of employees for both the Company and its subsidiaries, showing expense corresponding to both senior executive and other employees:

	No. Senior Executives	Senior Executive Expense	Other Employees	Other Employee Expense
Alexios N.V.	-	-	-	-
American Cement Terminals LLC	-	-	-	-
Argos USA Corp.	-	-	-	-
Belsford Ltd.	-	-	-	-
C.I. Carbones del Caribe S.A.S.	1	121	697	18,363
C.I. del Mar Caribe BVI Inc.	-	-	-	-
Canteras de Colombia S.A.S.	-	-	14	360
Caricement Antilles NV	-	-	-	-
Caricement USVI Corp.	2	637	6	733
Caribbean Construction and Development Ltd.	1	158	8	307
Caricement Antigua Limited	-	-	7	487
Caricement Saint Maarten NV	-	-	9	667
Cement and Mining Engineering Inc.	-	-	-	-
Cemento Panama S.A.	17	2,752	452	9,099
Cementos Argos S.A.	204	50,681	2,604	130,072
Cementos Colón, S.A.	5	1,837	83	4,266
Central Aggregates LLC	-	-	-	-
Cimenterie Nationale S.E.M.	5	810	56	3,322
Climsford Investments Ltd.	-	-	-	-
Colcaribe Holdings S.A.	-	-	-	-
Compañía Colombiana de Inversiones S.A. (Consolidated)	70	13,755	1,065	62,979
Concretos Argos S.A.	13	2,256	994	33,877
Consort Livestock Inc.	-	-	-	-
Comercial Arvenco C.A.	-	-	-	-
Compañía Colombiana de Inversiones S. A. E.S.P. (Consolidated)	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	-	-	-	-
Dorset Shipping Co. Ltd.	-	-	-	-
Fortecol Investments Ltd.	-	-	-	-
Ganadería Río Grande S.A.S.	1	85	64	630
Godiva Investments Ltd.	-	-	-	-
Gulf Coast Cement LLC	-	-	-	-
Haití Cement Holding S.A.	-	-	-	-
International Cement Company S.A.	-	-	-	-
Inversiones Argos S.A.	-	-	-	-
Inversiones el Duero S.A.S	-	-	-	-
Logística de Transporte S.A.	3	563	113	4,765
Marítima de Graneles S.A.	-	-	-	-
Piazza Acquisition Corp.	11	4,764	4	808
Point Corp.	-	-	-	-

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	No. Senior Executives	Senior Executive Expense	Other Employees	Other Employee Expense
Port Royal Cement Company LLC	-	-	-	-
Reforestadora del Caribe S.A.S.	-	-	11	894
RMCC Group Inc.	-	-	-	-
Savannah Cement Company LLC	1	284	5	518
Sociedad Portuaria de Cementeras Asociadas S.A.	1	151	2	80
Sociedad Portuaria Golfo de Morrosquillo S.A.	1	162	43	1,258
Somerset Shipping Co. Ltd.	-	-	-	-
South Caribbean Trading & Shipping S.A.	-	-	-	-
South Central Cement Ltd.	1	252	3	648
Southern Equipment Company Inc.	6	2,070	710	74,325
Southern Star Concrete Inc	6	2,857	705	92,638
Southern Star Leasing, LLC	-	-	-	-
Transatlantic Cement Carriers Inc.	-	-	-	-
Trans Atlantic Ship Management Ltd.	-	-	-	-
Urbanizadora Villa Santos S.A.S.	1	106	24	1,427
Valle Cement Investments Ltd.	-	-	-	-
Venezuela Ports Company S.A.	-	-	-	-
Vensur N.V.	-	-	-	-
Winterset Shipping Co. Ltd.	-	-	-	-
Zona Franca Argos S.A.S.	10	2,001	325	16,931

Note 17 – Other Liabilities

The Other Liabilities Account at December 31, 2010 and 2009 is detailed as follows:

	2010	2009
Estimated liabilities and provisions		
For costs and expense (1)	62,939	75,519
For labor liabilities	5,177	10,578
For tax liabilities	45,653	70,133
For maintenance and repairs	1,446	920
For contingencies (2)	233,327	23,375
Guarantee related obligations	421	-
Miscellaneous provisions (3)	53,291	27,629
Deferred items		
Income received in advance	1.789	2.614
Deferred profits on installment sales	-	2.142
Other liabilities		
Advance payments received (4)	79,227	58,640
Deposits received	-	18
Revenues received for third parties	266	152
Joint operating accounts	-	-
Third party withholdings on contracts	585	388
Other liabilities	12,169	-
	496,290	**272,108**

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(1) Corresponds to provisions for goods and/or services received and pending billing totaling COP 19,818 (2009 – COP 45,579), as well as expenses corresponding to material and spare parts COP 8,046, interest COP 5,631, fees COP 2,399, as well as a provision for COP 5,687 for the cost of urban construction projects (Portal de Alejandría I and II)

(2) Includes the following contingency provisions: labor COP 18,552 (2009 - COP 11,703), civil liability COP 7,118 (2009 - COP 7,083), administrative COP 3,626 (2009- COP 3,100), others COP 1,770 (2009 - COP 70) and in the case of Compañía Colombiana de Inversiones S.A. E.S.P. COP 199,784 mainly consisting on the provisions set up on tax contingencies as a result of a tax lawsuit pertaining to Inversiones e Industria S.A.

(3) Corresponds mainly to the right of product availability purchased from Acerías Paz del Río S.A., for COP 10.309. In the case of C.I. Carbones del Caribe S.A.S., COP 14,141, (Take or Pay Fenoco COP 7,264, provision for environmental obligations COP 3,696 and other contingencies for COP 2,051), which also includes a provision for the market value of Promotora de Hoteles Medellín S.A. and Hotel de Pereira S.A., totaling COP 16,688, based on the difference between the book value and the value stipulated in the sales contract signed with New Continent Hotels S.A.S.

(4) Corresponds mainly to advance payments received from customers for COP 61,621 (2009 - COP 41,350), as well as advanced payments received on contracts for COP 16,957 (2009 - COP 12,859)

The cost method was used to appraise estimated liabilities consisting of costs and expenses, labor liabilities, tax obligations, contingencies and miscellaneous provisions.

Note 18 – Shareholders' Equity

Share Capital

The Company's authorized capital shares amount to 1,200,000,000 shares, with a nominal value of COP 62.50 each. Subscribed and paid-in capital consists of 651,102,432 shares. There is a total of 5,702,432 of treasury shares and therefore 645,400,000 shares outstanding.

Legal Reserve

The Company is obliged to allocate 10% of its annual net profits to a statutory reserve, until said reserve reaches 50% of its subscribed capital. This statutory reserve cannot be distributed before the Company is liquidated, but must be used to absorb or reduce annual net losses. Surpluses over and above the aforementioned 50% can be freely disposed of by the Shareholders at their Annual General Meetings.

Reserve for repurchasing shares

The reserve for the Company's own repurchased shares, according to the Colombian Code of Commerce, can only be distributed among shareholders until said shares are sold again. While the shares belong to the Company, all inherent rights to these are held in abeyance.

	2010	2009
Reserve for repurchasing shares	119,785	119,785
Less – Company's treasury shares	(119,785)	(119,785)
	-	-

Other reserves

On March 24, 2010, the Shareholders authorized a total of COP 787,766 to be transferred to the reserve for future investments. The other reserves can be freely disposed of by the shareholders.

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Equity revaluation

The Equity Revaluation account reflects how equity is affected by the loss in the purchasing power of the peso, according to legislation that was in force until December 2006.

With the elimination of adjustments for inflation, pursuant to Decree 1536 of 2007, the balance of the Equity Revaluation account cannot be distributed until the Company is either liquidated or capitalized. However, once capitalized, the equity revaluation account may be used to wipe out any losses on the grounds of the Company being liquidated but cannot be used for the reimbursement of any capital. Should a debit balance be obtained, this may be reduced using the results for either the current or past fiscal years, after complying with all those rules and regulations applying to profits as contained in the Colombian Code of Commerce.

Furthermore, and according to Article 25 of Law 1111, which in turn amended Article 292 of the Colombian Tax Statute, for the fiscal years of 2007, 2008, 2009 and 2010, the Company may record equity tax against the equity revaluation account, without affecting the results of the corresponding fiscal year.

Note 19 – Valuations and Asset Valuation Surpluses

Valuations and asset valuation surpluses at December 31, 2010 and 2009 are as follows:

	2010	2009
From permanent investments (1)	7,996,852	6,375,204
From property, plant, equipment and other assets (2)	4,707,577	3,213,932
Valuations	12,704,429	9,589,136
Less – Transfer of minority interest	(4,938,428)	(2,597,923)
Valuation surplus	7,766,001	6,991,213

(1) This increase is due to the increase in the market values of shares held in Bancolombia S.A., Grupo de Inversiones Suramericana S.A. and Grupo Nacional de Chocolates.

(2) In 2009, the firm, Activos e Inventarios y Cia. Ltda., took a physical inventory of all fixed assets belonging to the Cementos Argos and its related companies, at their different, industrial, commercial and administrative premises throughout Colombia, appraising such assets and carrying out the corresponding book value reconciliations based on the methodology herein described, which is based on appraisal criteria for a company being operated, applying the comparative method, the revenue capitalization method as well as the cost method, as applicable and/or a combination of these methods. These in synthesis are based on the fair value criteria upon comparing international benchmark figure for working functional units, the elements used and being operated, the corresponding installed production capacities which are appraised in dollars and measured in terms of their production capacity for mining, grinding, calculating, milling and packaging with regard to cement production.

This methodology also took into account the value of the equipment including the construction work required to install these as well as engineering work, electricity, mechanical and electronic connections, pre-start-up tests and start-date tests, this based on the guidelines provided in Article 64 of Decree 2649 issued in November 1993, and complemented by international rules and regulations such as U.S. GAAP and IFRS.

Compañía Colombiana de Inversiones S.A. E.S.P. and subsidiaries had their own property appraised as well as their leased property in June 2008, December 2009 and December 2010. These appraisals were carried out pursuant to applicable legislation by the independent appraisal firms Organización Noguera Camacho, Consulting and Accounting Ltda., Sentido Inmobiliario Ltda., Alianza Inmobiliaria S.A., Casas Ltda., Delta Ingeniería Ltda., as well as other expert appraisers who are members of the local Real Estate Boards, with whom there is no relation or transaction associating these to the Company and its subsidiaries, using the replacement and market value methodologies.

Note 20 – Memorandum Accounts

Memorandum accounts at December 31, 2010 and 2009 are as follows:

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	2010	2009
Goods and securities pledged as security (1)	3,354,996	2,252,665
Totally depreciated assets (2)	1,060,478	441,640
Capitalization - equity revaluation	55,391	55,391
Difference between book and tax equity (3)	(11,633,685)	(3,839,543)
Tax receivable (4)	10,042,779	5,139,611
Lawsuits and/or claims (5)	82,949	142,015
Unused credit (6)	11,127	7,039
Other debtor control accounts	122,641	56,581
Others	330,803	136,836
	3,427,479	**4,392,235**
Contingent responsibilities		
Goods and securities received	(456,517)	(36,147)
Other contingent responsibilities	(731,450)	(725,304)
Others	(157,885)	(74,388)
	(1,345,852)	**(835,839)**
Credit Memorandum Accounts		
Tax payable (7)	(9,351,963)	(3,841,304)
Creditor Control Accounts (8)	(1,090,957)	(26,649)
	(10,442,920)	**(3,867,953)**
Total Memorandum accounts	**(8,361,293)**	**(311,557)**

(1) Increase due mainly to the stock exchange prices of those investments pledged as collateral, as well as revenue from Compañía Colombiana de Inversiones S.A. E.S.P.

(2) Increase due to a greater amount of totally depreciated assets as well as revenue from Compañía Colombiana de Inversiones S.A. E.S.P.

(3) Corresponding to tax and book differences on assets belonging to Inversiones Argos S.A., with permanent investments representing the largest difference (COP 11,6 billion).

(4) Corresponding to tax and book differences with regard to assets, liabilities and revenues, the most salient recorded within the equity account totaling COP 7.4 billion (2009 – asset and investment account COP 3.8 billion) in Cementos Argos S.A.

(5) Decrease due to updated amounts being claimed with ongoing lawsuits.

(6) Corresponding to lines of stand-by credit with Citibank N.A. expiring in February 2011.

(7) Corresponding mainly to tax and book differences on gains that in the case of Cementos Argos S.A. came to COP 7.3 billion.

(8) Increase due to having included the figures for Compañía Colombiana de Inversiones S.A. E.S.P. showing adjustments for inflation on shareholders' equity of COP 1 billion.

Note 21 – Operating Revenues

Operating Revenues at December 31, 2010 and 2009 are as follows:

	2010	2009
Revenues from sales of cement, concrete and others (1)	3,017,033	3,413,389
Revenues from sale of electricity, gas and related activities (2)	1,803,940	-

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
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Financial revenues (3)	588,177	1,078,372
	5,409,150	**4,491,761**

(1) Corresponds mainly to domestic and exports sales of cement, clinker, coal, slag and lime, as well as revenues received from sale of 7,630,671 shares in Cementos Argos S.A. for COP 87,596, 13,741,131 shares in Bancolombia S.A. for COP 338,396, 9,326,267 shares in Empresa de Energía del Pacifico S.A. E.S.P. for COP 86,361, 92,843,897 shares in Textiles Fabricato Tejicondor S.A. for COP 2,611 and 67,794,362 shares in Reforestadora El Guásimo for COP 584.

(2) Includes revenues from sales conducted on electricity exchange for COP 800,195, contractual sales of electricity for COP 552,107, distribution revenues of COP 161,296, as well as a reliability charge of COP 109,896.

(3) Including revenues on sales of investments for COP 517,685, dividends COP 64,188 (2009 - COP 34,863), interest COP 3,706 (2009 - COP 18,020) and appraisals of negotiable investments COP 2,609 (2009 - COP 101,773).

Note 22 – Administrative Expense

The Administrative Expense account at December 31, 2010 and 2009 is as follows:

	2010	**2009**
Personnel expense	143,750	111,475
Services	45,137	26,052
Amortization of deferred charges	25,178	41,908
Fees	37,987	27,491
Contributions and memberships	6,909	3,665
Traveling expense	10,612	6,157
Depreciation on property, plant and equipment	16,838	23,815
Maintenance and repairs	12,831	10,597
Tax	32,012	10,498
Leases	12,432	10,300
Insurance	13,024	13,271
Provisions (1)	81,843	31,137
Legal expense	1,841	2,675
Fittings and installations	137	178
Entertainment and PR expense	944	402
Clubs and restaurants	1,875	1,281
Stationary and office supplies	860	515
Transport	342	365
Commissions	3,000	10,336
Miscellaneous	13,245	8,441
	460,797	**340,559**

(1) Increase due mainly to the provision set up by Inversiones Argos S.A. on Empresa de Energía del Pacífico S.A. E.S.P. for COP 63,868 as well as another provision for accounts receivable for COP 14,273. The increase in 2009 was due mainly to provision set up to cover the investment made in the Caricement Group (Caricement Antilles NV. COP 21,481 and Caricement St. Maarten COP 5,299) as well as that set up by Inversiones Argos S.A. for the investment in Fundicom bonds of COP 2,315.

Note 23 – Selling Expense

The Selling Expense Account at December 31, 2010 and 2009 is as follows:

	2010	**2009**
Personnel expense	37,720	41,060
Services	22,526	23,676

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(In millions of Colombia pesos, except where otherwise stated)

Amortization of deferred charges	23,725	18,060
Maintenance and repairs	1,946	3,280
Tax	15,141	16,484
Leases	3,698	3,909
Traveling expense	2,336	2,580
Fees	2,876	3,183
Insurance	1,882	1,609
Depreciation on property, plant and equipment	5,048	5,536
Contributions and memberships	744	1,077
Legal expense	67	40
Fittings and installations	1	-
Commissions	329	474
Packaging	56	31
Fuel and lubricants	212	286
Stationary and office supplies	83	141
PR expense	304	230
Provisions	7,190	10,284
Miscellaneous	1,443	1,956
	127,327	**133,896**

Note 24 – Foreign Exchange Difference

	2010	**2009**
Foreign Exchange gains	33,061	26,162
Foreign Exchange losses	(24,871)	(77,598)
Foreign Exchange difference, net	**8,190**	**(51,436)**

This decrease was mainly due to the positive effect of the declining exchange rate on the Company's exchange rate exposure in 2010. With the Company's net asset liability position in dollars averaging out at almost zero, in spite of the volatility with the exchange rate, the effect of these changes on the overall results obtained were offset on the income statement. Exposure to the exchange rate is managed mainly with the Company's natural balance sheet position and any remaining gap is covered using derivatives.

Note 25 – Other Revenues

The Other Revenues Account at December 31, 2010 and 2009 included the following:

	2010	**2009**
Recovered amounts (1)	75,299	41,508
Earnings from sale of permanent investments (2)	22,510	375,976
Profits from sales of property, plant and equipment	2,457	85,124
Profit from sales of other goods	681	48,669
Other sales	3,759	9,049
Services	1,879	2,331
Fees	21	3,701
Leases	3,841	3,442
Income from prior periods	1,385	5,694
Usage revenues	4,231	3,446
Subsidies	28	1,083
Indemnities (3)	25,781	1,899

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
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Others (4)	61,928	714
	203,800	**582,636**

(1) Consists of recovered amounts from provisions for investments for COP 26,549 as well as recovered costs and expense totaling COP 48,425.

(2) Corresponding to profits on sale of shares in Bancolombia S.A. for COP 1,140, Tablemac S.A. for COP 8,480, Cartón de Colombia S.A. for COP 410 and in Flota Fluvial Carbonera S.A.S. sold to Mercuria S.A. for COP 4,943.

(3) Including, in the case of Compañía Colombiana de Inversiones S.A. E.S.P., COP 20,138 in reimbursed financial guarantees for the construction of the Flores IV Project.

(4) For Compañía Colombiana de Inversiones S.A. E.S.P., corresponds to income received from Ecopetrol S.A. E.S.P. in payment of sanctions imposed on a gas supply contract for COP 47,433 as well as interest and returns on deposits for COP 14,070.

Note 26 – Other Expense

The Other Expense account at December 31, 2010 and is as follows:

	2010	2009
Costs and expense from prior years (1)	41,107	12,368
Loss on sales of investments	1,422	8,126
Fines, sanctions and litigation (2)	36,317	10,641
Loss on sale and withdrawal of property, plant and equipment (3)	2,250	151,644
Withdrawals of property, plant and equipment (4)	73,833	16,058
Withdrawals of other assets	13,536	4,399
Losses on accidents/claims	338	475
Taxes assumed	9,728	5,466
Donations and contributions	17,287	11,929
Cost of other sales	3,461	4,861
Cost of sales of materials and spare parts	5,159	8,891
Retirement pensions and pension securities	40,596	32,640
Indemnities	4,747	5,058
Provision for permanent investments (5)	34,915	49,924
Expense incurred by related companies	1,376	2,901
Labor-related claims (6)	11,224	5,001
Amortization of deferred charges	497	565
Other amortizations	12,731	10,100
Others (7)	114,658	52,397
	425,182	**393,444**

(1) In standardizing accounting policies with international standards in the case of Cementos Argos S.A., all deferred charges that are considered as expense were transferred to the income accounts in order to reduce the gap existing between Colombian and international accounting standards. Hence, a total of COP 18,900 was transferred. In the case of Compañía Colombiana de Inversiones S.A. E.S.P., the adjustment from prior periods includes COP 6,499.

(2) In the case of Compañía Colombiana de Inversiones S.A. E.S.P., this includes a provision for tax contingencies regarding an outstanding tax lawsuit (this company was acquired in 2008) with the Colombian Tax Authorities (DIAN). Inversiones e Industria S.A. was notified in June 2008 of an official income tax settlement requiring an additional amount of tax as well as a fine for inaccurate information. The Company, based on the principle of prudence, considered it necessary to set up a provision for COP 156,805 (2009 – COP 135,408). The value of this provision as charged to the income accounts for the period, comes to COP 21,396 (2009 - COP 86,486).

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(3) The figure for 2009 corresponded to the sales of coal-mining assets to Vale Do Río Doce.

(4) Consists mainly of fixed assets withdrawn from the Betania Plant for COP 59,267, from the Barranquilla Plant for COP 7,779, the Nare Plant COP 1,117, together with withdrawn assets in a bad state of disrepair for COP 1,844.

(5) Corresponds to provisions for investments made by Cementos Argos S.A. in Cemento Panamá S.A. in the amount of COP 16,478, in Point Corp. for COP 7,490; Climsford Investments Limited in Cemex S.A. for COP 2,696; Cement and Mining Engineering Inc. for an exchange difference in Andino of COP 1,452.

(6) The change corresponds to having updated contingencies for labor-related claims filed against the Group's subsidiaries.

(7) Corresponding to sundry expenses with C.I. Carbones del Caribe S.A.S. due to having closed the transaction with Vale on the Hatillo mine for COP 6,570, the amortization of a right held by Fenoco for COP 3,940 and a provision for costs and expense on the part of EPSA for COP 1,348; Cementos Argos S.A. on a provision for Industrial Hullera S.A. amounting to COP 1,920, a provision for services provided by Sodexho for COP 2,073, security COP 2,469, electricity and gas expense COP 1,514 and a provision for companies with negative equities of COP 1,745, a provision for contingencies of COP 1,700, in Corporaciones e Inversiones del Mar Caribe S.A.S. amortization of goodwill on shares purchased in 2009 for COP 10,723, in Compañía Colombiana de Inversiones S.A. E.S.P. expense on purchases of investments for COP 45,858 which corresponds to expense incurred by the Parent Company in order to acquire the subsidiary Empresa de Energía del Pacífico S.A. E.S.P., a provision for contingencies of COP 15,528 and the amortization of deferred charges and intangibles for COP 19,270.

Note 27 – Operations with related parties

The following is a summary of the assets and liabilities held at December 31, 2010 and 2009, as well as the income and expense incurred by the Company on transactions carried out during the years ending on such dates, with shareholders holding more than a 10% stake in the Company, as well as its directors, legal representatives and senior management.

2010

	SHAREHOLDERS	DIRECTORS	LEGAL REPRESENTATIVES AND SENIOR MANAGEMENT
At year-end			
Assets			
Accounts receivable	-	-	9,443
Total assets	-	-	**9,443**

In certain cases, accounts receivable with legal representatives and senior management obey labor policies approved by the Board of Directors and policies that equally apply to all employees that are not covered by the Company's current collective labor agreement, and that consist of housing or home renovation loans as well as loans for purchasing cars and attending family problems, each of these being properly regulated and bearing sufficient guarantees.

Transactions carried out with related companies at December 31, 2010, are as follows:

NAME OF COMPANY	RECEIVABLES	TYPE OF OBLIGATION	PAYABLES	TYPE OF OBLIGATION
Andino Trading	-		960	Loan
Asesorías y Servicios Ltda. en Liquidación	208	Capitalization	-	
Cartec Inc.	11,664	Loan	1,768	Loan
Cementos de Caldas S.A.	-		6,175	Purchases of 326.876 shares in Metroconcreto, 1,066,625 shares in Logitrans, lease payments for offices and warehousing facilities.
Cía. de Navegación del Mar	174	Loan (liquidation)	-	

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NAME OF COMPANY	RECEIVABLES	TYPE OF OBLIGATION	PAYABLES	TYPE OF OBLIGATION
Caribe Ltda. en Liquidación				
Corporación de Cemento Andino C.A.	12,533	Technical assistance and loans	1,904	Sales of raw materials
Distribuidora de Cementos Ltda. en Liquidación	23	Income tax paid by Cementos Argos S.A.	60	Refunded automatic debit on telephone lines for Dicementos, purchases of 3,600 shares in Sociedad Portuaria La Inmaculada, 4,000 in Sociedad Portuaria Las Flores, 50,000 in Sociedad Portuaria Río Córdoba.
Distribuidora Colombiana de Cementos Ltda. en Liquidación	4	Income tax paid by Cementos Argos S.A.	1,196	Purchase of 225,000 shares in Corporaciones e Inversiones del Mar Caribe S.A.S., 247,745 equity shares in Flota Fluvial Carbonera S.A.S., 10,000 in Sociedad Portuaria Golfo de Morrosquillo S.A.
Emcarbon S.A.	4,154	Loan	51,965	Intercompany loans relating to Diamante.
Flota Fluvial Carbonera S.A.S	213	Loan to pay off obligations when this company was sold to Mercuria S.A.	-	
Industrias Metalúrgicas Apolo S.A.	1,033	Loan	-	
Promosur S.A. en Liquidación	470	Account receivable on the liquidation of Dicente, pursuant to Minutes No. 90	-	
Proservi Ltda. en Liquidación	20	Capitalization	9	Liquidation private security services for Litoral Ltda.
Reforestadora El Guásimo S.A.	53	Insurance charges on civil liability and services	-	
Sociedad Portuaria La Inmaculada S.A.	-		4	Payment of contribution to shareholders of Sociedad Portuaria la Inmaculada S.A., deposited with Cementos Argos S.A.
Sociedad Portuaria Las Flores S.A.	-		8	Payment of contribution to shareholders of Sociedad Portuaria Las Flores S.A., deposited with Cementos Argos S.A.
Surandina de Puertos C.A.	-		157	Loan
Tempo Ltda.	-		61	Payroll transfers/purchases of fixed assets (data processing equipment).
Transportadora Alfa	1	Loans to pay income tax for 2009.	-	
Transportadora Sucre Ltda. en Liquidación	-		79	Sale of shares in Asoservicios
Others	621		463	
Total	**31,455**		**64,809**	

2009

	SHAREHOLDERS	DIRECTORS	LEGAL REPRESENTATIVES AND SENIOR MANAGEMENT
At year-end			
Assets			
Accounts receivable	-	-	5,755
Total assets	-	-	**5,755**

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Transactions carried out with related companies at December 31, 2009 are as follows:

NAME OF COMPANY	RECEIVABLES	TYPE OF OBLIGATION	PAYABLES	TYPE OF OBLIGATION
Industrias Metalúrgicas Apolo S.A.	926	Loan		
Andino Trading			1,025	Loan
Asesorías y Servicios Ltda. Subject to Liquidation	415	Capitalization		
Caricement B.V.	3,603	Loan		
Cartec Inc.	13,374	Loan	1,888	Loan
Cementos de Caldas S.A.			6,114	Purchase of 326.876 shares in Metroconcreto S.A., 1.066.625 shares in Logística de Transporte S.A., 11.600 shares in Áridos de Antioquia S.A., 7.500 shares in Canteras de Colombia S.A.S. and leasing for offices and warehousing.
Compañía de Navegación del Mar Caribe Ltda. Subject to Liquidation	165	Loan (liquidation)		
Corporación de Cemento Andino C.A.	13,432	Technical assistance and loans	2,275	Sales of raw materials
Distribuidora de Cementos Ltda. en Liquidación			42	Purchase of 3.600 shares in Sociedad Portuaria La Inmaculada S.A., 4.000 in Sociedad Portuaria Las Flores S.A., 50.000 in Sociedad Portuaria Río Córdoba S.A.
Dicente Ltda. en Liquidación	1,457	Liquidation Dicente, pursuant to Minutes No. 90.		
Distribuidora Colombiana de Cementos Ltda. en Liquidación			1,196	Purchase of 225.000 shares in Corporaciones e Inversiones del Mar Caribe S.A.S., 247.745 equity stakes in Flota Fluvial Carbonera S.A.S., 10.000 in Sociedad Portuaria Golfo de Morrosquillo S.A.
Industrial Hullera S.A.	80	Loan to pay off debt with the Colombian Social Security Institute.		
Promosur S.A. en Liquidación	543	Liquidation Dicente, pursuant to Minutes No. 90.		
Proservi Ltda. en Liquidación	41	Capitalization	9	Liquidation private security services for Litoral Ltda.
Reforestadora El Guásimo S.A.	80	Loan for special vehicle for Company officer		
Sociedad Portuaria La Inmaculada S.A.	1	Payment of renewal fees and income tax defrayed by Cementos Argos S.A		
Sociedad Portuaria Las Flores S.A.	1	Payment of renewal fees and income tax defrayed by Cementos Argos S.A		
Surandina de Puertos C.A.			168	Loan
Transmarítima del Caribe Ltda. en Liquidación	284	Loan (liquidation)		
Transportadora Sucre Ltda. en Liquidación			79	Sale of shares in Asesorías y Servicios Ltda. Subject to Liquidation
Others	4,467		3,084	

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
(In millions of Colombia pesos, except where otherwise stated)

NAME OF COMPANY	RECEIVABLES	TYPE OF OBLIGATION	PAYABLES	TYPE OF OBLIGATION
Total	**38,869**		**15,880**	

The aforementioned transactions were carried out on an arm's length basis.

In 2010 and 2009, no operations having the following characteristics were conducted with shareholders, directors and legal representatives:

a) Services carried out free of charge or to compensate other items or services

b) Loans that imply for the borrower an obligation that does not correspond to the essence or nature of a loan agreement.

c) Loans bearing interest rates that are different to those normally paid or charged by or to third parties in similar conditions with regard to risk, term, etc.

Note 28 – Contingencies and Subsequent Events

Inversiones Argos S.A., and Subsidiaries

In 2010, there were no:

1. Inspections or visits carried out by oversight authorities that gave rise to warnings being given or penalties imposed.

2. Sanctions of an administrative, contentious or civil nature imposed by state, departmental or municipal authorities.

3. Legal issues involving Company officials for transgressions committed in performing their respective duties.

Subsequent to the closing date of these financial statements the following relevant events occurred:

On January 12, 2011, Compañía Colombiana de Inversiones S.A. E.S.P. sold to New Continent Hotels S.A.S. its entire stake in Promotora de Hoteles Medellín S.A. and Hotel de Pereira S.A. for COP 40,159. This transaction, as agreed in a sales contract signed on August 25, 2010, gave rise to a book loss of COP 16,688, for which a provision was set up in the financial statements for the year ending December 31, 2010.

FOR YEARS ENDING DECEMBER 31, 2010 AND 2009
(In millions of Colombia pesos, except where otherwise stated)

Financial Indicators

	2010	2009
Liquidity (current assets / current liabilities)	0.95	0.87
Indebtedness (total liabilities / total assets)	30.19%	29.08%
Asset turnover (operating revenues / total assets)	0.22	0.25
Profit margin (net earnings / operating income)	7.18%	20.18%
Profitability:		
(Net earnings / equity)	3.74%	9.80%
(Net earnings / total assets)	1.60%	4.99%
EBITDA (*)	1,625,627	1,554,303
EBITDA Margin	30.05%	34.60%
EBITDA / total equity	15.66%	16.79%

(*) Adjusted EBITDA excluding other non-operating income and expenses.

STATUTORY AUDITOR'S REPORT

To the shareholders of
INVERSIONES ARGOS S.A.:

I have audited the consolidated balance sheets of INVERSIONES ARGOS S.A. and its subsidiaries mentioned in Note 1 to the consolidated financial statements, as of December 31, 2009 and 2008 and the corresponding consolidated statements of income, changes in equity, changes in financial position, and cash flows for the years then ended, and the summary of the major accounting policies and other explanatory notes.

The Administration is responsible for the preparation and accurate presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining an adequate internal control system for the preparation and presentation of financial statements free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, as well as making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. Deloitte & Touche, the firm of which I am a member, did not audit the financial statements of some of the subsidiaries, in which as of December 31, 2009 and 2008, Inversiones Argos S.A. has included in its financial statements, assets that represent 9% and 11%, and income of 17% and 16% of the consolidated totals, respectively. Those financial statements were audited by other auditors whose reports have been provided to me and the opinion that I express herein, as they relate to the figures of assets and income of the above-mentioned companies, is based exclusively on the reports of the other auditors of those companies. I obtained the information necessary to comply with my duties and carry out my audit in accordance with auditing standards generally accepted in Colombia. Such standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit of financial statements involves examining, on a selective basis, the evidence supporting the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including his assessment of the risk of material misstatements in the financial statements. In making that risk assessment, the auditor considers the Company's internal control relevant to the preparation and reasonable presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting principles used and significant estimates made by the Administration, as well as evaluating the overall consolidated financial statement presentation. I believe that my audits provide me with a reasonable basis to express my opinion.

In my opinion, based on my audits and on the reports from the other auditors referred to in the third paragraph, the consolidated financial statements referred to above, reasonably present, in all material respects, the consolidated financial position of INVERSIONES ARGOS S.A. and its subsidiaries as of December 31, 2009 and 2008, the results of its operations, the changes in its equity, the changes in its financial position, and its cash flows for the years ended on those dates, in conformity with accounting principles generally accepted in Colombia, applied uniformly.

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

JORGE ENRIQUE MÚNERA DURANGO
Statutory Auditor
Professional Card 25295-T
Designated by Deloitte & Touche Ltda.

February 26, 2010

INVERSIONES ARGOS S.A.
CONSOLIDATED BALANCE SHEET
For years ended December 31, 2009 and December 31, 2008
(In millions of Colombian pesos)

ASSETS	Notes	2009	2008
CURRENT ASSETS			
Cash and banks		156,306	227,627
Negotiable investments	5	497,264	961,011
Accounts receivable, net	6	823,683	995,517
Inventories, net	7	361,135	402,296
Property, plant and equipment, net	9	–	57,507
Deferred items and intangibles	10	–	106,777
Prepaid expense		39,550	32,928
TOTAL CURRENT ASSETS		**1,877,938**	**2,783,663**
NON-CURRENT ASSETS			
Long-term accounts receivable	6	57,531	40,862
Permanent investments	8	1,799,391	968,554
Property, plant and equipment, net	9	2,870,677	2,764,317
Deferred items and intangibles	10	1,911,710	2,000,969
Other assets		77,507	73,362
Asset appraisals	19	9,589,136	4,766,727
TOTAL NON-CURRENT ASSETS		**16,305,952**	**10,614,791**
TOTAL ASSETS		**18,183,890**	**13,398,454**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Financial obligations	11	758,099	1,376,456
Commercial paper	12	300,000	300,000
Suppliers and accounts payable	13	609,123	868,226
Taxes and rates	14	198,543	235,504
Labor liabilities	16	28,520	30,121
Other liabilities	17	272,108	267,256
TOTAL CURRENT LIABILITIES		**2,166,393**	**3,077,563**
LONG-TERM LIABILITIES			
Financial obligations	11	1,360,962	1,670,973
Labor liabilities	16	226,773	219,448
Deferred items	15	131,623	163,609
Accounts payable	13	175,395	224,584
Bonds outstanding	12	1,226,864	585,222
TOTAL NON-CURRENT LIABILITIES		**3,121,617**	**2,863,836**
TOTAL LIABILITIES		**5,288,010**	**5,941,399**
Minority interest		3,641,163	2,023,262
Shareholders' Equity (Please refer to attached Statement)	18	9,254,717	5,433,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**18,183,890**	**13,398,454**
Memorandum Accounts	20	(311,557)	(2,186,648)

The accompanying notes form an integral part of these financial statements.

INVERSIONES ARGOS S.A.
CONSOLIDATED STATEMENT OF INCOME
For years ending December 31, 2009 and December 31, 2008
In millions of Colombian pesos
(Except for basic earnings per share)

	Notes	2009	2008
Operating revenues	21	4,491,761	3,945,252
Cost of sales		2,812,055	3,132,091
GROSS EARNINGS		**1,679,706**	**813,161**
Operating expense			
Administrative expense	22	340,559	297,425
Sales	23	133,896	125,121
Total operating expense		**474,455**	**422,546**
OPERATING EARNINGS BEFORE ASSET IMPAIRMENT		**1,205,251**	**390,615**
Asset impairment	10	81,691	74,786
OPERATING EARNINGS AFTER ASSET IMPAIRMENT		**1,123,560**	**315,829**
Other non-operating income (expense)			
Financial income		38,171	63,704
Dividends and participations		69,957	83,363
Financial expense		(330,261)	(279,487)
Exchange difference	24	(51,436)	(207,111)
Other income	25	582,636	392,480
Other expense	26	(393,444)	(238,347)
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		**1,039,183**	**130,431**
Provision for income tax	14	65,077	21,541
Earnings before minority interest		974,106	108,890
Minority interest share in subsidiary profits		(67,586)	(17,685)
NET CONSOLIDATED PROFITS		**906,520**	**91,205**
Basic earnings per share		1,404.59	141.32

The accompanying notes form an integral part of these financial statements.

INVERSIONES ARGOS S.A.
CONSOLIDATED STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY
For years ending December 31, 2009 and December 31, 2008
(In millions of Colombian pesos)

	Notes	2009	2008
Subscribed and paid-in capital			
Beginning and ending balance		**40,694**	**40,694**
Share placement premium			
Beginning and ending balance		**553**	**553**
APPROPRIATED RETAINED EARNINGS			
Opening balance		777,266	706,904
Appropriations approved by the General Assembly of Shareholders		91,205	173,626
Dividends paid in cash in nominal pesos at $173 per share on a total of 645.400.000 shares outstanding (2008 - $160 per share on a total of 645.400.000 outstanding)		(111,654)	(103,264)
Movements for the year		(91,153)	–
Closing balance		**665,664**	**777,266**
UNAPPROPRIATED RETAINED EARNINGS			
Opening balance		91,205	173,626
Appropriations approved by the General Assembly of Shareholders		(91,205)	(173,626)
Net profits (please refer to attached statement)		906,520	91,205
Closing balance		**906,520**	**91,205**
EQUITY REVALUATION SURPLUS			
Opening balance		650,352	651,545
Movements for the year		20,784	19,870
Wealth tax		(21,063)	(21,063)
Closing balance		**650,073**	**650,352**
ASSET REAPPRAISAL SURPLUS			
Opening balance		3,873,723	4,827,324
Exchange difference on foreign and other investments		-	163,597
Movements for the year		3,117,490	(1,117,198)
Closing balance		**6,991,213**	**3,873,723**
TOTAL SHAREHOLDERS' EQUITY	18	**9,254,717**	**5,433,793**

The accompanying notes form an integral part of these financial statements.

INVERSIONES ARGOS S.A.
CONSOLIDATED STATEMENT OF CHANGES TO FINANCIAL POSITION
For years ending December 31, 2009 and December 31, 2008
(In millions of Colombian pesos)

	2009	2008
FUNDS PROVIDED BY:		
Net profits	906,520	91,205
Plus (minus) debits (credits) to the income accounts that do not affect working capital:		
Depreciation on property, plant and equipment	260,517	268,274
Amortization of deferred charges and others	88,535	65,933
Other amortizations	1,642	1,642
Provisions for property, plant and equipment, net	–	124
Provisions (recovered amounts) for investments	(393)	14,021
Exchange differences on financial obligations and long term payables	(64,545)	112,164
Losses (profits) from sales of property and equipment	65,530	(105,560)
Losses on withdrawals of property, plant and equipment	16,058	–
Profits from sales of permanent and negotiable investments, net	(367,850)	(141,611)
Amortization - retirement pensions	5,389	17,268
Minority interest	67,586	17,685
Asset impairment	81,691	74,786
WORKING CAPITAL PROVIDED BY ACTIVITIES FOR THE YEAR	**1,060,680**	**415,931**
FUNDS PROVIDED BY OTHER SOURCES		
Sales of property, plant and equipment	54,274	168,670
Sales of permanent and negotiable investments	928,965	204,279
Increase in long-term labor liabilities	1,936	–
Increase in long-term financial obligations	–	439,352
Increase in long-term bonds	640,000	–
Transfers of investments from permanent to negotiable	–	32,197
Transfers of properties to deferred items	2,829	–
Transfers of property, plant and equipment to short-term	–	57,507
Transfers of deferred items and intangibles to short term	–	106,777
Transfers of portfolio investments to controlled investments	17,077	–
Decrease in long-term receivables	–	55,491
Increase in equity due to exchange difference on foreign and other investments	–	389,545
TOTAL FUNDS PROVIDED	**2,705,761**	**1,896,749**
FUNDS USED FOR:		
Purchases of property, plant and equipment	505,568	823,346
Purchases of permanent investments	1,408,636	376,342
Dividends declared	111,654	103,264
Decrease in long-term financial obligations	266,098	–
Decrease in long-term accounts payable	28,557	43,116
Decrease in deferred long-term liabilities	31,986	98,356
Decrease in minority interest	–	244,398
Decrease in other liabilities	–	18,919
Decrease in labor liabilities	–	1,544
Increase in long-term receivables	16,669	–
Increase in other assets	4,145	55,515
Increase in deferred items and intangibles	80,967	411,170
Wealth tax	21,063	21,063
Other equity movements	224,973	–
TOTAL FUNDS USED	**2,700,316**	**2,197,033**
INCREASE (DECREASE) IN WORKING CAPITAL	**5,445**	**(327,284)**
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Cash and banks plus temporary investments	(535,068)	895,906

The accompanying notes form an integral part of these financial statements.

	2009	2008
Accounts receivable, net	(171,834)	106,749
Inventories, net	(41,161)	46,979
Property, plant and equipment, net	(57,507)	57,507
Deferred items and intangibles	(106,777)	106,777
Prepaid expense	6,622	1,338
Financial obligations	618,357	(947,378)
Commercial paper	–	(50,000)
Suppliers and accounts payable	259,103	(375,636)
Taxes and rates	36,961	(115,485)
Labor liabilities	1,601	2,816
Other liabilities	(4,852)	(56,857)
INCREASE (DECREASE) IN WORKING CAPITAL	**5,445**	**(327,284)**

The accompanying notes form an integral part of these financial statements.

INVERSIONES ARGOS S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
For years ending December 31, 2009 and December 31, 2008
(In millions of Colombian pesos)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profits	906,520	91,205
Adjustments to reconcile net profits with net cash provided by operating activities		
Depreciation on property, plant and equipment	260,517	268,274
Amortization of deferred charges and others	88,535	65,933
Other amortizations	1,642	1,642
Provisions for property, plant and equipment, net	–	124
Provisions (recovered amounts) for investments	(393)	14,021
Losses (profits) from sales of property and equipment	74,894	(105,560)
Losses on withdrawals of property, plant and equipment	16,058	–
Profits from sales of permanent and negotiable investments, net	(367,850)	(141,611)
Exchange differences on financial obligations and long term payables	(64,545)	112,164
Amortization - retirement pensions	5,389	17,268
Amortization of deferred revenue	(26,079)	(22,087)
Provision for accounts receivable	7,757	5,033
Provision for inventories	5,298	2,304
Minority interest	67,586	17,685
Asset impairment	81,691	74,786
SUBTOTAL - OPERATING FLOWS	**1,057,020**	**401,181**
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Accounts receivable	173,487	(34,204)
Inventories	35,863	(49,283)
Prepaid expense	(6,622)	(1,338)
Other assets	(4,145)	(55,515)
Suppliers and accounts payable	(259,103)	375,636
Labor liabilities	335	(4,360)
Taxes and rates	(36,961)	115,485
Other liabilities	4,852	37,938
Decrease in deferred long-term liabilities	(31,986)	(98,356)
Transfers of portfolio investments to controlled investments	17,077	–
Transfers of properties to deferred items	2,829	–
NET CASH PROVIDED BY OPERATING ACTIVITIES	**952,646**	**687,184**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of property, plant and equipment	209,194	168,670
Sales of permanent and negotiable investments	928,965	204,279
Purchases of property, plant and equipment	(505,568)	(823,346)
Purchases of permanent investments	(1,408,636)	(376,342)
Increase in deferred items and intangibles	(80,967)	(411,170)
Transfers of investments from permanent to negotiable	–	32,197
(Decrease) increase in equity due to exchange difference on foreign investments and others	–	389,545
Other equity movements	(224,973)	–
NET CASH USED FOR INVESTING ACTIVITIES	**(1,081,985)**	**(816,167)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends declared	(111,654)	(103,264)
(Decrease) increase in financial obligations	(884,455)	1,386,730
Increase in commercial paper	–	50,000
Decrease in long-term accounts payable	(28,557)	(43,116)
Increase in long-term bonds	640,000	–
Decrease in minority interest	–	(244,398)
Wealth tax	(21,063)	(21,063)

The accompanying notes form an integral part of these financial statements.

	2009	2008
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	**(405,729)**	**1,024,889**
Net (decrease) increase in cash and cash equivalents	(535,068)	895,906
Cash and cash equivalents at beginning of year	1,188,638	292,732
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**653,570**	**1,188,638**
CASH EQUIVALENTS		
Cash and banks	156,306	227,627
Negotiable investments	497,264	961,011
CASH AND CASH EQUIVALENTS	**653,570**	**1,188,638**

The accompanying notes form an integral part of these financial statements.

CERTIFICATION FROM THE COMPANY'S LEGAL REPRESENTATIVE

Medellin, February 26, 2010

To the Shareholders of Inversiones Argos S.A. and to the public in general,

As the Company's Legal Representative, I hereby certify that the consolidated financial statements at December 31, 2009, that have been made public, do not contain any errors, inaccuracies or flaws that could prevent people from knowing the Company's financial position or the operations carried out during said period.

José Alberto Vélez C.
Legal Representative

CERTIFICATION FROM THE COMPANY'S CHIEF EXECUTIVE OFFICER AND ACCOUNTING MANAGER

Medellin, February 26, 2010

To the Shareholders of Inversiones Argos S.A.

We, the undersigned Legal Representative and Accounting Manager of Inversiones Argos S.A. duly certify that the figures included in the Company's consolidated financial statements for the years ended December 31, 2009 and December 31, 2008 were faithfully taken from the Company's books. Also before being made available to both you, our Shareholders, as well as third parties, we duly checked the following disclosures made therein, including the following:

d) All assets and liabilities included in the Company's consolidated financial statements for the years ended December 31, 2009 and December 31, 2008 duly exist and all transactions therein included were carried out during these same periods ending on said dates.

e) All economic events on the part of both the Company and its subsidiaries during the years ended December 31, 2009 and December 31, 2008 have been duly acknowledged in the financial statements.

f) Assets represent probable future earnings (rights) and liabilities represent probable future outlays (obligations) either obtained by or for the account of the Company at December 31, 2009 and December 31, 2008.

g) All items have been posted at their appropriate values according to generally-accepted accounting principles in Colombia.

h) All economic events affecting the Company and its subsidiaries have been correctly classified, described and revealed in these financial statements.

José Alberto Vélez C.
Legal Representative

Oscar Rodrigo Rubio C.
Accounting Manager
Lic #. 47208 -T

INVERSIONES ARGOS S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008
(In millions of Colombian pesos, except when otherwise stated)

NOTE 1 – REPORTING ENTITY

Inversiones Argos S.A. (hereinafter the Company) was incorporated according to Colombian legislation on February 27, 1934

The Company's corporate purpose is to invest in all types of real estate and personal property, particularly in shares, equity stakes or any other kind of holding in companies, entities, organizations, funds or any other legally-defined entity in which funds can be invested. It may also invest in commercial paper or securities that bear a fixed or variable income, whether these are listed on a stock exchange or not. In any event, the issuers and/or investees may be either public, private or mixed, Colombian or foreign.

Furthermore the Company has sufficient capacity to conduct business within the cement industry, produce concrete mixes and any other materials or articles made of cement, lime or clay; purchase and sell minerals or mineral deposits that are used by the cement industry and others, acquire and sell rights to explore and mine the aforementioned minerals by means of concessions, privileges, leasing agreements or any other type of arrangement, provide port services and contract, build, inspect or design or provide any type of consultancy services with regard to civil engineering or any other kind of projects and before any type of public or private entity. The Company may also set up factories, stores and agencies to manufacture, store, distribute and sell its products as well as purchasing, processing and selling raw materials, machinery and equipment required in order to carry out its corporate purpose or ensure its ongoing development.

The Company is domiciled in Medellin with a term of duration that expires on February 27, 2033.

The following companies have been included in the consolidated financial statements of Inversiones Argos S.A. and its subsidiaries.

ARGOS U.S.A. CORP.
This company was incorporated according to the laws of the state of Delaware, USA on December 19, 2006, and is domiciled in Houston, Texas. Its corporate purpose is to carry out all lawful investment activities in the cement, concrete and related sectors. It has a perpetual term of duration. 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 and Consort Livestock Inc.

AMERICAN CEMENT TERMINALS LLC
An investment company incorporated according to the laws of the state of Delaware, USA on September 20, 2007.

ÁRIDOS DE ANTIOQUIA S.A.
Incorporated according to Colombian legislation on July 30, 1984 and domiciled in the town of Girardota (Antioquia), this Company's corporate purpose is to mine, prospect for, process, transform, transport, use, exploit, market and sell quarry and shore materials and generally speaking rock aggregates, such as sand, gravel and any other materials and elements inherent to such that are used in the construction industry and generally speaking carry out all those activities relating to mining and marketing and selling renewable and non-renewable natural resources. In 2009, this Company was taken over by Canteras de Colombia S.A.S., and duly dissolved without being liquidated thereby terminating its legal status. This Company was only included in the consolidation until 2008.

ASESORÍAS Y SERVICIOS LTDA (SUBJECT TO LIQUIDATION)
Incorporated according to Colombian legislation on December 20, 1983, its corporate purpose was to hire and provide manpower and advisory services for both companies and private individuals. It was domiciled in

Barranquilla and has been duly dissolved and being liquidated given the expiry of its statutory term of duration. This Company was only included in the consolidation until 2008.

C.I. CARBONES DEL CARIBE S.A.S. (FORMERLY C.I. CARBONES DEL CARIBE S.A.)
Incorporated according to Colombian legislation on October 28, 1981 this company is domiciled in Barranquilla and has an indefinite term of duration. Its business purpose is to promote Colombian exports abroad, especially international sales of coal and other coal-related minerals, as well as carrying out any other lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

C.I. DEL MAR CARIBE BVI INC.
Incorporated according to the laws of the British Virgin Islands on June 2, 2004 and domiciled in Tortola, its corporate purpose is to sell cement, clinker and lime. It has a perpetual duration, according to the laws of this country.

CORPORACIONES E INVERSIONES DEL MAR CARIBE S.A.S. (FORMERLY C.I. DEL MAR CARIBE S.A.)
Incorporated according to Colombian legislation on December 14, 1982, domiciled in Medellin and with an indefinite term of duration, this Company's business purpose is to carry out any lawful business activity both at home and abroad. In 2009 this Company became a Simplified Joint Stock Company, changing its registered place of business from Barranquilla to Medellín as well as its name from C.I. del Mar Caribe S.A. to Corporaciones e Inversiones del Mar Caribe S.A.S., (CIDMC S.A.S).

C.T. & CÍA. LTDA.
Incorporated according to Colombian legislation on July 25, 1988, its registered place of business was in Barranquilla. Its business purpose was to mine, explore, process, transform, transport, use, exploit, market and sell quarry and shore materials and generally speaking rock aggregates, such as sand, gravel and any other materials and elements inherent to such that are used in the construction industry and generally speaking carry out all those activities relating to mining and marketing and selling renewable and non-renewable natural resources. In 2009, this Company was taken over by Canteras de Colombia S.A.S., and duly dissolved without being liquidated thereby terminating its legal status. This Company was only included in the consolidation until 2008.

CANTERAS DE COLOMBIA S.A.S. (FORMERLY CANTERAS DE COLOMBIA S.A.)
Incorporated according to Colombian legislation on November 9, 1979, and domiciled in Medellin Antioquia, this Company has an indefinite term of duration. Its business purpose is to mine, explore, process, transform, transport, use, exploit, market and sell quarry and shore materials and generally speaking rock aggregates, such as sand, gravel and any other materials and elements inherent to such that are used in the construction industry and generally speaking carry out all those activities relating to mining, marketing and selling renewable and non-renewable natural resources and conduct any lawful business activity both at home and abroad. In 2009, this Company took over Áridos de Antioquia S.A., C.T. & Cía. Ltda. and Canteras del Norte Ltda. Also in 2009 the Company became a Simplified Joint Stock Company and changed its registered place of business from Bello (Antioquia) to Medellín.

CANTERAS DEL NORTE LTDA.
Incorporated according to Colombian legislation on July 04, 2002, its registered place of business was in Barranquilla. Its business purpose was to mine, explore, process, transform and sell all types of minerals and renewable and non-renewable natural resources, managing and operating all types of mines, quarries and mineral deposits, carrying out any type of mining activity and task, including prospecting, conducting seismic exploration operations, moving sterile material, managing mining teams, operating workshops, storage facilities amongst others. In 2009, this Company was taken over by Canteras de Colombia S.A.S., and duly dissolved without being liquidated thereby terminating its legal status. This Company was only included in the consolidation until 2008.

CARBONES NECHÍ S.A.S. (FORMERLY CARBONES NECHÍ S.A.)
Incorporated according to Colombian legislation on September 11, 1965, this Company is domiciled in Medellín and has an indefinite term of duration. Its business purpose is to mine, explore, process, transform, transport, use and exploit, market and sell coal and any other material and element inherent to such as used in the building industry and generally speaking, conduct any lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

CARICEMENT ANTILLES NV
This limited liability company was incorporated according to the laws of the Dutch Antilles on December 10, 1999. Its business purpose is to make investments. It is domiciled in Curaçao and has an indefinite term of duration. This Company is consolidated along with Caricement USVI Corp., Caribbean Construction and Development Ltd., Caricement Antigua Limited and Caricement Saint Maarten NV.

CARIBE TRADING CORPORATION
Caribe Trading Corporation was incorporate according to the laws of the State of Florida, USA, in November 1987. Its business purpose consists of conducting international sale and any other lawful business activity. It has a perpetual term of duration. This Company was only included in the consolidation in 2008.

CEMENT AND MINING ENGINEERING INC.
Incorporated according to Panamanian legislation on February 4, 1997 and domiciled in Panama City, its corporate purpose is to build, provide technical assistance, install and assemble equipment, buy, sell and manage real estate and movable property, investments, financing, stakes in companies, purchase or obtain patents, trademarks, copyright, licenses and formulas, carry out transactions with banks and other financial institutions, purchase and sell shares, securities or bonds, financing and stakes held in companies as well as mining and shipping concerns as well as any other lawful business permitted by the laws of the Republic of Panama.

CEMENTO PANAMÁ S.A.
This joint stock company was incorporated according to the laws of Panama on June 25, 1943. Its business purpose consists of producing, selling, importing and exporting cement and its byproducts, as well as importing any type of raw material, machinery, equipment and spare parts for producing and selling cement. It is domiciled in Panama City, Panama and has a perpetual term of duration. In December 2009, Cemento Panama S.A. merged with Panama Cement Holding S.A. and Corporación Incem S.A., the former taking over the latter two.

CEMENTOS ARGOS S.A.
Inversiones Argos S.A. was incorporated according to Colombian legislation on August 14, 1944

Cementos Argos S.A. is domiciled in Barranquilla and its corporate purpose is to produce cement and any other lime or clay-based material, as well as to research, prospect for and produce all types of minerals applicable to the manufacturing industry. Its term of duration expires August 14, 2060.

CEMENTOS COLÓN S.A.
This is a joint stock company incorporated according to the laws of the Dominican Republic on February 12, 1996. Its business purpose is to produce, sell, import and export clinker and cement as well as mine and sell minerals used by or in connection with the cement industry. This Company is domiciled in Santo Domingo and has an indefinite term of duration.

COLCARIBE HOLDINGS S.A.
Incorporated according to the laws of Panama on June 25, 1996 and domiciled in Panama City, its corporate purpose is to negotiate or trade in securities, bonds and stakes in other companies together with any type of rights, whether belonging to the Company or third parties, as well as opening, operating and closing accounts and deposits in financial institutions, lending or borrowing money and providing guarantees for third parties in any currency.

CONCRETOS ARGOS S.A.
Concretos Argos S.A. is a joint stock company incorporated according to Colombian legislation on April 22, 1985; its corporate purpose is to explore, mine, transport, process, use in their entirety, trade and sell rock-based minerals such as: sand, cement and gravel, premixed concrete and prefabricated concrete articles, concrete blocks and any related materials and articles in addition to and complementing the aforementioned as used in the construction industry. The Company is domiciled in Bogotá and its term of duration expires September 8, 2093.

COMERCIAL ARVENCO C.A.
Incorporated in Caracas Venezuela November 02, 2006, its term of duration is for 50 years beginning on said date. It is domiciled in Barquisimeto, in the State of Lara , Venezuela. Its corporate purpose is to conduct business and carry out activities relating to importing, exporting, transporting, purchasing and selling all types of merchandise and

products, metal ore and non-metallic minerals, cement, clinker, coal, equipment, artifacts, vehicles, machinery, tools, spare parts, accessories as well as any other lawful commercial activity.

DOMAR LTD.

This limited liability company was incorporated according to the laws of the Bermudas under Company Registration No. EC 21125 on September 12, 1995. Its business purpose is to make investments. It is domiciled in Hamilton, Bermuda and has an indefinite term of duration. This Company is consolidated with Dominicana Cement Holding S.A..

EMPRESA DE CARBONES DEL CESAR Y LA GUAJIRA S.A. – EMCARBON S.A.

Incorporated according to Colombian legislation on February 2, 1994 and domiciled in Valledupar, its corporate purpose consists of carrying out development projects of a social and economic nature as well as marketing activities in the coal-mining region of Colombia, particularly in the Departments of César and Guajira. In carrying out its corporate purpose, it shall maintain a preference for all those large-scale mining projects relating to prospecting for, mining, transforming and selling coal. The term of its duration expires February 02, 2044.

FLOTA FLUVIAL CARBONERA S.A.S. (FORMERLY FLOTA FLUVIAL CARBONERA LTDA.)

Incorporated according to Colombian legislation on December 30, 1982, this Company is domiciled in Barranquilla and has an indefinite term of duration. Its corporate purpose is to conduct business within the river transport industry as well as any other lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

GANADERÍA RÍO GRANDE S.A.S. (FORMERLY GANADERÍA RÍO GRANDE S.A.)

Incorporated according to Colombian legislation on September 8, 2006 this Company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

HAITI CEMENT HOLDING S.A.

This Company was incorporated in Panama City, Panama, on October 07, 1997, where it has its registered place of business. Its corporate purpose is to acquire, purchase and invest in securities, bonds, shares and equity stakes in other companies, as well as conduct any other lawful activity permitted by Panamanian legislation. It has a perpetual term of duration. This company is consolidated with Cimenterie Nationale S.E.M. (CINA).

INTERNATIONAL CEMENT COMPANY S.A.

Incorporated according to Panamanian legislation on November 24, 1997 and domiciled in Panama City, its corporate purpose is to purchase, own, manage, encumber, rent, sell and dispose of in any way any kind of property either for its own account or that of third parties. It has a perpetual term of duration, according to the laws of this country.

INVERSIONES EL DUERO S.A.S. (FORMERLY INVERSIONES EL DUERO S.A.)

Incorporated according to Colombian legislation on March 31, 2009, this Company is domiciled in Medellin and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

LOGÍSTICA DE TRANSPORTE S.A.

Incorporated according to Colombian legislation on April 16, 1996 and domiciled in Medellin, its corporate purpose is to transport passengers and all types of cargo, both at home or abroad, and via all its forms, overland, air, river and sea, either in vehicles, vessels or airplanes belonging to the Company or to associated third parties. The term of its duration expires April 16, 2026.

MARÍTIMA DE GRANELES S.A.

Incorporated according to Panamanian legislation on December 29, 1978 and domiciled in Panama City, it has a perpetual term of duration. Its corporate purpose is to transport goods by sea, particularly cement and clinker, as well as to purchase and sell these products, rent cargo ships and supply these same.

PANAMÁ CEMENT HOLDING S.A.
Incorporated according to Panamanian legislation on November 08, 2000, this Company is domiciled in Panama City. Its corporate purpose is to carry out any lawful activity permitted by the laws of Panama. This holding company represents the investments held in Corporación Incem S.A., and its subsidiaries, which are dedicated to the construction industry, and include Cemento Panama S.A.. It has a perpetual term of duration In December 2009, this Company merged with Cemento Panama S.A. and Corporación Incem S.A., with the former taking over the others.

POINT CORP.
Incorporated according to the laws of the British Virgin Islands, on February 20, 2001 and domiciled in Road Town, Tortola, British Virgin Islands, its corporate purpose is to purchase, sell and transfer shares, purchase, borrow, lend, hire and rent property and all those activities which it is permitted to carry out in achieving its corporate goals.

PORT ROYAL CEMENT COMPANY, LLC
Incorporated according to the laws of the state of Delaware, USA on March 10, 1998, and later acquired by American Cement Terminals, LLC on December 31, 2001, its corporate purpose is to market cement and related products. It has a perpetual term of duration.

PROFESIONALES A SU SERVICIO LTDA. (SUBJECT TO LIQUIDATION)
This Company was incorporated according to Colombian legislation on February 08, 1989, and its business purpose was to hire and provide manpower and advisory services for both companies and private individuals. It was domiciled in Barranquilla and has been dissolved and is currently being liquidated as decided by its shareholders in 2009. This Company was only included in the consolidation until 2008.

REFORESTADORA DEL CARIBE S.A.S. (FORMERLY REFORESTADORA DEL CARIBE S.A.)
Incorporated according to Colombian legislation on February 14, 1983, this Company is domiciled in Cartagena and has an indefinite term of duration. Its business purpose is to carry out any lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

SOCIEDAD PORTUARIA DE CEMENTERAS ASOCIADAS S.A. – CEMAS S.A.
Incorporated according to Colombian legislation on August 6, 1993 and domiciled in Buenaventura, its corporate purpose is to build, operate, manage and maintain ports and port terminals; carry out activities related to landfills, dredgings as well as civil and ocean engineering works and generally-speaking all those works that are carried out at ports and port terminals, wharves and constructions that exist on beaches and adjacent areas. The term of its duration expires August 6, 2043.

SOCIEDAD PORTUARIA GOLFO DE MORROSQUILLO S.A.
Incorporated according to Colombian legislation on October 31, 1995, its corporate purpose is to invest in building and managing ports and sea and river docks. It is domiciled in Sincelejo and its duration expires on October 31, 2045.

SOUTH CARIBBEAN TRADING & SHIPPING S.A.
Incorporated according to Panamanian legislation and domiciled in Panama City, its corporate purpose is to invest in any type of negotiable instrument. It has a perpetual term of duration, according to the laws of this country.

TRANSATLANTIC CEMENT CARRIERS INC.
Incorporated according to Panamanian legislation on July 26, 1974 and domiciled in Panama City, it has a perpetual term of duration. Its corporate purpose is to transport cargo by sea, especially cement, clinker as well as purchasing and selling these same products.

TRANS ATLANTIC SHIP MANAGEMENT LTD.
Incorporated in the British Virgin Islands on June 03, 2004, it is domiciled in Road Town, Tortola, in the British Virgin Islands. Its corporate purpose relates to the international shipping business, and to this end may lease, charter or own ships and transport cargo belonging to third parties in third party ships as well as carry out any other lawful activity permitted by the laws of the British Virgin Islands. This company consolidates its results with those of Somerset Shipping Co. Ltd., Winterset Shipping Co. Ltd. and Dorset Shipping Co. Ltd.

URBANIZADORA VILLA SANTOS S.A.S. (FORMERLY URBANIZADORA VILLA SANTOS LTDA.)
Incorporated according to Colombian legislation on June 18, 1974, this Company is domiciled in Barranquilla and has an indefinite term of duration. Its business purpose is to carry out any lawful economic activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

VALLE CEMENT INVESTMENTS LTD.
Incorporated according to the laws of the British Virgin Islands on November 18, 1998 and domiciled in the British Virgin Islands, its corporate purpose is to make any type of investments. This company consolidates its results with those of Belsford Ltd.,Climsford Investments Ltd., Godiva Investments Ltd. and Fortecol Investments Ltd..

VENEZUELA PORTS COMPANY S.A.
This Company was incorporated in Panama City, Panama, on February 26, 2002, where it has its registered place of business. Its corporate purpose is to invest in companies, enterprises or projects and negotiate, run or participate in any industrial, mining, commercial, real estate or shipping company or any other type of companies as well as conduct any lawful business activity permitted by Panamanian legislation. It has a perpetual term of duration.

ZONA FRANCA ARGOS S.A.S. (FORMERLY ZONA FRANCA ARGOS S.A.)
Incorporated according to Colombian legislation on July 05, 2007, this Company is domiciled in Cartagena and has an indefinite term of duration. Its corporate purpose is to conduct business within the cement industry, produce concrete mixes, or any other materials or articles made of cement, lime or clay; purchase and sell of minerals or mineral deposits to be used by the cement and similar industries, as well as acquire rights to explore or mine the aforementioned minerals, whether through concessions or chartering, leasing or other types or arrangements, manage, run, supervise, market and develop a free trade zone, and carry out all those activities inherent to its capacity as exclusive user of a special free trade zone and that should be considered convenient, relevant or necessary to perform the following activities as a port operator: loading and unloading, storing in port warehouses, importing and exporting goods and services, handling container loads and cargos in general. The Company may also carry out any other lawful business activity both at home and abroad. In 2009, it became a Simplified Joint Stock Company.

NOTE 2 - BASIS OF PRESENTATION AND CONSOLIDATION PRINCIPLES

CONSOLIDATION
Our Companies in Colombia must prepare their own individual general-purpose financial statements which are presented to the shareholders at their annual meetings and which serve as a basis for the distribution of dividends and other appropriations. Also, the Colombian Code of Commerce requires general-purpose consolidated financial statements to be drawn up, which are also presented to the shareholders at their annual meetings for subsequent approval, but said statements do not serve as a basis for distributing dividends and appropriating profits.

According to rules and regulations issued by the Superintendency of Finance, the consolidated financial statements include all those accounts pertaining to subsidiary companies where:

a) More than 50% of their share capital belongs to the company, either directly, or through the agency of, or in conjunction with the other subsidiary companies or any of their respective subsidiaries. For this purpose, non-voting preferred shares are not taken into account.

b) The Parent Company and its subsidiaries, either jointly or individually are entitled to cast a ballot making up the minimum deciding majority vote at a meeting of partners or shareholders, or possess the number of votes required to elect the majority of the members of the board of directors, should this exist.

c) The Company, either directly or through the agency of or in conjunction of the subsidiary companies, with regard to any act or business with a controlled company or with its parties, exercises a dominant influence on the decisions taken by the management of the company in question.

The consolidated financial statements are prepared in accordance with generally-accepted accounting principles in Colombia. Company management must make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) disclosures regarding contingent assets and liabilities on the closing date of the financial statements and (iii) the reported amounts of revenues and expenses obtained or incurred during the reporting period. Actual results could well differ from said estimates.

The global integration method was used to consolidate the financial statements, which consists of adding to the parent or controlling company's financial statements, the total amount of assets, liabilities, shareholders' equity and results obtained by the subsidiary companies, after eliminating the investment made by the parent or controlling company in the subsidiary company's equity, as well as all reciprocal balances and transactions existing at the closing date of the financial statements in question.

The eliminating of balances and transactions between the parent company and its subsidiaries, as well as those between subsidiaries, together with determining minority interest, the proportional value of the corresponding equity and amortizations of surpluses and/or shortfalls in the cost of the investment versus its book value, have strictly followed that provided by the Superintendency of Finance in Circular No. 002 of 1998, which was amended by Circular 011 of 1998.

Financial information pertaining to Inversiones Argos S.A.'S consolidated subsidiaries, is prepared, as far as possible, pursuant to the same accounting criteria and methods. This information is taken at the cut-off date at December 31, the date established by the parent company for closing its annual books and presenting its financial statements according to its bylaws and that provided by Article 9 of Decree 2649 of 1993.

Considering that our subsidiaries abroad prepare their financial statements based on international financial reporting standards (IFRS) together with generally-accepted accounting principles in the United States, using a coherent set of quality accounting principles and bearing in mind that said principles are considered benchmark accounting techniques in Colombia, these subsidiaries do not have to make substantial adjustments to their financial statements, except for those differences that go against the principle of essence over form.

The following table lists the assets, liabilities, shareholders' equity and results for each of the companies included in the consolidation:

2009

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE YEAR
American Cement Terminals LLC	100.00	13.013	–	13.013	(22)
Argos USA Corp.	100.00	1.517.797	883.131	634.666	(126.674)
Belsford Ltd.	100.00	56.108	102	56.006	(1.323)
C.I. Carbones del Caribe S.A.S.	100.00	243.628	50.183	193.445	(70.236)
C.I. del Mar Caribe BVI Inc.	100.00	22.483	14.354	8.129	4.169
Canteras de Colombia S.A.S.	100.00	84.057	12.143	71.914	(1.996)
Carbones Nechí S.A.S.	100.00	8.795	10.784	(1.989)	(5.047)
Caribbean Construction and Development Ltd.	100.00	8.257	1.683	6.574	161
Caricement Antigua Limited	100.00	7.766	2.244	5.522	911
Caricement Antilles NV	100.00	32.199	4.051	28.148	(3.640)
Caricement Saint Maarten NV	100.00	9.536	7.576	1.960	646
Caricement USVI Corp	100.00	3.156	9.967	(6.811)	(1.931)
Cement and Mining Engineering Inc.	100.00	11.471	23.732	(12.261)	(3.016)
Cemento Panamá S.A.	98.40	478.417	207.773	270.644	53.722
Cementos Argos S.A.	62.75	13.284.562	3.463.341	9.821.221	209.821
Cementos Colón S.A.	70.00	68.429	10.252	58.177	15.605
Central Aggregates LLC	100.00	26.213	3.253	22.960	(2)
Cimenterie Nationale S.E.M.	65.00	58.269	15.646	42.623	11.604
Climsford Investments Ltd.	100.00	71.777	15.769	56.008	(1.321)
Colcaribe Holdings S.A.	100.00	217.522	26.680	190.842	16.648
Comercial Arvenco C.A.	100.00	752	571	181	(12)
Concretos Argos S.A.	100.00	614.134	200.755	413.379	(5.437)
Consort Livestock Inc.	100.00	–	–	–	–
Corporaciones e Inversiones del Mar Caribe S.A.S.	99.60	208.555	75.884	132.671	(5.072)
Domar Ltd.	100.00	40.680	14.342	26.338	27.743
Dominicana Cement Holding, S.A.	87.00	40.722	-	40.722	10.865
Dorset Shipping Co. Ltd.	100.00	1.475	146	1.329	2.268

2009

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE YEAR
Empresa de Carbones del Cesar y La Guajira S.A.	99.90	76.148	29.602	46.546	40.467
Flota Fluvial Carbonera S.A.S.	100.00	12.872	4.947	7.925	2.008
Fortecol Investments Ltd.	100.00	27.397	4	27.393	(366)
Ganadería Río Grande S.A.S.	100.00	10.233	5.843	4.390	(768)
Godiva Investments Ltd.	100.00	27.698	–	27.698	(1.714)
Gulf Coast Cement LLC	100.00	–	–	–	–
Haití Cement Holding S.A.	100.00	32.641	2	32.639	7.094
International Cement Company S.A.	100.00	468	–	468	(2)
Inversiones Argos S.A.		10.130.660	454.889	9.675.771	906.520
Inversiones el Duero S.A.S.	100.00	150.541	204	150.337	2.973
Logística de Transporte S.A.	100.00	46.218	18.327	27.891	(160)
Marítima de Graneles S.A.	100.00	24.519	22.148	2.371	(192)
Piazza Acquisition Corp.	100.00	543.781	9.587	534.194	(23.506)
Point Corp.	100.00	173.013	–	173.013	13.786
Port Royal Cement Company LLC	100.00	16.514	3.501	13.013	24
Reforestadora del Caribe S.A.S.	100.00	37.079	10.806	26.273	(1.570)
RMCC Group Inc.	100.00	291.752	-	291.752	(101.956)
Savannah Cement Company LLC	100.00	19.658	8.142	11.516	(452)
Sociedad Portuaria de Cementeras Asociadas S.A.	100.00	16.350	14.509	1.841	(310)
Sociedad Portuaria Golfo de Morrosquillo S.A.	100.00	18.765	7.811	10.954	(2.142)
Somerset Shipping Co. Ltd.	100.00	22.131	21.027	1.104	1.181
South Caribbean Trading & Shipping S.A.	100.00	204.078	45.475	158.603	24.844
South Central Cement Ltd.	100.00	74.274	19.299	54.975	1.097
Southern Equipment Company Inc.	100.00	932.217	640.465	291.752	(103.516)
Southern Star Concrete Inc	100.00	767.681	223.923	543.758	(19.003)
Southern Star Leasing, LLC	100.00	–	–	–	–
Trans Atlantic Shipmanagement Ltd.	50.00	22.567	(111)	22.678	(1.620)
Transatlantic Cement Carriers Inc.	100.00	45.231	20.858	24.373	(1.422)
Urbanizadora Villa Santos S.A.S.	100.00	61.035	53.179	7.856	1.623
Valle Cement Investments Ltd.	100.00	624.282	311.307	312.975	243.896
Venezuela Ports Company S.A.	100.00	5.176	10	5.166	1.118
Winterset Shipping Co. Ltd.	100.00	24.065	19.885	4.180	(669)
Zona Franca Argos S.A.S.	100.00	985.665	150.847	834.818	17.019
		32.554.482	**7.150.848**	**25.403.634**	

2008

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE YEAR
American Cement Terminals LLC	100.00	14.892	-	14.892	(669)
Argos USA Corp.	100.00	1.810.354	978.305	832.049	(113.216)
Áridos de Antioquia S.A.	100.00	26.941	52	26.889	89
Asesorías y Servicios Ltda.	100.00	84	1.224	(1.140)	(1.315)
Belsford Ltd.	100.00	55.307	113	55.194	8.155
C.I. Carbones del Caribe S.A.	100.00	532.995	272.134	260.861	(52.364)
C.I. del Mar Caribe BVI Inc.	100.00	23.469	18.710	4.759	(2.268)
C.I. del Mar Caribe S.A.	97.98	93.068	10.714	82.354	(1.910)
C.T. & Cía. Ltda.	100.00	18	-	18	-
Canteras de Colombia S.A.	100.00	55.679	8.595	47.084	7.196
Canteras del Norte Ltda.	100.00	51	1	50	-
Carbones Nechí S.A.	100.00	6.823	4.070	2.753	(1.510)
Caribe Trading Corporation	100.00	867	1	866	(168)
Cement and Mining Engineering Inc.	100.00	12.590	22.901	(10.311)	(16.931)
Cementos Argos S.A.	70.45	9.934.625	3.558.895	6.375.730	66.990
Central Aggregates LLC.	100.00	28.193	2.992	25.201	(21)
Cimenterie Nationale S.E.M.	32.50	65.004	18.803	46.201	7.242
Climsford Investments Ltd.	100.00	82.336	27.142	55.194	6.363
Colcaribe Holdings S.A.	100.00	223.386	25.531	197.855	53.076
Concretos Argos S.A.	100.00	437.449	157.134	280.315	29.350
Consort Livestock Inc.	100.00	-	-	-	-

2008

NAME OF COMPANY	TOTAL STAKE (%)	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE YEAR
Comercial Arvenco C.A.	100.00	209	-	209	-
Empresa de Carbones del Cesar y La Guajira S.A.	96.60	47.128	28.860	18.268	1.215
Dorset Shipping Co. Ltd.	50.00	31.240	31.702	(462)	(3.007)
Flota Fluvial Carbonera Ltda.	100.00	22.212	7.680	14.532	(928)
Fortecol Investments Ltd.	100.00	18.578	-	18.578	1.933
Ganadería Río Grande S.A.	100.00	7.768	6.147	1.621	(1.344)
Godiva Investments Ltd.	100.00	19.107	2	19.105	(9.746)
Gulf Coast Cement LLC	100.00	-	-	-	-
Haití Cement Holding S.A.	50.00	30.030	-	30.030	1.370
International Cement Company S.A.	100.00	517	-	517	1
Inversiones Argos S.A.		6.251.644	485.932	5.765.712	91.205
Logística de Transporte S.A.	100.00	57.093	29.692	27.401	3.695
Marítima de Graneles S.A.	100.00	20.182	16.363	3.819	(560)
Panamá Cement Holding S.A.	50.00	484.837	204.212	280.625	33.479
Piazza Acquisition Corp.	100.00	616.141	5.842	610.299	(27.024)
Point Corporation	100.00	176.153	-	176.153	41.919
Port Royal Cement Company LLC	100.00	20.605	5.713	14.892	(516)
Profesionales a su Servicio Ltda.	100.00	15	587	(572)	(946)
Reforestadora del Caribe S.A.	100.00	36.012	8.413	27.599	(2.238)
RMCC Group Inc.	100.00	430.449	-	430.449	(78.059)
Savannah Cement Company LLC	100.00	29.743	16.500	13.243	(327)
Sociedad Portuaria de Cementeras Asociadas S.A.	100.00	32.627	32.476	151	133
Sociedad Portuaria Golfo de Morrosquillo S.A.	100.00	18.908	5.812	13.096	(819)
Somerset Shipping Co. Ltd.	50.00	27.144	27.061	83	1.023
South Caribbean Trading & Shipping S.A.	100.00	208.868	55.333	153.535	67.933
South Central Cement Ltd.	100.00	87.919	28.279	59.640	787
Southern Equipment Company Inc.	100.00	1.157.261	726.812	430.449	(78.059)
Southern Star Concrete Inc	100.00	949.941	333.800	616.141	(21.981)
Transatlantic Cement Carriers Inc.	100.00	58.377	29.004	29.373	1.485
Trans Atlantic Shipmanagement Ltd.	50.00	30.516	(1.166)	31.682	2.767
Urbanizadora Villa Santos Ltda.	100.00	64.962	58.199	6.763	2.238
Valle Cement Investments Ltd.	100.00	150.803	30.851	119.952	615
Venezuela Ports Company S.A.	100.00	4.508	-	4.508	(1.027)
Winterset Shipping Co. Ltd.	50.00	30.472	25.042	5.430	2.540
Zona Franca Argos S.A.	100.00	772.603	219.369	553.234	17.209
		25.298.703	**7.525.834**	**17.772.869**	-

In 2009, our group of subsidiaries underwent the following changes:

- The consolidation was extended to: Cementos Colón S.A., Dominicana Cement Holding S.A., Domar Ltd., Caricement Antilles NV, Caricement USVI Corp., Caribbean Construction and Development Ltd., Caricement Antigua Limited, Caricement Saint Maarten NV. and Inversiones El Duero S.A.S.

- The following Companies were merged: Áridos de Antioquia S.A., C.T. & Cía. Ltda. and Canteras del Norte Ltda. with Canteras de Colombia S.A.S, with Canteras de Colombia S.A.S. taking over the others.

- The following companies are also in the process of being liquidated: Profesionales a su Servicio Ltda., Asesorías y Servicios Ltda. and Caribe Trading Corporation.

- The following companies were liquidated: Disgranel Ltda., Transporte de Agregados y Concretos y Cía Ltda. and Distribuidora de Cementos del Occidente Ltda..

- Corporación de Cemento Andino C.A. and its subsidiaries Andino Trading Corporation, Comercializadora Dicemento C.A. and Depoan S.A. were excluded from the consolidation given the fact that the Company no longer holds a controlling interest (Please refer to Note 8 – Permanent Investments). The same applied to Intership Agency Venezuela C.A. and Surandina de Puertos C.A.

The consolidation, with regard to the non-consolidated financial statements of Inversiones Argos S.A., represented increases in Total Assets of COP 8.053.230 (2008 - COP 7.146.810), and in Liabilities COP 8.474.284 (2008 - COP 7.478.729) together with a reduction in Shareholders' Equity of COP 421.054 (2008 - COP 331.919).

The effect of consolidating the Company's financial statements with those of its subsidiaries was as follows:

	Balance before Eliminations	**Eliminations**	**Consolidated Balance**
Assets	32.554.482	(14.370.592)	18.183.890
Liabilities	7.150.848	1.778.325	8.929.173
Shareholders' Equity	25.403.634	(16.148.917)	9.254.717

The reconciliation between Inversiones Argos S.A.'s own profits its total consolidated profits is as follows:

	2009	**2008**
Non-consolidated profits	906.520	91.205
Consolidated profits	**906.520**	**91.205**

The reconciliation between Cementos Argos S.A.'s own equity and its total consolidated equity is as follows:

	2009	**2008**
Individual Equity	9.675.771	5.765.712
Unrealized gains on sale of property plant and equipment	(14.473)	(13.667)
Unrealized gains on sale of investments	(387.497)	(297.244)
Unrealized gains on sale of land	(19.084)	(21.008)
Consolidated equity	**9.254.717**	**5.433.793**

NOTE 3 - MAIN ACCOUNTING POLICIES AND PROCEDURES

In preparing its consolidated financial statements, the Parent Company by law must follow generally-accepted accounting principles in Colombia as well as rules and regulations established by the Colombian Superintendency of Finance and other legal provisions; said principles may differ in some aspects from those established by other oversight authorities in Colombia. The following are the main accounting policies and procedures that the Company has adopted in keeping with the above:

ESSENCE OVER FORM

Consolidated companies recognize and disclose their assets and economic events based on their essence or their economic reality and not just on their legally-defined nature, reason for which, accounting principles are applied that allow for an adequate recognition of the economic events in each of the countries where present.

CONVERTING THE FINANCIAL STATEMENTS

Given the fact that Colombian legislation lacks a technical framework that provides accepted conversion methods, but does however establish that, given the inexistence of this latter framework, the proper course is to refer to a superior application standard which in this case is the International Accounting Standard (IAS) No. 21 - The Effects of Changes in Foreign Exchange Rates", which was duly adopted.

In this order of ideas, the financial statements pertaining to companies abroad, stated in currencies other than the US dollar or another similar hard currency, are converted into US dollars according to that provided in IAS No. 21, in the following manner.

- Assets and liabilities are converted at the exchange rate applicable on the closing date.

- The equity accounts are converted using the exchange rates applicable on each of the dates on which the transactions were conducted. In the case of companies that cannot provide any historical information, their corresponding equity was converted at the exchange rate applicable at the close of December 2005.

- The income accounts were converted using the exchange rates applicable on each of the dates on which the transactions were conducted, and, where not possible, the average exchange rate for the month in question.

- Conversion differences are recorded under shareholders' equity specifically in the accumulated conversion adjustments account, containing all those differences obtained from converting items on the income statements using average exchange rates, together with those items on the balance sheet, using the rates applicable on the closing date.

Furthermore, figures in US dollars are converted to Colombian pesos using the market exchange rate applicable at the close of the fiscal period, as certified by Colombia's Central Bank.

ADJUSTMENTS FOR INFLATION

Inflation adjustments were eliminated by means of Decree 1536 issued on May 7, 2007, which in turn amended Decrees 2649 and 2650. Pursuant to said Decree, all adjustments for inflation recorded in books from January 1992 to December 31, 2006 form part of the balance of their respective accounts.

The balance of the equity revaluation account cannot be distributed until the company is either liquidated or capitalized. In the event that the company is capitalized, the funds in this account can be used to wipe out losses should there be grounds for liquidating the company; however they can never be used for reimbursing capital. In the case of a debit balance being obtained in this account, this can be reduced with profits for the period or from prior periods, but only upon complying with all those rules and regulations governing profits that are contained in the Colombian Code of Commerce.

Law 1111 of 2006 established the possibility of charging wealth tax to this account, without affecting the income accounts, which was the option chosen by the companies belonging to the Argos Group.

NEGOTIABLE AND PERMANENT INVESTMENTS

The Colombian Superintendency of Finance requires that all investments are classified and entered in books as follows:

a) Investments that the Parent Company or its Subsidiaries intend to hold until maturity or until they expire or for at least a term of three years in the case of all those investments whose term is greater than three years or that simply do not have a maturity date are classified as permanent investments. These investments are appraised and posted on a prospective basis in the following manner:

    - Debt securities or investments incorporating debtor's rights (non-equity securities) earning a fixed or variable rate are initially posted at their purchase cost and are appraised on a monthly basis based on the IRR of each security calculated at the moment of purchase; the resulting adjustment is recorded on the income accounts.

    - Investments in shares or equity stakes (equity securities) earning a variable rate and held in entities where the Company does not possess a controlling stake are recorded at their inflation-adjusted cost and these are duly adjusted on a monthly basis at their realizable value. The resulting adjustment, whether it is positive or negative, is posted in the revaluation account debiting or crediting the revaluation surplus account under Shareholders' Equity, as applicable. The realizable value of securities classified as having high or medium liquidity by the Colombian Superintendency of Finance, is calculated based on the average share price registered on the Colombian Stock Exchange during the previous 10 to 90 days, depending on the corresponding parameters established by this Superintendency. The realizable value of all those equity securities with a low or minimum liquidity or which are not listed on the Stock Exchange is calculated based on their intrinsic value as shown on the latest financial statements presented by the issuer of said securities.

b) Investments corresponding to securities that are easily disposed of and that the Company intends to sell within a period of up to three years to a third party outside the Business Group are classified as negotiable investments. These investments are initially posted at cost and then are adjusted on a monthly basis to reflect their realizable value debiting or crediting the income accounts, as applicable. Their realizable value is calculated in the same way as indicated in the previous subsection for each type of investment.

PROVISION FOR DOUBTFUL ACCOUNTS

The provision for doubtful accounts is reviewed and updated every year based on an analysis carried out by Company Management of how long the balances due have remained in arrears as well as the probabilities of these being recovered. Periodically the amounts considered uncollectible are charged to the corresponding provision.

INVENTORIES

Inventories are posted at cost and at the end of the fiscal period these are reduced to their market value, should this be lower than their cost. This cost is determined according to the average-cost method. At the end of the fiscal year, obsolete inventories of materials and spare parts are duly reviewed and updated and a provision is set up in the financial statements As of 2009 these included construction work and land to be built upon. All costs and taxes incurred in preparing the land until it is ready to be sold are duly recorded in books.

PROPERTY, PLANT AND EQUIPMENT

Property and equipment are recorded at cost, which when relevant includes financing expense and exchange differences on the liabilities incurred in acquiring property and equipment until these are ready to be used.

Sales and withdrawals of said assets are discharged at their respective adjusted net cost, and the difference between the selling price and the adjusted net cost is recorded in the income accounts.

Depreciation is calculated using the straight-line method, on the inflation-adjusted cost, based on the probable useful life of the assets listed as follows: between 20 and 40 years in the case of buildings, construction work, plants and networks; between 3 and 10 years in the case of machinery as well as industrial and office equipment; between 5 and 10 years for fleets of vehicles together with transport, computer and communication equipment; and between 6 and 8 years in the case of ships.

Repairs and maintenance performed on these assets are charged to the income accounts, while any improvements and extensions to such are added to the cost of these same.

INTANGIBLES

Intangibles are recorded at their acquisition cost and represent the value of certain rights such as trademarks, goodwill, utilization rights (concessions and franchises) amongst others. These are amortized using the straight-line method. The period for amortizing trademarks is 20 years, and in the case of all those other rights, depending on the length of the licensing term or the time estimated for using these reserves, which is estimated at between 3 and 30 years.

ACQUIRED GOODWILL

Colombian companies have to record in their corresponding Acquired Goodwill Account, any additional sum paid over and above their intrinsic value, as certified by the respective company, when purchasing shares, or equity stakes in active economic entities, when control of the business is taken over, as provided for by Articles 260 and 261 of the Code of Commerce, that were subsequently amended by Articles 26 and 27 of Law 222 of 1995 and any other rules or regulations that should so amend, extend or replace such provisions

Based on Joint Circulars 007 of 1997 and 011 of 2005 issued by the Superintendency of Finance, the amortization of goodwill arising from business mergers, is calculated using the straight-line method based on the estimated time that the intangible is due to be used, which shall not exceed a term of twenty years.

At the close of each fiscal year, or at the end of each month that is included in the basis for preparing extraordinary financial statements, the Company assesses the goodwill obtained from each investment so as to check its source within the balance sheet.

In other countries where our subsidiaries are based, goodwill is calculated according to the accounting rules and regulations applicable in the country in question, which are governed by an overarching accounting standard governing essence over form, according to generally-accepted accounting principles in Colombia as well as that provided by the Superintendency of Finance and in keeping with that laid out in Article 11 of Decree 2649 of 1993, regarding essence over form.

DERIVATIVES
Company is exposed to different risks existing on the financial market, as part of its normal course of business, which is duly handled through derivatives. These risks can be summarized as follows:

Strategic risk: any changes between the expected benefits of a strategy and the actual results obtained.

Market risk: any change in the reasonable value of the derivative due to fluctuations in its market price.

Liquidity risk: losses incurred due to: I) failure to pay off an obligation due to difficulties in obtaining liquidity. II) the impossibility of taking up or liquidating a position in derivatives given the fact that there is no market for such.

Credit risk: Losses that could be incurred due to counterparty default.

Operating Risk: losses to which the Company is exposed due to errors with the recording and/or valuation systems Also a poorly designed system of limits, deficient checks performed on the contracts and an inadequate information management system.

It is important to note that the Company conducts periodic appraisals of its derivatives based on market prices for administrative control purposes.

The Company effectively handles these risks carrying out the following operations:

SWAPS
These are financial transactions in which the Company, as part of an agreement with a bank, exchanges flows of money so as to reduce risks relating to liquidity, rates, terms or issuers, as well as with regard to the restructuring of assets and liabilities.

In the case of interest rate swaps, no capital is exchanged and the Company is responsible for the money due in terms of both amounts and terms established, which are recorded quite separately from the value of the swap. With regard to the actual recording of the swap, only those payments net of interest between the parties are posted in books, limiting this to recognizing the positive or negative difference between the flows of interest that the parties agree to exchange. The resulting profits or losses are not recognized as assets or liabilities, but are directly recognized in the income accounts.

In the case of currency swaps, the existence of an agreement of this type does not affect the value of the pending debt (original). During the term of this agreement, the parties pay a differential on the interest, and the exchange difference which is posted directly in the income accounts.

FORWARDS
These are used to cover the risk inherent to the exchange rate on debt operations and investments in foreign currency. At the end of each period, these are appraised by deducting their forward rate based on the depreciation rate agreed on. This present value is then compared with the representative market rate at the close of the period and the positive or negative difference thus obtained is recorded in the income accounts.

ASSET VALUATIONS
These correspond to:

a) Excess amounts between the market or intrinsic value of investments in shares, quotas or equity stakes at the end of the fiscal year and their net inflation-adjusted cost in books.

b) Surplus amounts resulting from technical appraisals of property, plant and equipment compared with their respective net inflation-adjusted costs. Said appraisals were carried out by both employees and third parties, on the basis of their replacement or depreciated value for the years 2009 and 2008. These appraisals must be updated every three years.

LABOR OBLIGATIONS AND RETIREMENT PENSIONS

Labor liabilities are adjusted at the end of each fiscal period based on applicable legal provisions and the current labor agreements in force.

Retirement pension obligations represent the present value of all future outlays that the consolidated companies must make with regard to their pensioned employees or corresponding beneficiaries who are essentially employees that have been with the Company for many years . The respective charges to the annual income accounts, are carried out based on actuarial studies, according to current legal provisions, which are prepared using methods such as the system of actuarial equivalences for pension payments due and life annuities that are immediate, fractional, payable and prospective. Pension payments made during the fiscal year are charged directly to the income accounts for the period.

In the case of all those employees who are covered by the new social security system (Law 100 of 1993) the Company covers its pension obligations by paying contributions to the Colombian Social Security Institute and/or private pension funds according to the terms and conditions provided by said Law.

Actuarial calculations comply with Colombian legislation and apply solely to Colombian companies.

The consolidated financial statements include all labor liabilities calculated in the different countries, applying the corresponding accounting techniques and in keeping with the legal and implicit obligations acquired by the subsidiaries. In this sense, there was no need to prepare new accounting estimates as a result of recording the consolidated amount of employment benefits and other perks on a basis different from that presented in all those countries where the corresponding labor liabilities were incurred.

INCOME TAX

The Company calculates the provision for income tax based on estimated taxable earnings at rates contained in applicable tax legislation, or based on the presumptive income method. Tax effects on the income, costs and expense accounts, corresponding to temporary differences between the book and tax figures are recorded as deferred tax. However in the case of debit deferred tax, only temporary differences are recorded as income when these imply a higher tax payment during the current year, providing it is reasonably expected that sufficient taxable income shall be provided in the periods in which the tax benefit shall be obtained.

MEMORANDUM ACCOUNTS

Memorandum accounts contain all those commitments to be fulfilled as well as contingent rights or responsibilities, such as the value of goods and securities given up as security, guarantees issued, unused letters of credit, securities received for safekeeping or as security, as well as the difference between the tax and book equity values.

RECOGNITION OF REVENUES, COSTS AND EXPENSE

Sales revenue is recognized when the product is shipped; when the land or construction work has been recorded as a public deed, rental revenue is recognized in the month it accrues and revenue from services is recognized when these are provided. All income, costs and expense are recorded on an accrual basis.

OPERATING EARNINGS BEFORE ASSET IMPAIRMENT

This account contains the operating earnings produced by the consolidated companies, excluding extraordinary operating expense recorded by Argos USA Corporation in the United States. This specific expense consisted of a long-term asset impairment, this considered as an unusual and non-recurring business event.

ASSET IMPAIRMENT

This corresponds to the expense originating in a long-term asset impairment study carried out by experts that was posted as operating expense by Argos USA Corporation, according to USGAAP. This expense arose as a result of events that are entirely unrelated to the Company's main business activity.

DIVIDEND REVENUES
Dividends accrue in their entirety when these are declared.

CONVERTING TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY
Transactions in foreign currency are posted at the exchange rate applicable on the dates these are carried out. At the end of each fiscal period, amounts to be paid or collected are adjusted according to the market exchange rate as certified by Colombia's Central Bank. With regard to amounts receivable or payable in foreign currency, exchange differences are posted in the income accounts, except when said exchange differences are charged to the cost of acquiring the corresponding assets. Exchange differences that can be charged to the cost of acquiring assets are those that occur while said assets are being built or installed and until they are ready to be used.

Beginning in 2007, and as provided in Decree 4918 of 2007, the exchange difference on equity investments held in foreign-based subsidiaries must be recorded as a higher or lower value of equity in the equity method surplus account.

STATEMENTS OF CASH FLOWS
The attached Statements of Cash Flows were prepared using the indirect method, which includes reconciling the year's net profits with net cash sourced from operating activities.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash and banks, savings deposits and all highly liquid investments.

MATERIALITY
In preparing the consolidated financial statements according to generally-accepted accounting principles in Colombia, Company Management is required to make estimates and assumptions regarding the reported amounts of assets and liabilities on the closing date of said financial statements as well as the amounts of revenues and expense reported during the period in question. The materiality used for the financial statements at December 31, 2009 and December 31, 2008 was calculated on the basis of 10% of the results before tax for the period and 1% of Assets and Shareholders' Equity.

CONSOLIDATED BASIC EARNINGS PER SHARE
Basic earnings per share are calculated on the basis of the annual weighted average of subscribed shares outstanding belonging to the Company. The Company's own repurchased shares were excluded from this calculation.

CONTINGENCIES
Certain contingencies may exist on the date on which the financial statements are issued and these could result in a loss for the Company. However, such contingencies can only be determined at a future date based on whether one or more events occur. Such contingencies are estimated by Company Management in conjunction with the Company's legal advisors. Estimated loss contingencies necessarily imply a judgment call and therefore are a matter of opinion. In estimating loss contingencies relating to legal proceedings taken against the Company, legal advisors analyze the merits of the case, the legal system of the courts involved and the current status of said proceedings, among other aspects.

If upon analyzing the contingency, a material loss is probable and the amount of the liability can be estimated, this is duly recorded in the financial statements. If, on the other hand, there is no indication of a probable potential loss but the result is still uncertain or there could be a probable loss but the amount cannot be estimated, then the nature of the contingency is disclosed in a note to the financial statements. Loss contingencies considered as remote are generally not disclosed.

RECLASSIFICATIONS IN THE FINANCIAL STATEMENTS
Certain figures included in the financial statements at December 31, 2008 were reclassified for presentation purposes

NOTE 4 – TRANSACTIONS IN FOREIGN CURRENCY

Basic rules and regulations in Colombia allow foreign currency to be freely negotiated through banks and other financial institutions at freely determined exchange rates. However, the majority of transactions in foreign currency still need to fulfill certain legal requirements.

Transactions and balances in foreign currency are converted using the representative market exchange rate as certified by Colombia's Central Bank, this being used to prepare the financial statements at December 31, 2009 and December 31, 2008. The representative market exchange rate at December 31, 2009 came to COP 2.044,23 (2008 - COP 2,243.59) per US dollar.

The Company and its subsidiaries held the following net position in foreign currency, mainly in US dollars, posted at their equivalent values in millions of Colombian pesos at December 31, 2009 and December 31, 2008:

	2009		2008	
	Dollars	Millions of Pesos	Dollars	Millions of Pesos
Current Assets	431.435.830	881.954	636.616.855	1.428.307
Non-current assets	1.236.769.392	2.528.241	1.397.999.938	3.136.539
	1.668.205.222	3.410.195	2.034.616.793	4.564.846
Current liabilities	(566.379.465)	(1.157.810)	(830.237.993)	(1.862.714)
Non-current liabilities	(608.791.840)	(1.244.511)	(793.026.635)	(1.779.227)
	(1.175.171.305)	(2.402.321)	(1.623.264.628)	(3.641.941)
Net Long Position	**493.033.917**	**1.007.874**	**411.352.165**	**922.905**

NOTE 5 – NEGOTIABLE INVESTMENTS

Negotiable investments at December 31, 2009 and December 31, 2008 are broken down as follows:

	Average Annual Rate - 2009 (%)	2009	2008
CDs (1)	2.93%	261.977	496.644
Trusts in local currency (2)	2.20%	65.437	385.209
Repo rights on investments	4.41%	169.846	29.133
Bonds		249	249
Securities		-	71.255
Others		3	109
		497.512	**982.599**
Less – Provision		(248)	(21.588)
		497.264	**961.011**

(1) Corresponding mainly to CDs totaling USD 116.000.000 (2008 USD 156.000.000).
(2) Decrease due mainly to having partially liquidated the ASIP trust in December 2009

NOTE 6 – ACCOUNTS RECEIVABLE

At December 31, 2009 and December 31, 2008, the Accounts Receivable account included the following:

	2009	2008
Domestic customers	282.914	283.396
Foreign customers USD 7,599,101 (2008 - USD12,917,279)	15.534	21.872
Current trade accounts (1)	15.856	41.191
Advances to contractors and others (2)	138.368	232.289
Loans to private individuals	15.467	13.836
Miscellaneous receivables	126.059	58.193

	2009	2008
Accounts receivable due from workers	24.407	23.062
Income receivable (3)	116.267	195.036
Advance tax payments	174.050	185.141
Deposits	97	173
Receivables due from related companies (6) (See Note 27)	23.110	19.253
Others	2.592	1.809
	934.721	**1.075.251**
Less: Provision for Doubtful Accounts.	(53.507)	(38.872)
Long-Term Portion	(57.531)	(40.862)
	823.683	**995.517**

(1) Including COP 15.759 (2008 - COP 38.263) corresponding to non-consolidated related companies (See Note 27).
(2) Drop due mainly to having legalized the advance payments made for building the Cartagena Plant located in the Zona Franca Argos S.A.S.
(3) Drop due to having collected COP 75.172 from the sale of shares in Reforestadora El Guásimo as well as land.

A provision for accounts receivables for COP 7,757 (2008 - COP 5.033) was posted on the Income Statement.

At December 31, 2009, the accounts receivable and inventories corresponding to Southern Star Concrete and Ready Mix Concrete Company have been pledged to Citicapital as security for each of the companies' lines of revolving credit.. The credit limit approved for Southern Star comes to USD 30.000.000, of which USD 4.510.006 had been used at December 2009, with another USD15.000.000 approved for Ready Mixed Concrete Company, which had not been used at December 2009.

Long-term accounts receivable at December 31 2009 become due and payable as follows:

	Value
2011	47.095
2012	5.625
2013	4.103
2014	708
	57.531

Interest rates on long-term receivables are as follows: between 2,00% y 14,00% in the case of employee loans, and between 3,00% y 10,00% for loans to related companies..

The value of past-due customer receivables at December 31, 2009, came to COP 42.058 (2008 - COP 28.306). Uncollectible accounts more than 12-months past-due on the part of 11 customers total COP 357 (2008 - COP 2.371).

NOTA 7 – INVENTARIOS, NETO

Inventories at December 31, 2009 and December 31, 2008 are broken down as follows:

	2009	2008
Finished goods	63.201	64.928
Goods in process	20.708	29.442
Raw and direct materials	92.706	115.298
Materials, spare parts and accessories	111.437	120.468
Inventories in transit	7.280	10.495
Assets for sale	13.622	16.498
Land	10.360	10.726
Goods not manufactured by the Company	16.923	22.530
Urban construction work	14.957	-
Others	15.515	19.216
	366.709	409.601

	2009	2008
Less - Provision for inventories	(5.574)	(7.305)
	361.135	**402.296**

The provision for inventories performed as follows:

	2009	2008
Opening balance	7.305	6.294
Provision for the year	5.298	2.304
Charge-offs	(7.029)	(1.293)
Ending balance	**5.574**	**7.305**

As of 2009, and given the increase in urban construction work, the Company decided to record these operations as part of its main business activities, in keeping with that stipulated in its business purpose.

NOTE 8 – PERMANENT INVESTMENTS

Permanent investments at December 31, 2009 and December 31, 2008 are broken down as follows:

2009

Company	Domicile	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake Held	Type of Share	Adjusted Cost	Market Value	Provision	Increase (Decrease) In Value
A. SHARES											
Aeropuerto de Barranquilla S.A.	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	149	-	109
Bancolombia S.A.	Medellín	Financial services	B	509,704,584	58,353,500	11.45%	O	177,290	1,350,300	-	1,173,010
Cartón de Colombia S.A.	Cali	Cardboard manufacturing	B	107,716,050	3,192,175	2.96%	O	7,034	26,119	-	19,085
Cementos de Caldas S.A.	Manizales	Cement production	I	50,666,501	20,179,195	39.83%	O	3,027	3,363	-	336
Companie de Distribution de Ciment S.A.(2)	Haití	Overland transport	I	200	200	100.00%	O	181	181	-	-
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging	I	54,607	5,905	10.81%	O	81	11,731	-	11,650
Compañía Colombiana de Inversiones S.A.	Medellín	Financial services	B	71,958,450	31,556,870	43.85%	O	631,826	1,421,717	-	789,891
Compañía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	33.33%	O	1,562	-	1,562	-
Concesiones Urbanas S.A.	Bogotá	Civil construction works	I	1,554,726	518,345	33.34%	O	6,361	11,452	-	5,091
Corporación de Cemento Andino C.A. (3)	Venezuela	Cement manufacturing	I	37,697,288	37,580,426	99.69%	O	39,484	-	39,484	-
Corporación Club Deportivo El Rodeo S.A.	Medellín	Social	I	44,661	12	0.03%	O	6	25	-	19
Empresa de Energía del Pacífico S.A. E.S.P. -EPSA	Cali	Energy	I	346,701,360	50,460,672	14.55%	O	462,590	335,463	-	(127,127)
Fondo Regional de Garantías de la Costa Atlántica	Barranquilla	Financial services	I	68,359	2,730	3.99%	O	40	103	-	63
Fundiciones Colombia S.A.	Medellín	Metal-working	I	2,496,845,128	1,326,765,022	53.14%	O	1,647	794	853	-
Grupo de Inversiones Suramericana S.A.	Medellín	Investments	B	469,037,260	165,883,504	35.37%	O	196,134	3,816,700	-	3,620,566
Grupo Nacional de Chocolates S.A.	Medellín	Confectionery	B	435,123,458	45,243,781	10.40%	O	196,923	950,120	-	753,197
Hipódromo Los Comuneros S.A.	Guarne	Horse-racing	I	3,199,388	16,870	0.53%	O	12	-	-	(12)
Industrial Hullera S.A.	Medellín	Coal-mining	I	6,474,711	2,426,054	37.47%	O	155	-	-	(155)
Industrias Metalúrgicas Apolo S.A.	Medellín	Metal-working	I	234,438,170	179,631,921	76.62%	O	2,127	-	2,127	-
Inmobiliaria Incem	Panamá		I	2,196,430	281,143	12.80%	O	204	204	-	-
Intership Agency Venezuela	Venezuela	Shipping agency services	I	-	-	100.00%	O	20	-	20	-
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,080,000	50.00%	O	473	18,345	-	17,872
Omya Colombia S.A.	Guarne	Non-metallic mineral production	I	12,690,910	6,345,455	50.00%	O	11,554	30,674	-	19,120
Papeles y Cartones S.A.	Barbosa	Paper	I	11,426,975,951	1,112,158	0.01%	O	1	13	-	12
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promotional	I	58,622,019	188,756	0.32%	O	62	228	-	166
Poblado Country Club S.A.	Medellín	Social	I	1,750	15	0.86%	O	554	420	134	-
Predios del Sur S.A.	Medellín	Construction	I	7,685,304,157	401,065,661	5.22%	O	952	575	377	-
Promotora de Proyectos S.A.	Medellín	Finance	I	1,051,919	178,360	16.96%	O	147	53	94	-
Promotora Nacional de Zonas Francas S.A.	Rionegro	Finance	I	381,310,997	63,940,688	16.77%	O	1,815	597	1,218	-
Propal S.A.	Cali	Paper	I	150,826,378	116,767	0.08%	O	2	164	-	162
Propuerto S.A.	Barranquilla	Port services	I	1,145,337	128,965	11.26%	O	1,151	-	1,147	(4)
Reforestadora El Guásimo S.A.	Medellín	Agroindustrial projects	I	3,656,092,780	111,699,594	3.06%	O	775	2,104	-	1,329
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,667	2,625	15.75%	O	70	5	-	(65)
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transport	I	172,158,489	4,440,945	2.58%	O	1,015	-	1,015	-
Sociedad Portuaria de	Barranquilla	Port services	I	52,714	1,000	1.90%	O	16	14	-	(2)

2009

Company	Domicile	Business Activity	Valuation Basis	Shares Outstanding	No. Shares	% Stake Held	Type of Share	Adjusted Cost	Market Value	Provision	Increase (Decrease) In Value
Barrancabermeja S.A.											
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	I	16,198,079	403,130	2.49%	O	484	404	-	(80)
Sociedad Portuaria La Inmaculada S.A. (2)	Barranquilla	Port services	I	40,000	40,000	100.00%	O	56	39	2	(15)
Sociedad Portuaria Las Flores S.A. (2)	Barranquilla	Port services	I	50,000	50,000	100.00%	O	59	51	2	(6)
Sociedad Portuaria Regional de Barranquilla S.A	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	63	160	-	97
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port services	I	50	3	6.00%	O	9	-	9	-
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	I	356,132	4,390	1.23%	O	103	47	-	(56)
Surandina de Puertos C.A.	Venezuela	Port services	I	250,000	250,000	100.00%	O	5,353	5,353	-	-
Tableros y Maderas de Caldas S.A.	Manizales	Timber	B	25,398,319,390	999,681,490	3.94%	O	1,429	5,948	-	4,519
Textiles Fabricato Tejicondor S.A.	Medellín	Textiles	B	8,255,282,680	299,314,289	3.63%	O	5,780	8,943	143	3,306
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Rail services	I	2,450,625	72,294	2.95%	O	331	-	331	-
Triple A Barranquilla S.A.	Barranquilla	Public utility services	I	59,079,605	82,214	0.14%	O	350	213	-	(137)
Others								6,538	-	3,964	(2,574)
B. SHAREHOLDER QUOTAS.											
Compañía de Navegación del Mar Caribe Ltda. (1)	Barranquilla	Shipping services	I	61,169	50,334	82.29%	O	10	-	10	-
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Marketing	I	200,000	200,000	100.00%	O	3,674	4,977	-	1,303
Distribuidora de Cementos Ltda. (1)	Medellín	Marketing	I	50,000	50,000	100.00%	O	1,915	1,762	227	74
Servigranel	Barranquilla	Marketing	I	-	-	-	O	37	-	37	-
Transportadora Sucre Ltda. (1)	Barranquilla	Overland transport	I	100	40	40.00%		75	75	-	-
Transportes Elman Ltda. (1)	Barranquilla	Overland, river and sea transport	I	800,000	389,148	48.64%	O	1,592	4,332	-	2,740
Transmarítima del Caribe Ltda. (1)	Barranquilla	Shipping services	I	50	34	68.00%	O	53	-	53	-
Others								11	5	6	
TOTAL SHARES AND EQUITY QUOTAS								1,773,253	8,013,922	52,815	6,293,484
C. BONDS AND SECURITIES								6,817	4,502	2,315	
D. OTHER INVESTMENTS								78,065	156,171	3,614	81,720
Less- Provision								(58,744)			
								1,799,391	8,174,595	58,744	6,375,204

2008

Company	Domicile	Business Activity	aluation Bas	Shares Outstanding	No. Shares	% Stake Held	Type of Share	Adjusted Cost	Market Value	Provision	Increase Decrease) In Value
A. SHARES											
Aeropuerto de Barranquilla	Barranquilla	Air transport	I	338,000,000	16,000,000	4.73%	O	40	157	-	117
Bancolombia S.A.	Medellín	Financial services	B	509,704,584	56,577,933	11.10%	O	149,134	781,460	-	632,326
Cartón de Colombia S.A.	Cali	Cardboard manufacturing	B	107,716,050	3,192,175	2.96%	O	7,035	39,522	-	32,487
Cementos de Caldas S.A.	Manizales	Cement production	I	50,686,501	20,179,195	39.81%	O	3,027	3,573	-	545
Compañía Colombiana de Inversiones S.A.	Medellín	Financial services	B	71,931,201	20,553,456	28.57%	O	361,690	365,636	-	3,947
Compañía de Inversiones La Merced S.A.	Medellín	Finance	I	85,825	26,308	30.65%	O	133	104,718	-	104,585
Companía de Inversionistas Inmobiliarios S.A.	Medellín	Construction	I	1,045,400	348,466	33.33%	O	1,561	-	1,561	-
Companie de Distribution de Ciment S.A.(2)	Haití	Overland transport	I	200	200	100.00%	O	214	214	-	-
Compañía Colombiana de Empaques Bates S.A.	Palmira	Packaging	I	54,607	5,905	10.81%	O	81	10,610	-	10,529
Concesiones Urbanas S.A.	Bogotá	Civil engineering construction	I	2,350,000	783,489	33.34%	O	9,616	12,959	-	3,343
Corporación de Cemento Andino C.A. (3)	Venezuela	Cement production	I	37,697,288	34,815,640	92.36%	O	40,059	-	40,059	-
Corporación Club Deportivo El Rodeo S.A.	Medellín	Social	I	44,661	12	0.03%	O	7	11	-	4
Corporación Club el Nogal	Bogotá	Social	I	2,500	1	0.04%	O	61	61	-	-
Corporación Hacienda Fizebad S.A.	Medellín	Social	I	383	3	0.78%	O	17	9	8	-
Domar Ltd.	Bermuda	Investments	I	-	6,000	50.00%	O	17,077	19,640	-	2,563
Ferrocarriles del Norte de Colombia S.A.	Barranquilla	Transport	I	114,902,277	9,686,262	8.43%	O	18,098	7,309	-	(10,789)
Fondo Regional de Garantías de la Costa Atlántica	Barranquilla	Financial services	I	68,359	2,730	3.99%	O	40	107	-	67
Fundiciones y Componentes Automotores S.A.	Mosquera	Metal-working	I	17,022,314	254,401	1.49%	O	240	-12	252	-
Fundiciones Colombia S.A.	Medellín	Metal-working	I	2,496,845,128	1,326,765,022	53.14%	O	1,647	929	718	-
Grupo Nacional de Chocolates S.A.	Medellín	Confectionery	B	435,123,458	33,202,164	7.63%	O	60,854	514,804	-	453,950
Hipódromo Los Comuneros S.A.	Guarne	Horse-racing	I	3,199,388	16,870	0.53%	O	12	-	-	(12)
Industrial Hullera S.A.	Medellín	Coal-mining	I	6,474,711	2,426,469	37.48%	O	155	-	-	(155)
Industrias Metalúrgicas Apolo S.A.	Medellín	Metal-working	I	234,438,170	179,631,921	76.62%	O	1,701	(427)	2,128	-
Inmobiliaria Incem	Panamá		I	2,196,430	281,143	12.80%	O	224	224	-	-
Intership Agency Venezuela	Venezuela	Shipping agency services	I	-	-	100.00%	O	22	-	22	-
Occidental de Empaques S.A.	Medellín	Packaging	I	2,160,000	1,080,000	50.00%	O	473	15,471	-	14,998
Omya Colombia S.A.	Guarne	Non-metallic mineral production	I	12,690,910	6,345,455	50.00%	O	11,554	26,384	-	14,830
Plaza Mayor Medellín Convenciones y Exposiciones	Medellín	Promotional	I	58,622,019	188,756	0.32%	O	62	227	-	165
Papeles y Cartones S.A.	Barbosa	Paper	I	11,426,975,951	1,112,158	0.01%	O	1	12	-	11
Poblado Country Club S.A.	Medellín	Social	I	1,750	15	0.86%	O	554	365	189	-
Predios del Sur S.A.	Medellín	Construction	I	7,685,304,157	401,065,661	5.22%	O	952	567	385	-
Promotora de Manufacturas PMX S.A.	Medellín	Finance	I	16,101,728	1,351,466	8.39%	O	426	-	426	-
Promotora de Proyectos S.A.	Medellín	Finance	I	1,051,919	178,360	16.96%	O	147	77	70	-
Promotora Nal. de Zonas Francas S.A.	Rionegro	Finance	I	381,310,997	63,940,688	16.77%	O	1,815	524	1,291	-
Propal S.A.	Cali	Paper	I	150,826,378	116,767	0.08%	O	2	141	-	139
Propuerto S.A.	Barranquilla	Port services	I	1,145,337	128,965	11.26%	O	1,151	1,340	-	189
Reforestadora El Guásimo S.A.	Medellín	Agro-industrial projects	I	3,656,092,780	111,699,594	3.06%	O	774	2,117	-	1,343
Sociedad Administradora Portuaria Puerto Berrio S.A.	Barranquilla	Port services	I	16,667	2,625	15.75%	O	70	5	-	(65)
Sociedad Colombiana de Transporte Ferroviario S.A.	Bogotá	Transport	I	172,158,489	4,440,945	2.58%	O	1,015	-	1,015	-
Sociedad Portuaria de Barrancabermeja S.A.	Barranquilla	Port services	I	52,714	1,000	1.90%	O	16	14	-	(2)
Sociedad Portuaria Bocas de Ceniza S.A.	Barranquilla	Port services	I	16,198,079	361,259	2.23%	O	484	361	-	(123)
Sociedad Portuaria La Inmaculada S.A. (2)	Barranquilla	Port services	I	40,000	40,000	100.00%	O	56	39	2	(15)
Sociedad Portuaria Las Flores S.A. (2)	Barranquilla	Port services	I	50,000	50,000	100.00%	O	59	39	12	(8)
Sociedad Portuaria Río Córdoba S.A.	Ciénaga	Port services	I	14,900,000	14,900,000	100.00%	O	45,522	22,035	7,642	(15,845)
Sociedad Portuaria Regional de Barranquilla S.A.	Barranquilla	Port services	I	2,799,646	12,771	0.46%	O	63	185	-	122
Sociedad Portuaria de Tamalameque S.A.	Barranquilla	Port services	I	50	3	6.00%	O	4	-	4	-
Sociedad Promotora Puerto Industrial Aguadulce S.A.	Buenaventura	Port services	I	356,132	4,390	1.23%	O	103	48	-	(55)
Suramericana de Inversiones S.A.	Medellín	Investments	B	457,396,624	165,883,504	36.27%	O	196,135	2,316,471	-	2,120,336
Surandina de Puertos C.A.	Venezuela	Port services	I	500	500	100.00%	O	5,530	4,507	1,023	-
Tableros y Maderas de Caldas S.A.	Manizales	Timber	B	17,667,764,545	999,681,490	5.66%	O	1,429	3,739	-	2,310
Textiles Fabricato Tejicondor S.A.	Medellín	Textiles	B	8,255,116,534	427,419,942	5.18%	O	10,334	7,766	-	(2,568)
Sociedad de Transporte Férreo del Occidente S.A.	Cali	Rail services	I	2,450,625	72,294	2.95%	O	331	-	331	-
Triple A Barranquilla S.A.	Barranquilla	Public Utility Services	I	59,079,605	82,214	0.14%	O	350	211	-	(139)
Others								4,718	(4,499)	5,752	(3,464)
B. SHAREHOLDER QUOTAS.											
Compañía de Navegación del Mar Caribe Ltda. (1)	Barranquilla	Shipping services	I	61,169	50,666	82.83%	O	10	-	10	-
Dicente Ltda. (1)	Medellín	Marketing	I	1,000	900	90.00%	O	364	3,051	-	2,687
Disgranel Ltda. (1)	Barranquilla	Marketing	I	1,000	1,000	100.00%	O	7	80	-	73
Distribuidora Colombiana de Cementos Ltda. (1)	Barranquilla	Marketing	I	200,000	202,500	100.00%	O	3,674	3,950	-	276
Distribuidora de Cementos Ltda. (1)	Medellín	Marketing	I	50,000	50,000	100.00%	O	1,900	2,235	-	335
Servigranel	Barranquilla	Marketing	I	-	-	-	O	37	-	37	-
Transportadora Sucre Ltda. (1)	Barranquilla	Overland transport	I	-	-	-		75	75	-	-
Transportes Elman Ltda. (1)	Barranquilla	Overland, river and sea transport	I	800,000	380,000	47.50%	O	1,491	4,156	-	2,665
Transportes de Agregados y Concretos Ltda. (1)	Barranquilla	Overland transport	I	10	10	100.00%	O	153	-	153	-
Transmarítima del Caribe Ltda. (1)	Barranquilla	Shipping services	I	26	9	34.62%	O	53	-	53	-
TOTAL SHARES AND EQUITY QUOTAS								964,639	4,273,636	63,143	3,371,702
C. BONDS AND SECURITIES								24,025	24,025		
D. OTHER INVESTMENTS								43,033	43,033		
Less- Provision								(63,143)			
								968,554	4,340,256	63,143	3,371,702

Market values corresponding to December 2009 and 2008

Valuation basis
I: Intrinsic B: Stock price

Type of share:
O: Ordinary

(1) Companies subject to liquidation
(2) Companies at pre-start-up stage
(3) Corporación de Cemento Andino:

With regard to our Cement Plant in Venezuela, which belongs to our subsidiary Corporación de Cemento Andino C.A., in which Cementos Argos S.A. holds an indirect stake through its subsidiary Colcaribe Holding S.A., on March 27, we were informed of a ruling in our favor given by the Constitutional Division of the Supreme Court of Justice in Venezuela, which ordered the restitution of said cement plant to its rightful owner, amongst other measures. The Venezuelan Government has still to establish the amount of compensation to be paid. It is important to mention that this investment has been totally provisioned on the Company's books.

At December 31, 2009 the following investments in Cementos Argos S.A. were pledged as security for a line of credit with Bancolombia:

Company	No Shares	Bank	Value
C.I. Carbones del Caribe S.A.S.	661.000	Bancolombia	21.129
Grupo de Inversiones Suramericana S.A.	5.200.000	Bancolombia	127.608
Grupo Nacional de Chocolates S.A.	2.706.018	Bancolombia	56.826
			205.563

In the case of Inversiones Argos S.A. the following investments were pledged as security for financial obligations totaling COP 401.060 with Bancolombia, Banco de Bogotá, HSBC and BBVA:

Company	No Shares	Bank	Value
Grupo de Inversiones Suramericana S.A.	21.200.000	Bancolombia	520.248
Grupo de Inversiones Suramericana S.A.	5.120.559	Banco de Bogotá	125.659
Grupo de Inversiones Suramericana S.A.	3.252.209	HSBC	79.809
Bancolombia S. A.	8.784.799	BBVA	203.280
			928.996

Furthermore the following investments were pledged as security for a line of credit in the amount of COP 480.000. Since this was never disbursed, these shares shall be duly disencumbered in February 2010.

Company	No Shares	Bank	Value
Cementos Argos S.A.	50.284.224	Banco de Bogotá	543.070
Grupo Nacional de Chocolates S.A.	5.200.000	Banco de Bogotá	109.200
			652.270

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The balance of the Property, Plant and Equipment Account including depreciation at December 31, 2009 and December 31, 2008 includes the following:

2009	ADJUSTED COST	ACCUMULATED DEPRECIATION	NET COST	APPRAISED VALUE	GAIN	APPRAISAL METHOD
Land	368.305	-	368.305	1.627.930	1.259.625	Comparative
Construction in progress	144.231	-	144.231	144.231	-	Cost
Buildings and construction	522.535	292.014	230.521	428.946	198.425	Comparative/cost
Production machinery and equipment	2.232.628	1.335.438	897.190	1.855.520	958.330	Revenue capitalization
Furniture, office, computer and communication equipment	49.131	32.369	16.762	20.110	3.348	Cost
Mines, quarries and mineral deposits	134.849	123.738	11.111	757.566	746.455	Revenues
Overland transport equipment	443.973	199.759	244.214	274.992	30.778	Revenue capitalization
River transport fleet	87.406	10.092	77.314	86.949	9.635	Revenue capitalization
Roads	101.973	3.202	98.771	103.523	4.752	Comparative/cost
Crop Plantations	6.260	-	6.260	7.062	802	
Machinery and equipment being installed	778.130	-	778.130	778.130	-	Revenue capitalization
Property, plant and equipment in transit	25.630	-	25.630	25.630	-	Cost
Other assets	2.281	589	1.692	3.474	1.781	Cost
Subtotal	**4.897.332**	**1.997.201**	**2.900.131**	**6.114.063**	**3.213.932**	
Less provision for asset devaluation	-	-	(29.454)	-	-	
TOTAL	**4.897.332**	**1.997.201**	**2.870.677**	**6.114.063**	**3.213.932**	

2008	ADJUSTED COST	ACCUMULATED DEPRECIATION	NET COST	APPRAISED VALUE	GAIN	APPRAISAL METHOD
Land	401.404	-	401.404	651.854	250.450	Comparative
Construction in progress	165.448	-	165.448	165.448	-	Cost
Buildings and construction	548.429	201.601	346.828	452.486	105.658	Comparative/cost
Production machinery and equipment	2.263.952	1.245.005	1.018.947	1.871.949	853.002	Revenue capitalization
Furniture, office, computer and communication equipment	36.840	27.627	9.213	11.115	1.902	Cost
Mines, quarries and mineral deposits	138.081	124.152	13.929	157.359	143.430	Revenues
Overland transport equipment	451.860	176.365	275.495	294.304	18.809	Revenue capitalization
River transport fleet	89.573	15.463	74.110	91.992	17.882	Revenue capitalization
Roads	25.129	9.835	15.294	17.814	2.520	Comparative/cost
Crop Plantations	1.564	710	854	854	-	
Machinery and equipment being installed	461.782	-	461.782	461.782	-	Revenue capitalization
Property, plant and equipment in transit	67.466	-	67.466	67.466	-	Cost
Other assets	3.275	1.652	1.623	2.995	1.372	Cost
Subtotal	4.654.803	1.802.410	2.852.393	4.247.418	1.395.025	
Less provision for asset devaluation	-	-	(30.569)	-	-	
Subtotal	4.654.803	1.802.410	2.821.824	4.247.418	1.395.025	
Less current portion (1)	-	-	(57.507)	-	-	
TOTAL	**4.654.803**	**1.802.410**	**2.764.317**	**4.247.418**	**1.395.025**	

The Company performed technical appraisals on its property, plant and equipment in 2009 and 2008. The appraisal methods used are listed in Note 19. These appraisals are updated at least every three years.

Depreciation charged to the income accounts during 2009 came to COP 260.517 (2008 - COP 268.274).

In 1994, our cement plant in Sogamoso, including adjacent land, was pledged as collateral for financial obligations on the part of Acerias Paz del Río S.A.; this collateral at December 31, 2009 and December 31, 2008 consisted of senior mortgages totaling USD 15.283.042; second mortgages for COP 1.394 million, a chattel mortgage for USD 77.252.892; a first lien for USD 7.800.777; and a second lien for USD 46.354.067. The Company is taking all the corresponding measures to have these liens lifted since all those obligations that gave rise to such liens have been duly paid-off.

Also land belonging to the Hacienda Casanare, which is a ranch located in Puerto Nare, Antioquia has been mortgaged for a total of COP 265 to guarantee financial obligations with Bancolombia.

NOTE 10 – DEFERRED AND INTANGIBLE ITEMS

The Deferred and Intangible Items account at December 31, 2009 and December 31, 2008 included the following:

	2009	2008
Goodwill (1)	1.174.344	1.145.760
Trademarks(2)	267.129	247.643
Rights (3)	108.670	167.796
Concessions, franchises and licenses (4)	241.689	246.431
Deferred items	225.161	371.748
Others	76	105
Accumulated amortization	(103.252)	(71.737)
Subtotal	1.913.817	2.107.746
Less – Provision	(2.107)	-
Subtotal	1.911.710	2.107.746
Less current portion (5)	**-**	**106.777**
Total	**1.911.710**	**2.000.969**

(1) Goodwill acquired with the purchase of the concrete companies Southern Star and Ready Mixed Concrete Company in the United States in 2005 and 2006 respectively. Acquired goodwill corresponding to the difference between the value paid and the fair value of the net assets belonging to the acquired US companies. This value was posted in books, according to generally-accepted accounting principles in the United States, whose accounting standards compared to the Colombian conceptual framework, are considered superior standards given the fact that they apply to more developed economies. According to these accounting standards, goodwill is not amortized but appraised based on any impairment to such, when there are indications that such is the case. At the end of the fiscal years of 2009 and 2008, the corresponding goodwill was appraised by experts, resulting in an impairment of these assets.

Generally accepted accounting principles in the United States (USGAAP) and International Financial Reporting Standards (IFRS), provide for the impairment of assets. This ensures that the value of the assets in question does not exceed their recovery value. That is to say, in the case of the company suffering any adverse situation, changes in its operating environment, changes in the projected use of its assets or a decline in its operating performance upon estimating future discounted flows produced by a production unit resulting in its book value surpassing its fair recovery value, through either using or selling off the asset in question, this is considered as an asset impairment that must be recorded as a loss on the Company's financial statements. Colombian accounting principles, as stipulated in Decree 2649 of 1990 do not specifically provide for asset impairment.

The effect of this impairment is recorded in the consolidated financial statements under the subheading "Asset Impairment" which in turn appears under the heading "Operating Earnings before Asset Impairment" and is produced by events that are in no way related to the main operating activities of Argos USA Corporation, and are classified as unusual and non-recurring in nature. The most significant item included in this figure is the goodwill intangible and the acquired customer data base, which resulted in an impairment of these assets of COP 81.691 (2008 - COP 74.786).

This goodwill corresponds to the additional value paid out over and above the respective book cost for shares belonging to:

- Carbones Nechi S. A. S. for at total value of COP 2.334, compared with an intrinsic value in pesos per share of COP 57.902, which is being amortized using the straight-line method over a period of 5 years

- C. I. Carbones del Caribe S. A. S. for at total value of COP 6.023, compared to an intrinsic value in pesos per share of COP 41.668, which is being amortized using the straight-line method over a period of 5 years.

- Cemento Panama S.A. for at total value of COP 22,688, compared to an intrinsic value in pesos per share of COP 218,190, which is being amortized using the straight-line method over a period of 5 years.

- Haití Cement Holding for at total value of COP 975, compared to an intrinsic value in pesos per share of COP 195.340, which is being amortized using the straight-line method over a period of 12 months.

- Domar Ltd. for a total of COP 71.230 which is being amortized using the straight-line method over a period of 10 years.

- Caricement Antilles NV. COP 25.648, compared to an intrinsic value in pesos per share of COP 2.480.232. This is being amortized using the straight-line method over a period of 10 years.

(2) Corresponding to the appraisal value of trademarks that were acquired; the appraisal methodology used for this purpose is based on the Discounted Cash Flow method; the value of the Company is the result of the operating cash flows that the Company may generate over a period of time, discounted at a rate that reflects the risk of said flows. This methodology is based on the return obtained from the wholly-owned trademark on said flows (contribution of the trademark to the business, both at the present time and in the future).

- Argos Trademark: This was purchased from Inversiones Argos S.A. and appraised by the Corporación Financiera Colcorp. The trademark was acquired in December, 2005 and is being amortized over a period of 20 years. Its acquisition cost came to COP 115.389.

- The Fortaleza and Uno A trademarks were obtained from having allocated to Cementos Argos S.A the assets remaining from the winding up of Cementos La Unión S.A. and Cementos Apolo S.A. .These trademarks were appraised in March 2007 by Sumatoria S.A. for a total of COP 52.137 in the case of the Fortaleza trademark and COP 73.854 for Uno A. . These values are to be amortized over a period of 20 years.

(3) Including a real estate trust, the rights to which were purchased from Gaseosas Lux S.A. for a total value of COP 42,761. This trust owns a plot of land in Medellín; and other rights conferred by an agreement guaranteeing the supply of limestone with Acerías Paz del Río S.A. for a total of COP 39.828

The following is a list of assets acquired through financial leasing arrangements for which a monthly payment is made:

Contract No.	Initial Amount	Balance At Dec 09	Maturity Date	Term (months)	Pending Installments	Type of Asset
50149	80	30	15/01/2011	55	13	Vehicles
70749	68	19	21/11/2010	48	11	Vehicles
83763	78	32	15/12/2010	42	12	Vehicles
83861	78	14	15/04/2010	42	4	Vehicles
85689	91	71	15/12/2012	60	36	Vehicles
98495	40	23	16/01/2011	26	13	Vehicles
104892	61	59	15/12/2011	25	24	Vehicles

(4) Corresponding mainly to having acquired a right of disposal totaling COP 134,772 for the purchase of 150,000 tons of slag per year from Acerias Paz del Río for a term of 15 years. This right of disposal may be extended for another equal term.

(5) The figure for 2008 included intangibles and deferred Items pertaining to C.I. Carbones del Caribe S.A. and Emcarbón S.A. which were sold in March 2009

NOTE 11 – FINANCIAL OBLIGATIONS

Financial Obligations at December 31, 2009 and December 31, 2008, are broken down as follows:

	2009	2008
Loans with domestic banks and financial corporations	1.423.635	1.857.498
Loans with foreign banks and financial institutions	439.729	1.016.204
Letters of credit and loans from commercial financing companies	37.766	652
Other obligations with private individuals (1)	37.524	75.140
Other domestic obligations	180.407	97.935
	2.119.061	**3.047.429**
Less – Non-Current Portion	(1.360.962)	(1.670.973)
	758.099	**1.376.456**

(1) Includes leasing arrangements governing ships totaling COP 37.524 (2008 COP 75.140), which based on International Financial Reporting Standards (IFRS) are posted as financial leasing arrangements. In Colombia such arrangements would have been recorded as a lease, without representing any financial obligation whatsoever.

The main obligations on the part of the Colombian companies are as follows:

FINANCIAL OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS BOTH AT HOME AND ABROAD

			2009		2008		
BANK	TYPE OF OBLIGATION	CURRENCY	AMOUNT IN DOLLARS	AMOUNT IN MILLIONS OF PESOS	AMOUNT IN DOLLARS	AMOUNT IN MILLIONS OF PESOS	EXPIRY DATE
BBVA	Short-term loan	Pesos	9.783.635	20.000	-	-	sep-10
BBVA	Short-term loan	Pesos	14.675.452	30.000	-	-	sep-10
Davivienda	Long-term loan	Pesos	48.918.175	100.000	44.571.423	100.000	oct-13

BANK	TYPE OF OBLIGATION	CURRENCY	2009 AMOUNT IN DOLLARS	2009 AMOUNT IN MILLIONS OF PESOS	2008 AMOUNT IN DOLLARS	2008 AMOUNT IN MILLIONS OF PESOS	EXPIRY DATE
Bancolombia	Short-term loan	Pesos	19.567.270	40.000	17.828.569	40.000	ago-10
BBVA	Short-term loan	Pesos	19.567.270	40.000	17.828.569	40.000	abr-10
Banco de Bogotá	Long-term loan	Pesos	22.013.179	45.000	-	-	sep-11
Citibank	Bancoldex loan	Dollars	499.944	1.022	1.499.383	3.364	abr-10
BBVA	Bank loan	Pesos	3.179.681	6.500	-	-	feb-10
BBVA	Bank loan	Pesos	24.459.087	50.000	-	-	feb-10
Banco de Crédito	Bank loan	Pesos	5.691.140	11.634	-	-	feb-10
Davivienda	Bank loan	Pesos	1.467.545	3.000	-	-	ene-10
Banco Santander	Bank loan	Pesos	4.011.290	8.200	-	-	ene-10
Banco de Crédito	Bank loan	Pesos	4.500.472	9.200	-	-	ene-10
Davivienda	Bank loan	Pesos	105.663	216	-	-	ene-10
Banco de Bogotá	Bank loan	Pesos	-	-	22.285.712	50.000	sep-09
BBVA	Bank loan	Dollars	-	-	43.075.161	96.643	ago-09
Davivienda	Bank loan	Dollars	-	-	18.501.598	41.510	may-09
Davivienda	Long-term loan	Pesos	29.350.905	60.000	-	-	dic-12
Bancolombia	Bank loan	Pesos	1.858.891	3.800	-	-	may-10
Banco AV Villas	Bank loan	Pesos	48.918	100	-	-	ene-10
Banco de Crédito	Bank loan	Pesos	2.445.909	5.000	-	-	ene-10
Banco AV Villas	Bank loan	Pesos	2.103.482	4.300	-	-	ene-10
Banco AV Villas	Bank loan	Pesos	293.509	600	-	-	ene-10
Bancolombia	Bank loan	Pesos	2.788.336	5.700	-	-	ene-10
Banco AV Villas	Bank loan	Pesos	1.213.171	2.480	-	-	ene-10
Bancolombia	Bank loan	Pesos	342.427	700	-	-	feb-10
Banco de Crédito	Bank loan	Pesos	489.182	1.000	-	-	ene-10
Bancolombia	Bank loan	Pesos	978.363	2.000	-	-	ene-10
Citibank	Syndicated loan	Dollars	63.333.382	129.468	95.000.000	213.141	dic-11
Banco de Crédito	Bank loan	Dollars	-	-	9.000.000	20.192	may-09
BBVA	Bank loan	Dollars	-	-	16.000.000	35.897	may-10
BBVA	Bancoldex loan	Dollars	-	-	1.001.074	2.246	abr-09
Corporación Andina de Fomento	Multi-lateral loan	Dollars	-	-	75.000.000	168.269	nov-09
Banco de Desarrollo de China	Multi-lateral loan	Dollars	-	-	75.000.000	168.269	nov-09
Citibank PLC London	Long-term loan	Dollars	151.274.074	309.239	65.783.410	147.591	jun-19
Banamex	Bilateral loan	Dollars	-	-	99.906.400	224.149	dic-09
Citibank NA, sucursal Panamá (Agente Administrador)	Syndicated loan	Dollars	50.000.000	102.212	50.000.000	112.180	(1)
BNP Paribas, sucursal Panamá	Bank loan	Dollars	24.000.000	49.062	-	-	mar-10
BNP Paribas, sucursal Panamá	Bank loan	Dollars	1.500.000	3.066	-	-	ene-10
Banco General	Bank loan	Dollars	-	-	4.000.000	8.974	dic-09
Banco General	Bank loan	Dollars	-	-	2.000.000	4.487	jun-09
BNP Paribas, sucursal Panamá	Bank loan	Dollars	-	-	3.000.000	6.731	abr-09
BNP Paribas, sucursal Panamá	Bank loan	Dollars	-	-	2.000.000	4.487	may-09
Banco General	Bank loan	Dollars	-	-	2.000.000	4.487	jun-09
BICSA	Bank loan	Dollars	-	-	1.000.000	2.244	mar-09
BICSA	Bank loan	Dollars	-	-	2.000.000	4.487	jun-09
Banco General	Bank loan	Dollars	-	-	2.000.000	4.487	jun-09
Citibank (Agente Administrador) (2)	Syndicated loan	Dollars	256.666.666	524.686	385.000.000	863.782	(3)
UBS	Bank loan	Dollars	4.493.782	9.186	4.493.782	10.082	2010
Bancolombia Miami Agency	Bank loan	Dollars	972.222	1.987	1.361.111	3.054	(4)
Wells Fargo	Revolving credit	Dollars	4.510.006	9.219	-	-	2010
Citicapital	Revolving credit	Dollars	-	-	15.233.856	34.179	2009
HSBC (5)	Long-term loan	Pesos	20.545.633	42.000	-	-	ene-11
Banco de Bogotá	Long-term loan	Pesos	48.918.175	100.000	-	-	dic-12

BANK	TYPE OF OBLIGATION	CURRENCY	2009 AMOUNT IN DOLLARS	2009 AMOUNT IN MILLIONS OF PESOS	2008 AMOUNT IN DOLLARS	2008 AMOUNT IN MILLIONS OF PESOS	EXPIRY DATE
(5)							
BBVA (5)	Long-term loan	Pesos	56.745.083	116.000	53.146.520	119.239	dic-12
Bancolombia (5)	Long-term loan	Pesos	69.982.341	143.060	133.714.270	300.000	dic-12

(1) Corresponding to 20 quarterly payments of USD 2,5 million from August 2010 to May 2015.

(2) The corresponding interest rate is based on the 90-day LIBOR rate plus a margin that ranges between 0,75% y 1,625%, depending on Cementos Argos' consolidated net debt / EBITDA ratio.

The syndicated loan with Citibank N.A (Administrative Agent) and the long-term loan with Citibank PLC (Administrative Agent) underwritten by EKF Dinamarca, stipulate the following covenants with regard to the consolidated balance sheets:

- A Net Debt/EBITDA ratio of less than 4,0 times must be maintained until June 2010, whereupon this ratio is lowered to 3,5 times.

- The debt service coverage ratio shall not be lower than 1,5

(3) Half-yearly installments of USD 64.166.166,67 from June 2009 to December 2011.

(4) Installments of USD 388.889 from 2009 to 2011 and an installment of USD 194.444 in June 2012.

(5) Interest rates on loans taken out by Inversiones Argos S.A. for COP 42.000 and COP 100.000 range between DTF + 1.95% and DTF + 3.35% These loans were mainly used to purchase shares in Compañía Colombiana de Inversiones and Empresa de Energía del Pacífico S.A. – EPSA.

Interest totaling COP 263.423 (2008 - COP 243.819) accrued on financial obligations, bonds, commercial paper and payables.

Interest rates for financial obligations held with foreign banks and financial institutions range between Libor + 0.85% and Libor + 2.82%.

Interest rates on financial obligations held by related companies based in the United States range between Libor + 0.85% and Libor + 2.82% and Prime + 3%.

At the end of 2009, no forward operations were recorded on current foreign exchange.

The loan with Bancolombia is secured with permanent investments totaling COP 205.563 (2008 - COP 148.403), as mentioned in Note 8.

NOTE 12 – COMMERCIAL PAPER AND BONDS OUTSTANDING

Bonds outstanding issued on November 23, 2005, included the following at December 31, 2009:

Term	Amounts Issued	Effective rate	Interest Payment Frequency
7 years	COP 80.000	CPI+2,40%	Half-yearly in arrears
10 years	COP 80.000	CPI+2,88%	Half-yearly in arrears
12 years	COP 290.000	CPI +3,17%	Half-yearly in arrears
12 years	COP 150.000	CPI +5,25%	Half-yearly in arrears
	COP 600.000		

Bonds outstanding issued on April 28, 2009, included the following at December 31, 2009 and December 31, 2008:

Term	Amounts Issued	Effective rate	Interest Payment Frequency
3 years	COP 144.002	9.0%	Quarterly in arrears
5 years	COP 81.175	9.7%	Yearly in arrears
7 years	COP 114.943	CPI + 6.0%	Quarterly in arrears
10 years	COP 70.350	CPI + 6.3%	Quarterly in arrears
15 years	COP 229.530	CPI + 7,19%	Quarterly in arrears
	COP 640.000		

Both issues were given an AA+ rating by Fitch Ratings Colombia S.A. These bonds are made out to the bearer and are traded on the secondary market.

The following is a breakdown of swaps held at December 31 with bonds serving as the underlying instruments:

Bank	Value in USD	Maturity Date	Interest Rate	Type	Underlying
Citibank	32.649.840	Nov 23 2017	180-day Libor – 0.71%	Cross-Currency SWAP	Bonds in pesos

Furthermore two SWAPS were unwound for a nominal value of USD 77.557.646, producing a value of USD 7.100.000 in favor of the Company. This was carried out so as to reduce the Company's net liabilities in dollars as well as the effect of its exposure to the exchange rate.

The bonds issued on February 23, 2007, for at total of COP 132.211 produced a placement discount of COP 17.788, which is being amortized using the straight-line method over a period of 12 years. At December 31, 2009 and December 31, 2008, the following balances were recorded:

	2009	2008
Total bonds outstanding	1.240.000	600.000
Discount value	17.788	17.788
Amortization	(4.652)	(3.010)
Balance to be amortized	(13.136)	(14.778)
	1.226.864	**585.222**

The Argos 2008 Commercial Paper program was approved for up to a total of COP 300.000 these being bearer securities currently outstanding and negotiable on the secondary market, included the following tranches at December 31:

Term	Amounts Issued	Interest Rate	Interest Payment Frequency
363 days	COP 150.000	8.44%	In arrears
270 days	COP 80.000	6.54%	In arrears
180 days	COP 70.000	5.24%	In arrears
	COP 300.000		

Funds from placing this issue were allocated in their entirety to financing working capital. This issue was given a F1+ rating by Fitch Ratings Colombia S.A., which is their maximum short-term rating.

In 2009, interest totaling COP 128.723 accrued on the Company's issues of commercial paper and ordinary bonds.

The cost of total financial liabilities, including Argos bonds, commercial paper, derivatives and loans for 2009 is as follows:

Average cost of financial liabilities in pesos: 9.95% (2008 - 10.78%)
Average cost of financial liabilities in dollars: 2,85% (2008 - 4,31%)

NOTE 13 - SUPPLIERS AND ACCOUNTS PAYABLE

The Suppliers and Accounts Payable Account at December 31, 2009 and December 31, 2008, is broken down as follows:

	2009	2008
Costs and expense payable	151.004	233.391
Domestic suppliers	147.939	314.381
Foreign suppliers	80.256	116.661
Dividends payable	51.671	48.291
Current trade accounts (1)	20.760	19.086
Accounts payable – Contractors	6.887	9.573
Miscellaneous payables (2)	250.511	287.976
Withholding tax payable	19.207	36.547
Installments payable (3)	46.715	3.251
Other accounts payable	9.568	23.653
	784.518	**1.092.810**
Less: - Miscellaneous long-term payables	(175.395)	(224.584)
	609.123	**868.226**

(1) Including payables with related companies totaling COP 15.880 (2008 - COP 19.086).

(2) Corresponding to an account payable to Cementos Andino S.A. and Concrecem S.A. on the purchase of Cementos La Unión S.A. and Cementos Apolo S.A. under the following conditions:

Balance at December 31, 2009: USD 100.100.000
Maturity Date: August, 2016
Interest rate: 5% quarterly in arrears.
Amortization Schedule: 10 annual payments

Accrued interest for 2009 and 2008 came to USD 4.931.353 and USD 6.007.706 respectively. In 2009 a total of USD 14.300.000 (2008 – USD 14.300.000) was applied to the principal A swap was performed on this loan as underlying under the following conditions:

Bank	Value (in Colombian pesos)	Maturity Date	Interest Rate	Type	Underlying
Bancolombia	191.181	8-Aug-16	CPI + 5.35% QTLY IN ARREARS	Cross-Currency SWAP	Account Payable in dollars

(3) Corresponding to the purchase of a 50% stake in Cemento Panama S. A. (formerly Panama Cement Holding S. A.) for a total of USD 73.200.000 of which USD 22.580.000 shall be paid in March 2010.

NOTE 14 – TAXES AND RATES

The balance of the Tax and Rates Account at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Income Tax	169.418	189.007
Sales tax	22.532	54.302
Industry and Commerce tax	649	(13.162)
Land tax	4.953	4.750
Others	991	607
	198.543	**235.504**

Tax legislation, as it applies to the Parent Company and its subsidiaries in Colombia, stipulates the following:

a) Taxable income is taxed at a rate of 33%.

b) The basis for determining income tax cannot be lower than 3% of net worth on the last day of the immediately preceding fiscal year.

c) As of 2007, companies may offset fiscal losses, duly adjusted for tax purposes and without any time limit, using net ordinary income obtained in following periods, without detriment to presumptive income for the fiscal period in question. Fiscal losses, incurred on the special deduction granted for investing in fixed productive assets can also be offset using the taxpayer's net income. Fiscal losses incurred, as of 2003, may be offset with net ordinary income obtained during the following eight years, without this exceeding 25% of the value of the loss per year, and without detriment to presumptive income obtained for the fiscal year in question.

d) Excess amounts existing between presumptive income and ordinary income obtained as of 2003 may be offset with net ordinary income obtained during the following five years As of 2007, excess amounts between presumptive income and ordinary income are readjusted on a fiscal basis.

e) As of 2004, taxpayers who carry out operations with related companies or parties abroad are obliged to determine, for the purpose of calculating income and complementary taxes, their ordinary and extraordinary income, costs and deductions, assets and liabilities, bearing in mind the prices and profit margins established by the market. Upon completing the corresponding analysis of transfer prices, Company Management together with their tax advisors consider that no significant additional tax provisions are required to be set up.

Accumulated excess amounts between presumptive income and ordinary income for 2009 and 2008 corresponding to Inversiones Argos S.A. and its subsidiaries came to COP 179.723 (2008 - COP 193.280) with tax losses totaling COP 168.339 (2008 - COP 81.052).

Income tax was calculated for the years ending December 31, 2009 and December 31, 2008 as follows:

	2009	**2008**
Taxable income – domestic companies	205.294	166.291
	33%	33%
	67.747	**54.876**
Deferred income tax credit	(2.398)	(12.482)
Provision for income tax – domestic companies	65.349	42.394
Income tax – foreign companies	(272)	(20.853)
Total income tax provision	**65.077**	**21.541**

The Company's income tax returns for 2007 and 2008, together with its wealth tax returns for 2009 and 2008, are still pending review and acceptance on the part of the Colombian Tax Authorities.

Company Management together with their legal advisors consider that the tax provisions recorded are sufficient to cover any additional tax liability that may accrue for the years in question

WEALTH TAX

The amount of wealth tax declared for 2009 came to COP 21.063 which was recorded against the Equity Revaluation account.

Wealth tax to be paid by the Company in 2010 comes to COP 21.063.

TAX REFORM

The following contains a summary of the more relevant amendments made to the Colombian Tax code for 2010 and the following years, pursuant to Law 1370 passed December 30, 2009:

Wealth tax for 2011 shall be based on the amount of net equity held on January 1, 2011. This shall be subject to a rate of 2,4% for all those equities with a tax base of between COP 3.000 and COP 5.000 and 4,8% for all those equities with a tax base equal or higher than COP 5.000. In accordance with Decree 514 issued February 16, 2010, the value of the wealth tax installments due may be recorded against the equity revaluation account for the fiscal year in question. The net equity value of shares held in Colombian companies does not form part of the tax base.

As of the fiscal year of 2010, tax deductions on investments made in real productive assets went from 40% to 30% of their total value.

Liabilities with related foreign-based companies shall no longer be accepted for tax purposes.

NOTE 15 – DEFERRED LIABILITIES

	2009	2008
Deferred tax (1)	123.923	149.885
Deferred monetary correction	7.700	13.724
	131.623	**163.609**

(1) This corresponds to tax on deferred depreciation.

NOTE 16 – LABOR LIABILITIES

	2009	2008
Pensions payable	226.773	219.448
Consolidated severance pay	7.698	7.473
Consolidated vacation pay	8.408	8.325
Employment benefits	9.629	11.333
Salaries payable	188	1.712
Others	2.597	1.278
	255.293	**249.569**
Less – Long-Term Portion	(226.773)	(219.448)
	28.520	**30.121**

The actuarial reserve was calculated on the following technical basis:

1. Mortality table: Colombian mortality table for annuitants based on the experience of the Colombian Institute of Social Security 1980/89 for both males and females (Resolution 0585 of 1994 issued by the Colombian Banking Superintendency).

2. Pension and salary adjustments: the formula employed explicitly contains future salary and pension increases at a rate of 6.48% for 2009 (Decree 2783 issued December 20, 2001).

3. Technical interest: 4.8% per annum.

4. Reserves: These are determined using the fractional annuities in arrears system (Article 112 of the Colombian Tax Statute.)

The actuarial method used to calculate this liability is that established in Decree No 2783 of 2001 issued by the Colombian Government.

The main factors used in the actuarial calculations for the years ending December 31, 2009 and December 31, 2008 were as follows:

	2009	2008
Number of persons	1.747	1.836
Interest Rate	4,80%	4,80%
Future pension increases	6,48%	5,15%

The amounts charged to the annual income accounts corresponding to retirement pensions were as follows:

	2009	2008
Retirement pensions	32.640	41.691

In the case of Inversiones Argos S.A. and Cementos Argos S.A. both actuarial calculations and pension securities are fully amortized for the years 2009 and 2008.

The following is a breakdown of the number of employees for both the Company and its subsidiaries, showing expense corresponding to both senior executive and other employees

	No. Senior Executives	Senior Executive Expense	Other Employees	Other Employee Expense
American Cement Terminals LLC	-	-	-	-
Argos USA Corp.	4	3.008	11	1.141
Belsford Ltd.	-	-	-	-
C.I. Carbones del Caribe S.A.S.	1	132	63	4.307
C.I. del Mar Caribe BVI Inc.	-	-	-	-
Corporaciones e Inversiones del Mar Caribe S.A.S.	-	-	-	-
Canteras de Colombia S.A.S.	-	-	16	405
Carbones Nechí S.A.S.	87	100	701	9.668
Caricement Antilles NV	-	-	-	-
Caricement USVI Corp	2	741	7	771
Caribbean Construction and Develepment Ltd.	-	-	9	211
Caricement Antigua Limited	-	-	7	463
Caricement Saint Maarten NV	-	-	6	589
Cement and Mining Engineering Inc.	-	-	-	-
Cemento Panamá S.A.	-	-	-	-
Cementos Argos S.A.	211	38.772	2.663	132.885
Cementos Colón, S.A.	-	-	-	-
Central Aggregates LLC	-	-	-	-
Cimenterie Nationale S.E.M.	4	203	197	3.029
Climsford Investments Ltd.	-	-	-	-
Colcaribe Holdings S.A.	-	-	-	-
Concretos Argos S.A.	12	1.752	863	27.169
Consort Livestock Inc.	-	-	-	-
Comercial Arvenco C.A.	-	-	-	-
Empresa de Carbones del Cesar y La Guajira S.A.	-	-	-	-
Domar Ltd.	-	-	-	-
Dominicana Cement Holding, S.A.	-	-	-	-
Dorset Shipping Co. Ltd.	-	-	-	-
Flota Fluvial Carbonera S.A.S.	-	-	57	1.813
Fortecol Investments Ltd.	-	-	-	-
Ganadería Río Grande S.A.S.	1	65	60	564
Godiva Investments Ltd.	-	-	-	-
Gulf Coast Cement LLC	-	-	-	-

	No. Senior Executives	Senior Executive Expense	Other Employees	Other Employee Expense
Haití Cement Holding S.A.	-	-	-	-
International Cement Company S.A.	-	-	-	-
Inversiones Argos S.A.	-	-	-	-
Inversiones el Duero S.A.S	-	-	-	-
Logística de Transporte S.A.	4	553	130	4.849
Marítima de Graneles S.A.	-	-	-	-
Piazza Acquisition Corp.	-	-	-	-
Point Corp.	-	-	-	-
Port Royal Cement Company LLC	-	-	-	-
Reforestadora del Caribe S.A.S.	1	189	9	322
RMCC Group Inc.	-	-	-	-
Savannah Cement Company LLC	-	-	7	700
Sociedad Portuaria de Cementeras Asociadas S.A.	1	11	2	9
Sociedad Portuaria Golfo de Morrosquillo S.A.	1	123	66	1.458
Somerset Shipping Co. Ltd.	-	-	-	-
South Caribbean Trading & Shipping S.A.	-	-	-	-
South Central Cement Ltd.	-	-	13	1.131
Southern Equipment Company Inc.	4	1.444	917	68.068
Southern Star Concrete Inc	7	3.120	959	82.516
Southern Star Leasing, LLC				
Transatlantic Cement Carriers Inc.	-	-	-	-
Trans Atlantic Shipmanagement Ltd.	-	-	-	-
Urbanizadora Villa Santos S.A.S.	1	268	25	990
Valle Cement Investments Ltd.	-	-	-	-
Venezuela Ports Company S.A.	-	-	-	-
Winterset Shipping Co. Ltd.	-	-	-	-
Zona Franca Argos S.A.S.	12	1.953	332	15.219

NOTE 17 – OTHER LIABILITIES

The Other Liabilities Account at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Estimated liabilities and provisions		
For costs and expense (1)	75.519	90.066
For labor liabilities	10.578	11.416
For tax liabilities	70.133	27.322
For maintenance and repairs	920	642
For contingencies(2)	23.375	24.087
Miscellaneous provisions (3)	27.629	40.177
Deferred items		
Income received in advance	2.614	4.199
Deferred profits on installment sales	2.142	3.458
Other liabilities		
Advance payments received (4)	58.640	67.283
Deposits received	18	34
Revenues received for third parties	152	(1.879)
Third party withholdings on contracts	388	451
	272.108	**267.256**

(1) Corresponding to provisions for goods and/or services received and pending billing totaling COP 45.579 (2008 -COP 74.606), as well as expense corresponding to material and spare parts COP 10.900, interest COP 5.120, fees COP 1.176.

(2) Including provisions for the following contingencies: labor COP 11.703 (2008 -COP 14.637), civil COP 7.083 (2008 - COP 3.815), administrative COP 3.100 (2008- COP 2.718) and others COP 70 (2008 -COP 1.098).

(3) Corresponding mainly to a commercial offer of blast furnace slag from Acerías Paz del Río for COP 13.159. In C.I. Carbones del Caribe S.A.S. COP 10.387 (Take or Pay Fenoco COP 7.264 and others for COP 3.123).

(4) Corresponding mainly to advance payments received from customers for COP 45.465 (2008 - COP 61.505) as well as advanced payments received on contracts COP 12.859 (2008 - COP 1.170).

The cost method was used to appraise estimated liabilities consisting of costs and expense, labor liabilities, tax obligations, contingencies and miscellaneous provisions.

NOTE 18 – SHAREHOLDERS' EQUITY

SHARE CAPITAL

The Company's authorized capital consists of 1,200,000,000 shares each for a nominal value of COP 62.50 Colombian pesos and its subscribed and paid-in capital is made up of 651,102,432 shares. There are a total of 5.702.432 own repurchased shares and therefore shares outstanding come to 645.400.000

STATUTORY RESERVE

Colombian companies are obliged to allocate 10% of their yearly net profits to a legal reserve, until said reserve reaches 50% of its subscribed capital. The Company's current reserve is above that legally established. This statutory reserve cannot be distributed before the Company is liquidated, but must be used to absorb or reduce annual net losses. The allocations made when more than the aforementioned 50% is reached can be freely disposed of by the Shareholders at their Annual General Meetings.

RESERVE FOR REPURCHASING THE COMPANY'S OWN SHARES

The reserve for the Company's own repurchased shares, according to the Colombian Code of Commerce, can only be distributed among shareholders until said shares are sold again. While the shares belong to the Company, all inherent rights to these same are held in abeyance.

	2009	2008
Reserve for repurchasing shares	119.785	119.785
Less – Company's own repurchased shares	(119.785)	(119.785)
	-	-

OTHER RESERVES

These other reserves can be freely disposed of by the shareholders.

EQUITY REVALUATION

The Equity Revaluation account reflects how equity is affected by the loss in the purchasing power of the peso, according to legislation that was in force until December 2006.

With the elimination of adjustments for inflation, pursuant to Decree 1536 of 2007, the balance of the Equity Revaluation account cannot be distributed until the Company is either wound up or capitalized. However, once capitalized the equity revaluation account may be used to wipe out any losses on the grounds of the Company being wound up but cannot be used for reimbursing any capital; should a debit balance be obtained, this may be reduced using the results for either the current or past fiscal years, after complying with all those rules and regulations applying to profits as contained in the Colombian Code of Commerce.

Furthermore, and according to that laid out in the paragraph pertaining to Article 25 of Law 1111, which in turn amended Article 292 of the Colombian Tax Statute, for the fiscal years of 2007, 2008, 2009 and 2010, the Company may record wealth tax against the equity revaluation account, without affecting the results of the corresponding fiscal year.

NOTE 19 – VALUATIONS AND ASSET REVALUATION SURPLUSES

Valuations and asset revaluation surpluses at December 31, 2009 and December 31, 2008 are broken down as follows as follows:

	2009	2008
From permanent Investments	6.375.204	3.371.702
From property, plant, equipment and other assets	3.213.932	1.395.025
Valuations	9.589.136	4.766.727
Less – Transfer of minority interest	(2.597.923)	(893.004)
Valuation surplus	**6.991.213**	**3.873.723**

In 2009 and 2008, the firm, Activos e Inventarios y Cia. Ltda., took a physical inventory of all fixed assets belonging to the companies relating to the Argos Group, at their different, industrial, commercial and administrative premises throughout Colombia. They also performed the appraisals and book value reconciliations and for said assets based on the methodology herein described, which is based on appraisal criteria for a working company, applying the comparative method, the revenue capitalization method as well as the cost method, as applicable and/or a combination of these methods. Which in synthesis are based on the Fair Value criteria upon comparing international benchmark figure for working functional units, the elements used and being operated, the corresponding installed production capacities which are appraised in dollars and measured in terms of their production capacity for mining, grinding, calcination, milling and packaging with regard to cement production.

This methodology also takes into account the value of the equipment including the construction work required to install these as well as engineering work, electricity, mechanical and electronic connections, pre-start-up tests and the start-up itself, this based on the guidelines provided in Article 64 of Decree 2649 issued in November of 1993, and complemented by international rules and regulations such as USGAAP and IFRS.

The value of the Company's real estate was also appraised based on the criteria applied within the local real estate markets. The increase in these appraised values was mainly obtained on land in Barú and Barranquilla.

NOTE 20 – MEMORANDUM ACCOUNTS

Memorandum accounts at December 31, 2009 and December 31, 2008 are broken down as follows:

	2009	2008
Goods and securities pledged as security (1)	2.252.665	923.630
Promissory purchase agreements	-	6.910
Totally depreciated assets (2)	441.640	295.740
Capitalization of the Equity Revaluation Account	55.391	55.391
Book and tax differences on equity	(3.839.543)	(3.793.193)
Tax receivable (3)	5.139.611	5.395.016
Litigations and lawsuits	142.015	142.015
Unused credit (4)	7.039	261.340
Other debtor control accounts	56.581	5.657
Others	136.836	23.037
	4.392.235	**3.315.543**
Contingent responsibilities		
Goods and securities received	(36.147)	(30.253)
Other contingent responsibilities (5)	(725.304)	(938.789)
Others	(74.388)	(34.451)
	(835.839)	**(1.003.493)**

	2009	2008
Credit Memorandum Accounts		
Tax payable (6)	(3.841.304)	(4.472.041)
Creditor control accounts	(26.649)	(26.657)
	(3.867.953)	(4.498.698)
Total Memorandum accounts	**(311.557)**	**(2.186.648)**

(1) Increase mainly de to stock exchange gains obtained with investments held in Grupo de Inversiones Suramericana S.A., Bancolombia S.A., Cementos Argos S.A. and Grupo Nacional de Chocolates S.A. which have been pledged as security.

(2) Increase due to greater number of totally depreciated assets and their updated market values at December 31, 2009.

(3) Corresponding to tax and book differences with regard to assets, the most salient difference being appraisals of assets and investments for a total of COP 3.892.050 corresponding to Cementos Argos S.A.

(4) Corresponding to available bank loans, the drop due to the fact that only committed credit lines were included.

(5) Corresponding mainly to a syndicated loan on the part of Argos USA Corp for a total of USD 256.666.666, for which Cementos Argos S.A. is joint debtor. Including COP 42.213 in contingent liabilities on mining rights, which represent a future commitment.

(6) Corresponding mainly due to differences between the tax and book values posted by Cementos Argos S.A. with regard to its Shareholders Equity for COP 3.659.768 and other items totaling COP 191.042.

NOTE 21 – OPERATING REVENUES

Operating Revenues at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Revenues on sales both at home and abroad	3.413.389	3.778.815
Financial revenues (1)	1.078.372	166.437
	4.491.761	**3.945.252**

(1) Including revenues on sales of investments for a total of COP 905.318, dividends COP 34.863 (2008 - COP 40.052), interest COP 18.020 (2008 - COP 9.678) and appraisals of negotiable investments COP 101.773 (2008 - COP 100.978).

NOTE 22 – ADMINISTRATIVE EXPENSE

The Administrative Expense account at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Personnel expense	111.475	92.431
Services (1)	26.052	31.190
Amortization of deferred charges	41.908	37.719
Fees	27.491	26.887
Contributions and memberships	3.665	3.352
Traveling expense (1)	6.157	7.387
Depreciation on property, plant and equipment	23.815	24.719
Maintenance and repairs	10.597	10.493
Tax	10.498	9.980
Leases (2)	10.300	8.897
Insurance (1)	13.271	26.255
Provisions (3)	31.137	3.132
Legal expense(1)	2.675	5.290
Fittings and installations	178	219
Entertainment and PR expense	402	617

Clubs and restaurants	1.281	1.199
Stationary and office supplies	515	506
Transport	365	446
Commissions (4)	10.336	94
Miscellaneous	8.441	6.612
	340.559	**297.425**

(1) The significant drops in these accounts are due to the cost and expense reduction program deployed by the Company's Senior Management.

(2) Showing a increase due to having leased office space in Bogotá as well as chartered aircraft

(3) Increase due mainly to provision set up to cover the investment made in the Caricement Group (Caricement Antilles NV. COP 21.481 and Caricement St. Maarten COP 5.299) as well as Inversiones Argos S.A. given investment made in Fundicom bonds COP 2.315.

(4) Increase due mainly to commissions paid on the sale of shares in Cementos Argos S.A. totaling COP 9.472.

NOTE 23 – SALES EXPENSE

The Sales Expense Account at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Personnel expense	41.060	39.849
Services	23.676	27.524
Amortization of deferred charges	18.060	8.291
Maintenance and repairs	3.280	4.139
Tax	16.484	16.034
Leases	3.909	6.651
Traveling expense	2.580	3.467
Fees	3.183	2.170
Insurance	1.609	1.050
Depreciation on property, plant and equipment	5.536	6.165
Contributions and memberships	1.077	793
Legal expense	40	317
Fittings and installations	-	9
Commissions	474	1.597
Packaging	31	-
Fuel and lubricants	286	332
Stationary and office supplies	141	186
PR expense	230	362
Provisions	10.284	5.079
Miscellaneous	1.956	1.106
	133.896	**125.121**

NOTE 24 – EXCHANGE DIFFERENCE

	2009	2008
Exchange gains	26.162	149.105
Exchange losses	(77.598)	(356.216)
Exchange difference, net	**(51.436)**	**(207.111)**

This decrease is due to having maintained a lower net position in 2009 compared to 2008 and this represented a lower impact on the income accounts. The exchange difference recorded on the sale of the investment held in Argos USA Corp. came to COP 29.493.

NOTE 25 – OTHER REVENUES

The Other Income Account at December 31, 2009 and December 31, 2008 included the following:

	2009	2008
Recovered amounts (1)	41.508	85.026
Earnings from sale of permanent investments (2)	375.976	147.401
Earnings from sales of property, plant and equipment	85.124	112.394
Earnings from sale of other assets (3)	48.669	-
Other sales	9.049	25.781
Services	2.331	2.982
Fees	3.701	2.584
Leases	3.442	4.029
Income from prior periods	5.694	3.112
Usage Revenues	3.446	2.463
Subsidies	1.083	2.248
Indemnities	1.899	2.302
Others	714	2.158
	582.636	**392.480**

(1) Including recovered amounts totaling COP 27.726 on provisions for investments, recovered costs and expense for COP 13.461 and recovered amounts of other items for COP 321.

(2) Corresponding to profits on sale of shares in Fenoco for COP 41.535, Diamond Coal for COP 324.356 and Sociedad Portuaria Río Córdoba S.A. COP 3.022, as well as sale of assets to Vale Do Río Doce. Also includes earnings on sales of shares in Argos USA Corp for COP 6.919 and in Concesiones Urbanas for COP 144.

(3) Including earnings from Emcarbón on the sale of assets to Vale Do Río Doce for COP 48.635

NOTE 26 – OTHER EXPENSE

The Other Expense account at December 31, 2009 and December 31, 2008 is broken down as follows:

	2009	2008
Costs and expense from prior periods	12.368	24.060
Loss on sales of investments	8.126	5.790
Fines, penalties and litigations	10.641	8.162
Loss on sale and withdrawal of property, plant and equipment (1)	151.644	792
Withdrawals of property, plant and equipment	16.058	3.308
Withdrawals of other assets	4.399	1.336
Losses on accidents/claims	475	2.205
Taxes assumed	5.466	18.858
Donations and contributions	11.929	8.266
Cost of other sales	4.861	5.524
Cost of sales of materials and spare parts	8.891	18.461
Retirement pensions and pension securities	31.011	40.752
Indemnities	5.058	8.602
Provision for permanent investments (2)	49.924	58.792
Provision for receivables	-	2.220
Expense incurred by related companies	2.901	466
Labor lawsuits	5.001	3.522
Amortization of deferred charges	565	520
Other amortizations	10.100	9.006
Operator bonuses for el Hatillo mine	-	15.768
Others (3)	54.026	1.937
	393.444	**238.347**

1) Sale of coal-mining assets to Vale Do Río Doce.

2) Including provision for investments held by C.I. Carbones del Caribe S.A.S. in Emcarbón S.A. COP 22.972 on purchase of minority stakes by South Caribbean Trading & Shipping in Venezuela Ports Co. COP 1.217, Cementos Argos S.A. in Point Corp. COP 5.342, Colcaribe Holding S.A. in Domar Limited COP 15.108, Cementos Argos S.A. in Haití Cement Holding COP 843, Cement and Mining Engineering INC. on exchange difference with Corporación de Cemento Andino C.A. COP 2.472, Trans Atlantic Shipmanagement Ltd. in Dorset Shipping Co. Ltd. COP 1.216. and other companies COP 754

3) These correspond mainly to miscellaneous expense of COP 13.152 on the part of Cementos Argos S.A. (provisions for Industrial Hullera, Carbones Nechí S.A.S.; miscellaneous expense Sodexho, security personnel, fuel, notary expense and land tax on non-operating property). In Valle Cement Investments Limited for COP 17.624 (operating expense Vale Do Río Doce), in C.I. Carbones del Caribe S.A.S. COP 14.084 (inventory charge-offs COP 2.449, freight charges COP 2.211, miscellaneous expense COP 7.886, provision for Propuertos COP 1.147, labor lawsuits COP 316). Extraordinary expense incurred by Trans Atlantic Shipmanagement Ltd. on liquidating the companies Valencia, Sevilla and Ulleholmen totaling COP 4.314. Expense incurred by Zona Franca Argos S.A.S. corresponding to the cost of invoicing Cementos Argos S.A. and the cost of inaugurating the Cartagena Plant for COP 2.122.

NOTE 27 – TRANSACTIONS WITH RELATED PARTIES

The following is a summary of the assets and liabilities held at December 31, 2009 and December 31, 2008 as well as the income and expense incurred by the Parent Company on transactions carried out during the years ending on said dates, with shareholders holding more than a 10% stake in the Parent Company, as well as its legal representatives and senior management

2009

	SHAREHOLDERS	DIRECTORS	LEGAL REPRESENTATIVES AND SENIOR MANAGEMENT
At year-end			
Assets			
Accounts receivable....................	-	-	5.755
Total assets	**-**	**-**	**5.755**

In certain cases, accounts receivable with legal representatives and senior management obey labor policies approved by the Board of Directors and policies that equally apply to all employees that are not covered by the Company's current collective labor agreement, and that consist of housing or home renovation loans as well as loans for purchasing cars and attending family problems, each of these being properly regulated and bearing sufficient guarantees.

Transactions carried out with related companies at December 31, 2009 are as follows:

NAME OF COMPANY	RECEIVABLES DEC-09	TYPE OF OBLIGATION	RECEIVABLES DEC-09	TYPE OF OBLIGATION
Industrias Metalúrgicas Apolo S.A.	926	Loan		
Andino Trading			1.025	Loan
Asesorías y Servicios Ltda. (subject to liquidation)	415	Capitalization		
Caricement B.V.	3.603	Loan		
Cartec Inc.	13.374	Loan	1.888	Loan
Cementos de Caldas S.A.			6.114	Purchase of 326.876 shares in Metroconcreto S.A., 1.066.625 shares in Logística de Transporte S.A.,

NAME OF COMPANY	RECEIVABLES DEC-09	TYPE OF OBLIGATION	RECEIVABLES DEC-09	TYPE OF OBLIGATION
				11.600 shares in Áridos de Antioquia S.A., 7.500 shares in Canteras de Colombia S.A.S. and leased office space in Bogotá.
Compañía de Navegación del Mar Caribe Ltda. (subject to liquidation)	165	Loan (liquidation)		
Corporación de Cemento Andino C.A.	13.432	Technical advisory services and loans	2.275	Sale of raw materials
Distribuidora de Cementos Ltda. (subject to liquidation)			42	Purchase of 3.600 shares in Sociedad Portuaria La Inmaculada S.A., 4.000 in Sociedad Portuaria Las Flores S.A., 50.000 in Sociedad Portuaria Río Córdoba S.A.
Dicente Ltda. (subject to liquidation)	1.457	Liquidation of Dicente, according to Minutes No 90.		
Distribuidora Colombiana de Cementos Ltda. (subject to liquidation)			1.196	Purchase of 225.000 shares in Corporaciones e Inversiones del Mar Caribe S.A.S., 247.745 quotas in Flota Fluvial Carbonera S.A.S., 10.000 in Sociedad Portuaria Golfo de Morrosquillo S.A.
Industrial Hullera S.A.	80	Loan to pay off debt with ISS (Instituto de Seguros Sociales).		
Promosur S.A. (subject to liquidation)	543	Liquidation of Dicente, according to Minutes No 90.		
Proservi Ltda. (subject to liquidation)	41	Capitalization	9	Liquidation of Vigilancia Privada del Litoral Ltda.
Reforestadora El Guásimo S.A.	80	Loan for special vehicle for Company officer		
Sociedad Portuaria La Inmaculada S.A.	1	Payment of mercantile and		

NAME OF COMPANY	RECEIVABLES DEC-09	TYPE OF OBLIGATION	RECEIVABLES DEC-09	TYPE OF OBLIGATION
		rent renewal paid by Cementos Argos S.A.		
Sociedad Portuaria Las Flores S.A.	1	Payment of mercantile and rent renewal paid by Cementos Argos S.A		
Surandina de Puertos C.A.			168	Loan
Transmarítima del Caribe Ltda. (subject to liquidation)	284	Loan (liquidación)		
Transportadora Sucre Ltda. (subject to liquidation)			79	Sale of shares in Asesorías y Servicios Ltda. (subject to liquidation)
Others	4.467		3.084	
Total	38.869		15.880	

2008

	SHAREHOLDERS	DIRECTORS	LEGAL REPRESENTATIVES AND SENIOR MANAGEMENT
Accounts receivable..........	-	-	4.591
Total assets	**-**	**-**	**4.591**
Accounts payable.............	7.000	-	-
Total liabilities..................	**7.000**	**-**	**-**

In certain cases, accounts receivable with legal representatives and senior management obey labor policies approved by the Board of Directors and policies that equally apply to all employees that are not covered by the Company's current collective labor agreement, and that consist of housing or home renovation loans as well as loans for purchasing cars and attending family problems, each of these being properly regulated and bearing sufficient guarantees.

Transactions carried out with related companies at December 31, 2008 are as follows:

NAME OF COMPANY	RECEIVABLES Dec 08	TYPE OF OBLIGATION	PAYABLES DEC-08	TYPE OF OBLIGATION
Indústrias Metalúrgicas Apolo S.A.	926	Loan		
Inversiones La Merced S.A.	-		7.000	Loan for working capital
Meriléctrica S.A. & Cía. S.C.A. E.S.P.	863	Sale of raw materials		
Sociedad Portuaria Río Córdoba S.A.	38.367	Loan for COP 37.602; sale of materials COP 180;	157	Sale of stowage and services

NAME OF COMPANY	RECEIVABLES Dec 08	TYPE OF OBLIGATION	PAYABLES DEC-08	TYPE OF OBLIGATION
Corporación de Cemento Andino C.A.	14.744	leasing COP 584 Leased equipment and loans	2.275	Sale of materials
Promosur S.A. (subject to liquidation)	541	Sale of materials		
Transmarítima del Caribe Ltda. (subject to liquidation)	280	Loan		
Cementos Colón, S.A.	1.795	Loan		
Tempo Ltda.			367	Sale of materials
Distribuidora Colombiana de Cementos Ltda. (subject to liquidation)			1.196	Sale of shares in C.I. del Mar Caribe COP 1.005 and other sales COP 190
Cementos de Caldas S.A.			4.474	Leases
Andino Trading Corporation			1.125	Loan
Surandina de Puertos C.A.			1.346	Loan
Colcaribe Investments			651	Loan
Inversiones Castro Jaramillo Ltda. (subject to liquidation)			75	Acquisition 40 quotas in Transportadora Sucre Ltda. (subject to liquidation)
Carbones del San Jorge Ltda. (subject to liquidation)			35	Sale of shares
Dicente Ltda. (subject to liquidation)			328	Sale of share in Áridos de Antioquia S.A. and Sociedad Portuaria de Cementeras Asociadas S.A. COP 8, services COP 319
Transportadora Sucre Ltda. (subject to liquidation)			57	Sale of shares in Asesorías y Servicios Ltda. (subject to liquidation)
Total	**57.516**		**19.086**	

The aforementioned transactions were carried out on an arm's length basis.

In 2009 and 2008 no operations having the following characteristics were conducted with shareholders, directors and legal representatives:

a) Services carried out free of charge or to compensate other items or services

b) Loans that imply for the borrower an obligation that does not correspond to the essence or nature of a loan agreement.

c) Loans bearing interest rates that are different to those normally paid or charged by or to third parties in similar conditions with regard to risk, term, etc.

NOTE 28 – CONTINGENCIES AND SUBSEQUENT EVENTS

INVERSIONES ARGOS S.A. AND SUBSIDIARY COMPANIES

In 2009 there were no:

1. Inspections or visits carried out by oversight authorities that had given rise to warnings being given or penalties imposed.

2. Sanctions of an administrative, contentious or civil nature imposed by state, departmental or municipal authorities.

3. Company officials for transgressions committed in performing their respective duties,

Subsequent to the closing date of these financial statements the following relevant events occurred:

1. In January of this year, as part of an ongoing unfair competition investigation, which was initiated in 2006, the Colombian Superintendency of Industry and Commerce denied the appeals filed by the Company and confirmed the fines imposed on both the Company and its legal representative

2. In February 2010, Cementos Argos signed a *joint venture* for USD 3.2 million with Vensur, a company belonging to the Kersten Group, the main business group in Surinam. With this Argos became a shareholder in a cement grinding company with access to port facilities providing silos and packing services.

FINANCIAL INDICATORS

	2009	**2008**
Liquidity (current assets / current liabilities)	0,87	0,90
Indebtedness (total liabilities / total assets)	29,08%	44,34%
Asset Turnover (operating revenues / total assets)	0,25	0,29
Profit margin (net earnings / operating income)	20,18%	2,31%
Profitability		
(Net earnings / equity)	9,80%	1,68%
(Net earnings / total assets)	4,99%	0,68%
EBITDA	1.554.303	724.822
EBITDA Margin	34,60%	18,37%
EBITDA / equity	16,79%	13,34%

(*) EBITDA adjusted excluding other non-operating income and expenses.

Annex A

Summary of Principal Differences among Colombian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)

Summary of Principal Differences between Colombian GAAP and U.S. GAAP

Financial statements and other financial information included in this offering memorandum have been prepared and presented in accordance with Colombian GAAP. Certain significant differences exist between Colombian GAAP and U.S. GAAP which may be material to the financial information that we have provided in this offering memorandum. The following discussion summarizes differences between Colombian GAAP and U.S. GAAP which may be material. We have not prepared a complete reconciliation of our financial statements and related footnotes between Colombian GAAP and U.S. GAAP and have not quantified such differences. Accordingly, we cannot assure you that the following summary of differences between Colombian GAAP and U.S. GAAP is complete. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and the financial information available. You should consult your own professional advisors for an understanding of the differences between Colombian GAAP and U.S. GAAP, and how those differences might affect the financial statements and other financial information in this offering memorandum.

Functional Currency and Foreign Currency Conversion

Under Colombian GAAP, there is no detailed guidance on the definition of functional currency. It is generally assumed that the local currency of the country where the entities are located is their functional currency. The financial statements of foreign subsidiaries are generally converted from their local currency into Colombian pesos in two steps prior to the consolidation process, including: (1) converting their financial statements from their local currencies into U.S. dollars; and (2) converting their financial statements from U.S. dollars into Colombian pesos. The conversion is performed using exchange rates at the closing date for assets and liabilities, average exchange rates in effect during the period for income statements and historical exchange rates for the conversion of the equity accounts. Practice varies as to where the effect of conversion (cumulative translation adjustment) is recognized.

Under U.S. GAAP, a definition of the functional currency is required, which may differ from the reporting currency. Colombian GAAP presumes the use of the Colombian peso for companies operating in Colombia as the functional currency. Transactions denominated in foreign currencies are translated into Colombian pesos using the exchange rate applicable on the date they occur realizing charges or credits to the income statement for foreign exchange gains (losses), except for assets which are in the process of installation or under construction. The foreign exchange gains/losses associated with these assets are recognized in income when the asset is ready for use.

Under U.S. GAAP, if our functional currency is defined as the Colombian peso, translation of our financial statements under Financial Accounting Board Statement ("FAS") No. 52, "Foreign Currency Translation", is required. Accordingly, assets and liabilities would be translated at the balance sheet date (current) exchange rate. Equity accounts would be translated at their historical exchange rate and retained earnings are translated at the weighted average of the historical exchange rate in effect when the income was earned. Revenues and expenses are translated on a monthly basis at the average exchange rates in effect during the period. Cumulative translation adjustment gain or loss must be presented as part of other Comprehensive income.

Inflation Adjustments

Under Colombian GAAP, from January 1, 1992 through December 31, 2006, the financial statements of Colombian entities were adjusted for the effects of inflation on the basis of changes in the PAAG Index, which is the middle-income consumer price index as established, with a one-month lag, by the National Administrative Statistic Department of Colombia. This index was applied to all non-monetary assets and liabilities and shareholders' equity accounts, except for the revaluation of fixed assets and the current year net income accounts. The net gain (loss) from exposure to inflation was reflected as monetary correction in the income statements. In May 2007, the Ministry of Commerce issued Decree 1,536, which ordered the suspension of inflation adjustments for financial statements effective as of January 1, 2007. Therefore, Colombian entities ceased adjusting their financial statements for inflation as of January 1, 2007.

In contrast, U.S. GAAP does not permit inflation adjustments unless the company is in a hyperinflationary economy (as defined by U.S. GAAP).

Basis for consolidation

Under Colombian GAAP, consolidation is appropriate when an entity holds the majority of voting rights of another entity. Consolidated financial statements under Colombian GAAP are only used for informational purposes. Under U.S. GAAP, when a company has a controlling financial interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are not the same as with those of the parent.

In addition to the traditional concept of consolidation, in 2003 a new standard under U.S. GAAP was issued which contained certain clarifications to address accounting for variable interest entities. The primary purpose of this new standard was to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights. Such entities are known as variable-interest entities ("VIEs"). Generally, VIEs are consolidated by the primary beneficiary, which represents the enterprise that will absorb the majority of the VIE's expected losses and/or receive a majority of the VIE's residual returns if they occur. In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC 810" *Consolidation*s (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)). ASC 810 now requires a qualitative analysis to determine the primary beneficiary of a VIE. The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The standard also requires additional disclosures about an enterprise's involvement in a VIE.

Accounting for investments

Under Colombian GAAP, investments in securities are classified according to their intent and purpose in trading or permanent investments. Based on their classification the investments in securities are recognized as follows:

Trading securities: These securities would be those acquired mainly for obtaining profits from fluctuations in short-term prices. Negotiable securities are initially recognized at cost and subsequently measured at fair values. Differences between fair values and book values of equity securities classified as negotiable are recognized in the income statement.

Permanent investments: Under Colombian GAAP, interests in companies in which an entity holds directly or indirectly, less than 50% of the total shares outstanding are accounted for using the cost method plus valuation on these interests. In the income statement, entities record dividends accrued from the direct ownership in such companies. In the balance sheet, the ownership interests in these companies are measured at fair value using either the intrinsic value of the shares or their market value if publicly traded. The difference between the cost and the fair value of these interests is accounted for in a separate balance sheet line item as an asset ("reappraisal of assets") with the offset recorded in shareholders' equity and has no affect on our income statement. However, when the fair value of these interests is lower than their cost, an impairment may be recognized as a charge in our income statement.

Under Colombian GAAP, the equity method of accounting is not allowed when presenting consolidated financial statements, all investments with less than 50% of ownership regardless of if the investor exercises or not significant influence in another entity, are accounted for using the methodology stated above. The equity method of accounting is only used in unconsolidated financial statements in order to account for investments in subsidiaries (investments in which an entity hold more than 50% of ownership).

Under U.S. GAAP, an investment in an equity security is recorded using the equity method when the investor can exercise significant influence over the investee. The cost method is used when significant influence over the investee cannot be exercised. Under the equity method of accounting, the carrying value of such an investment is adjusted to reflect (1) the company's proportionate share of earnings or losses from the investee and (2) additional investments and distributions of dividends. The company's proportionate share of income or loss is reported in earnings, but any dividends or additional investments are reported only as an adjustment of the carrying amount of the investment.

Under US GAAP, investments in entities that are not consolidated or accounted for using the equity method, are accounted for depending on their classification as available for sale or trading securities.
Investments classified as available-for-sale are reported at fair value, with unrealized gains and losses reported, net of taxes, as a component of other comprehensive income. In the event any other than temporary impairment of the values of the investments occurs, the impairment loss is recorded in income. Any change in value of available-for-sale debt securities as a result of changes in exchange rates is reflected in equity. Under US GAAP trading securities are reported at fair value, with unrealized gains and losses reported in the income statement.

Fair value measurements

Under Colombian GAAP fair value is defined as the price determined in an arm's length transaction.

Under U.S. GAAP, effective January 1, 2008, companies should adopt ASC 820 (formerly SFAS 157) for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Additionally, effective January 1, 2009, the methodology applied for all non-financial instruments accounting is at fair value on a non-recurring basis. Among other things, ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

ASC 820 does not require any new fair value measurements, rather, it applies other accounting rules that require or permit fair value measurements. The provisions of ASC 820 are to be applied as of the beginning of the fiscal year in which it is initially applied. Any transition adjustment is recognized as a cumulative-effect adjustment to the opening balance of retained earnings.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value ranking, based upon valuation techniques used to measure fair value. The valuation gives the highest priority to unadjusted quoted prices in active markets of identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The ASC 820 rankings described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 - Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs. (*i.e.*, quoted prices for similar assets or liabilities); and

- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (*i.e.*, supported by little or no market activity).

Purchase Method of Accounting

Under Colombian GAAP, acquisitions are accounted for under the cost method of accounting. Companies separately identify assets and liabilities existing as of the acquisition date. The acquired assets and liabilities are recognized at their book values. Goodwill represents the excess of the purchase price over the book value of the net assets acquired.

For U.S. GAAP purposes, earnings of an acquired company are recognized as from the date of the acquisition. In the case of business combinations, the purchase method of accounting under U.S. GAAP requires that the purchase price be allocated to the identifiable acquired assets and liabilities, including intangible assets on the basis of fair value. The difference between such amount and the purchase price, including acquisition costs, is recognized as goodwill.

Goodwill

Under Colombian GAAP, the difference between the cost of an acquisition and the proportional net book value of the acquired company on the acquisition date is recorded as goodwill (positive) and amortized to income during the period in which the Company expects to receive future benefits.
Under U.S. GAAP, goodwill is not amortized and an impairment evaluation is required at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment, and the second step measures the amount of impairment.

Reappraisal and impairment of property, plant and equipment

Under Colombian GAAP, revaluation of property, plant and equipment is performed at least every three years with increases recorded on the balance sheet under "reappraisal of assets", with an offset against "surplus from reappraisal of assets" in shareholders' equity. Revaluations are performed and recorded on a specific asset group basis. If the reappraisal results in a decrease in the appraisal value of the specific asset group in comparison with the prior period, the decrease is charged first against any existing surplus with any remainder being charged to income.
Under U.S. GAAP, revaluation of assets is not permitted. U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are considered impaired when the fair value is less than the carrying value of the asset. An impairment loss is recorded only when the recoverable amount of the asset, defined as the estimated future undiscounted cash flows expected to result from the use of the asset, is less than the carrying value of the asset. This is measured by the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Any recorded impairment losses are presented in operating expenses.

Capitalization of Foreign Exchange Gains and Losses

For Colombian GAAP, foreign currency exchange gains and losses related to foreign currency-denominated liabilities incurred for the purchase or building of property, plant and equipment are capitalized as part of the cost of such assets until the assets are ready for use.

For U.S. GAAP, foreign exchange gains and losses are not capitalized but rather recorded as exchange gains or losses in the period incurred.

Other Capitalized and Deferred Costs

Colombian GAAP permits the capitalization and subsequent amortization of certain pre-operating and operating charges, including studies and investigations, for which there is potential future benefit or savings.

Under U.S. GAAP, there are strict guidelines regarding the deferral of costs and amortization over future periods. While under certain specific situations deferral treatment would be acceptable, this treatment is permitted only when there is a direct incremental cost resulting in a future benefit.

Lease accounting

Under Colombia GAAP, leasing contracts are categorized as financial leases if there is a purchase option in the lease contract, regardless of value. U.S. GAAP includes the concept of a bargain purchase option, among other requirements, when assessing the categorization of the lease.

Deferred Income Taxes

Under Colombian GAAP, income tax is based on estimates of taxable profits or losses. The tax effects of revenue, cost and expense items that are reported for tax purposes in years other than those in which they are recorded for accounting purposes are accounted for as deferred income taxes in accordance with laws and regulations in the relevant county.

Under U.S. GAAP, the asset and liability method of accounting for income taxes in accordance with FAS No. 109, "Accounting for Income Taxes," is used. Under this method, the provision for income taxes includes amounts currently payable and amounts deferred as tax assets and liabilities, based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, and is measured using the enacted tax rates that are assumed will be in effect when the differences reverse. Deferred tax assets are reduced by a valuation allowance which is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accounting for Uncertainties in Income Taxes

Under Colombian GAAP, there are no specific standards with respect to accounting for uncertainties in income taxes.

For U.S. GAAP purposes, there is a recognition threshold and measurement method for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. US GAAP also provides guidance on accounting for the recognition, interest, penalties, accounting in interim periods, and disclosure of matters related to uncertainty in income taxes.

Employee benefit plans

The measurement for pension plan obligations differs between Colombian GAAP and U.S. GAAP primarily because Colombian GAAP requires calculation of the estimated liability using the actuarial methodology as mandated by the law. The methodology includes actuarial assumptions which are based on nominal discount, salary and pension increase rates. The methodology impacts the method used for computing net periodic pension costs.

Under U.S. GAAP, the projected benefit obligation of the plans is determined by actuarial calculations which consider factors such as age of the participants, years of service, compensation, interest rates, mortality and other factors. The net periodic pension cost recognized for a period and charged to expense includes the following components: service cost, interest cost, actuarial gains/losses and amortization of any unrecognized obligation or intangible asset related to prior service costs upon adoption the standard. The service cost component recognized in a period is determined as the actuarial present value of benefits attributed by the pension benefit formula to employee service during that period. Plan assets to cover pension plan liabilities are disclosed as part of the pension plan. U.S. GAAP requires companies to recognize the funded status (benefits obligation less fair value of plan assets) of defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost.

Derivative Financial Instruments

We enter into foreign currency forward contracts to "hedge" against foreign currency fluctuations.
Under Colombian GAAP, for valuation purposes we have adopted a policy under which derivative contracts obtained for hedging liabilities are adjusted to their market value using the exchange rate at the end of the period. Any resulting adjustment is gradually recorded to income statement accounts during the term of the contract, offsetting revenues, costs or expenses resulting from variations of exchange rates and interests.

Under U.S. GAAP, fair value is used to measure the financial derivatives instruments. Fair values are based on market prices.

Memorandum Accounts

Colombian GAAP requires that certain items be recorded in memorandum accounts and that these accounts be reflected on the balance sheet and in the notes to the financial statements. Items included in memorandum accounts consist of contingent rights and liabilities, deferred taxes associated with tax loss carryforwards and fully depreciated fixed assets.

Under U.S. GAAP, memorandum accounts are not used. All contingencies determined to be estimable and probable are recorded as liabilities, and deferred tax assets are recorded for tax loss carryforwards until they are utilized or it becomes more likely than not that they will not be utilized.

Statement of Cash Flows

Under Colombian GAAP, there is no detailed guidance for the preparation of the statement of cash flows, and there are no specific requirements for the presentation of certain effects such as those resulting from business combinations and foreign currency conversions, resulting in differences in practices. Under U.S. GAAP, there is detailed guidance for the preparation of the statement of cash flows, and how such effects are presented.

Statement of Changes in Financial Position

Colombian GAAP requires a statement of changes in financial position, which reflects the net change in working capital resulting from financial resources provided and financial resources used. Financial resources provided include a detailed analysis of working capital provided by operations. In addition to the statement of changes in financial position, Colombian GAAP requires a statement of cash flows. U.S. GAAP does not require a separate statement of changes in financial position.

Prior Year Adjustments

Under Colombian GAAP, the financial statements are approved by the general assembly of shareholders by a specific date. Any adjustments not reflected in these financial statements are recorded as a separate component in the income statement in the current year. Restatement of financial statements is not allowed. Additionally, the retroactive effect of certain changes in accounting estimates and principles are recorded in the year of change as a current year adjustment.

Under U.S. GAAP, when comparative statements are presented, corresponding adjustments shall be made of the amounts of net income, its components, retained earnings balances, and other affected balances for all of the periods presented to reflect the retroactive application of the prior period adjustments.

Earnings per share

Under Colombian GAAP, earnings per share ("EPS") are computed by dividing net income by the weighted average number of both common and preferred shares outstanding for each period presented.

U.S. GAAP requires dual presentation of basic and diluted EPS for entities with complex capital structures, as well as a reconciliation of the basic EPS computation to the diluted EPS computation. Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted EPS assumes the issuance of common shares for all dilutive potential common shares outstanding during the reporting period.

Segment information

Colombian GAAP does not require a disclosure of the segment information.

Under U.S. GAAP, the presentation of the segment information is required. This statement is based on a management approach, which requires segmentation based upon an internal organization and reporting of revenue and operating income based upon an internal accounting method.

Comprehensive Income Statement

Colombian GAAP does not require a separate statement of comprehensive income.

U.S. GAAP requires the presentation of a statement of comprehensive income, which reflects the changes in shareholders' equity other than the changes in equity produced by the shareholders through capitalization or dividend distributions. The statement of comprehensive income should be presented with the same prominence as the other financial information as part of the income statement, shareholders' equity or in a note.

Summary of Principal Differences between Colombian GAAP and IFRS

Colombian Law 1314 of 2009, which seeks to promote the internationalization of the Colombian economy, requires convergence with the International Reporting Financial Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB"), commencing in 2014. We and our subsidiaries and affiliates are expected to change the preparation of our financial statements to IFRS by 2014. We continue to monitor and assess the impact of evolving differences between Colombian GAAP and IFRS. At this time, the impact of IFRS conversion on our future financial position and results of operations is not yet determinable. The adoption will result in changes to reported financial position and results of operations, and these changes may be material.

The following discussion summarizes certain relevant differences between Colombian GAAP and IFRS. We have not prepared a complete reconciliation of our financial statements and related notes between Colombian GAAP and IFRS and have not quantified such differences. Accordingly, we cannot assure you that the following summary of differences between Colombian GAAP and IFRS is complete. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and the financial information available. You should consult your own professional advisors for an understanding of the differences between Colombian GAAP and IFRS, and how those differences might affect the financial information in this offering memorandum.

Functional Currency and Foreign Currency Conversion

Under Colombian GAAP, there is no detailed guidance on the definition of functional currency. It is generally assumed that the local currency of the country where the entities are located is their functional currency. The financial statements of foreign subsidiaries are generally converted from their local currency into Colombian pesos in two steps prior to the consolidation process, including: (1) converting their financial statements from their local currencies into US dollars; and (2) converting the financial statements from US dollars into Colombian pesos. The conversion is performed using exchange rates at the closing date for assets and liabilities, average exchange rates for the period for the income statements and historical exchange rates for the equity accounts. Practice varies as to where the effect of conversion (cumulative translation adjustment) is recognized.

Pursuant to IFRS (IAS 21), the primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

- The currency that mainly influences sales prices for goods and services; and the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and
- The currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

When the functional currency of a foreign subsidiary is the local currency, the conversion is performed using exchange rates at the closing date for assets and liabilities, average exchange rates for the period for the income statements, recognizing all the effects of the conversion (cumulative translation adjustment gain or loss) as part of the Other Comprehensive income in the Stockholders' equity.

Inflation Adjustments

Under Colombian GAAP, from January 1, 1992 through December 31, 2006, the financial statements of Colombian entities were adjusted for the effects of inflation on the basis of changes in the PAAG Index, which is the middle-income consumer price index as established, with a one-month lag, by the National Administrative Statistic Department of Colombia. This index was applied to all non-monetary assets and liabilities and shareholders' equity accounts, except for the revaluation of fixed assets and the current year net income accounts. The net gain or loss from exposure to inflation was reflected as Monetary Correction in the income statement. In May 2007 the Ministry of Commerce issued Decree 1,536, which ordered the suspension of inflation adjustments for financial statements effective as of January 1, 2007. Therefore, Colombian entities ceased to adjust their financial statements for inflation as of January 1, 2007.

IFRS does not permit inflation adjustments unless the company is in a hyperinflationary economy, as defined by IFRS in International Accounting Standard ("IAS") 29 *Financial Reporting in Hyperinflationary Economies*. IAS 29 does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when a restatement of financial statements in accordance with this standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the fact that the cumulative inflation rate over three years is approaching, or exceeds, 100%.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, are to be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by IAS 1 *Presentation of Financial Statements* (as revised in 2007) and any information in respect of earlier periods also must be stated in terms of the measuring unit current at the end of the reporting period. The gain or loss on the net monetary position is included in profit or loss and separately disclosed.

Basis for consolidation

Under Colombian GAAP, consolidation is appropriate when an entity holds the majority of voting rights of another entity. Consolidated financial statements under Colombian GAAP are only used for informational purposes. Under IFRS, IAS 27(R) *Consolidated and Separate Financial Statements* provides that subsidiaries are generally consolidated when ownership exceeds 50% of the voting rights and control exists. IFRS specifically requires potential voting rights to be assessed. Instruments that are currently exercisable or convertible are included in the assessment, with no requirement to assess whether exercise is economically reasonable, provided such rights have economic substance. Control also exists when a parent owns half or less of the voting power but has legal or contractual rights to control the majority of the entities' voting power of the board of directors.

Under IFRS where it has been determined that an entity is not a subsidiary as specified in IAS 27 (R) it may still be a subsidiary that is required to be consolidated if it is a special purpose entity (SPE) under SIC 12 and it is not possible to discern who has control by first applying the normal control provisions in IAS 27 (R). Application of SIC 12 results in consolidation of many vehicles that might not be consolidated, when applying the procedures of IAS 27 (R).

Statement of Cash Flows

Under Colombian GAAP, there is no detailed guidance for the preparation of the statement of cash flows, and there are no specific requirements for the presentation of certain effects such as those resulting from business combinations and foreign currency conversions, resulting in differences in practices. Under IFRS there is detailed guidance for the preparation of the statement of cash flows, and how such effects are presented.

Statement of Changes in Financial Position

Colombian GAAP requires a statement of changes in financial position. The statement of changes in financial position reflects the net change in working capital resulting from financial resources provided and financial resources used. Financial resources provided include a detailed analysis of working capital provided by operations. In addition to the statement of changes in financial position, Colombian GAAP requires a statement of cash flows.

Under IFRS, IAS 1 *Presentation of Financial Statements* requires the presentation of the statement of cash flow and not the statement of change in financial position. The other comprehensive income statement is required to be presented as a separate financial statement or as part of the comprehensive income statement. Generally, disclosure tends to have more detailed explanations. IAS 7 requires specific disclosures related to financial instruments.

Investment Securities

Accounting for investments

Under Colombian GAAP, investments in securities are classified according to their intent and purpose as either trading or permanent investments. Based on their classification the investments in securities are recognized as follows:

Trading securities: These securities would be those acquired mainly for obtaining profits from fluctuations in short-term prices. Negotiable securities are initially recognized at cost and subsequently measured at fair values. Differences between fair values and book values of equity securities classified as negotiable are recognized in the income statement.

Permanent investments: Under Colombian GAAP, interests in companies in which an entity holds directly or indirectly less than 50% of the total shares outstanding are accounted for using the cost method plus valuation on these interests. In the income statement, entities record dividends accrued from the direct ownership in such companies. In the balance sheet, the ownership interests in these companies are measured at fair value using either the intrinsic value of the shares or their market value if publicly traded. The difference between the cost and the fair value of these interests is accounted for in a separate balance sheet line item as an asset ("reappraisal of assets") with the offset recorded in shareholders' equity this has no affect on our income statement. However, when the fair value of these interests is lower than their cost, an impairment may be recognized as a charge in our income statement.

Under Colombian GAAP the equity method of accounting is not allowed when presenting consolidated financial statements, all investments with less than 50% of ownership regardless of whether the investor exercises or not significant influence in another entity, is accounted for using the methodology stated above. The equity method of accounting is only used in unconsolidated financial statements in order to account for investments in subsidiaries (investments in which an entity owns more than 50% of ownership).

Under IFRS, an investment in an equity security is recorded using the equity method when the investor can exercise significant influence over the investee. Significant influence means having the power to intervene in the company's financial and operating policy decisions, without holding absolute control or joint control of the company. There is a presumption of significant influence when the investor holds, directly or indirectly, 20% or more of the voting rights. Under the equity method of accounting, the carrying value of such an investment is adjusted to reflect (1) the company's proportionate share of earnings or losses from the investee and (2) additional investments and distributions of dividends. The company's proportionate share of income or loss is reported in earnings, but any dividends or additional investments are reported only as an adjustment of the carrying amount of the investment.

When a Company does not exercise significant influence over another entity and does not control it or jointly controls it, such investments are recognized under IFRS, IAS 39 *Financial Instruments: Recognition and Measurement*. Under IAS 39 equity investments might be classified as either available for sale or at fair value through profit and loss. Investments classified as available-for-sale are reported at fair value, with unrealized gains and losses reported, net of taxes, as a component of other comprehensive income
investments to be classified in accordance either as trading investments or available for sale investments.

Purchase Method of Accounting

Under Colombian GAAP, acquisitions are accounted for under the cost method of accounting. Companies separately identify assets and liabilities existing as of the acquisition date. The acquired assets and liabilities are recognized at their book values. Goodwill represents the excess of the purchase price over the book value of the net assets acquired.

For IFRS purposes, earnings of an acquired company are recognized as from the date of the acquisition. In the case of business combinations, the purchase method of accounting under IFRS requires that the purchase price be allocated to the identifiable acquired assets and liabilities, including intangible assets on the basis of fair value. The difference between such amounts and the purchase price, including acquisition costs, is recognized as goodwill.

Goodwill

Under Colombian GAAP, the difference between the cost of an acquisition and the proportional net book value of the acquired company on the acquisition date is recorded as goodwill (positive) and amortized to income during the period in which the Company expects to receive future benefits.

Under IFRS, goodwill is not amortized and an impairment evaluation is required for goodwill and other indefinite useful intangibles. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill impaired are reviewed for possible reversal of the impairment at each reporting date.

Reappraisal and Impairment of Long-Lived Assets

Under Colombian GAAP, revaluation of our property, plant and equipment is performed at least every three years with increases recorded on the balance sheet under reappraisal of assets with the offset against surplus from reappraisal of assets in shareholders' equity. Revaluations are performed and recorded on a specific asset group basis. If the reappraisal results in a decrease in the appraisal value of the specific asset group in comparison with the prior period, the decrease is charged first against any existing surplus with any remainder being charged to income.

Under IFRS, IAS 16 *Property, Plant and Equipment*, companies may choose the cost method or the revaluation method for periods after the adoption of IFRS, and apply these methods to property, plant and equipment. Revaluations must be conducted regularly to ensure that the book value does not significantly differ from the fair value at the end of the period reported.

Deferred Income Taxes

Under Colombian GAAP, income tax is based on estimates of taxable profits or losses. The tax effects of revenue, cost and expense items that are reported for tax purposes in years other than those in which they are recorded for accounting purposes are accounted for as deferred income taxes in accordance with legislation in the relevant county.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. By adopting IFRS, the change in the book value of assets and liabilities directly impacts the amount of the deferred tax, given the increased differences with their fiscal base. Under certain circumstances, IFRS allow recording of deferred tax against a net equity component of the entity, which is not currently regulated by the Colombian accounting standards. Under IFRS, the principal issues are the recognition of assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.

Derivative Financial Instruments

We enter into foreign currency forward contracts to "hedge" against foreign currency fluctuations. Under Colombian GAAP, for valuation purposes we have adopted a policy under which derivative contracts obtained for hedging liabilities are adjusted to their market value using the exchange rate at the end of the period. Any resulting adjustment is gradually recorded to income statement accounts during the term of the contract, offsetting revenues, costs or expenses resulting from variations of exchange rates and interests.

Under IFRS, IAS 39 establishes specific definitions for the registration of derivative transactions and hedging. It requires recognition of gains or losses that occur in the financial instruments in the period in which they arise and the use of fair values.

Memorandum Accounts

Colombian GAAP requires that certain items be recorded in memorandum accounts and that these accounts be reflected on the balance sheet and in the notes to the financial statements. Items included in memorandum accounts consist of contingent rights and liabilities, deferred taxes associated with tax loss carry forwards and fully depreciated fixed assets.

Under IFRS, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires that a provision must be reported when the entity has a current obligation as a result of past events and it is probable that resources will be used to pay the obligation and a reliable estimate of the obligation is realized. The amount recorded as a provision must be the best estimate of the disbursement necessary to pay the corresponding obligation as of the date of the balance sheet. The amount of the provision must be equal to the present value of future cash flows to be paid. The entity should not record future contingent assets, contingent liabilities or future operating losses, and estimated liabilities may be probable and eventual. Under IFRS, memorandum accounts are not used. All contingencies classified as eventual or remote are disclosed in the notes to the financial statements.

Prior Year Adjustments

Under Colombian GAAP, financial statements are approved by the general assembly of shareholders by a specific date. Any adjustments not reflected in these financial statements are recorded as a separate component in the income statement in the current year. A restatement of financial statements is not allowed. Additionally, the retroactive effect of certain changes in accounting estimates and principles are recorded in the year of change as a current year adjustment.

Under IFRS, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires that adjustments be measured for the purpose of determining the accounting impact, or whether to a reissue of the financial statements is needed.

Segment information

Colombian GAAP does not require a disclosure of the segment information.

Under IFRS, the presentation of the segment information is required. This statement is based on a management approach, which requires segmentation based upon our internal organization and reporting of revenue and operating income based upon internal accounting methods.

Employee benefit plans

The measurement for pension plan obligations differs between Colombian GAAP and IFRS primarily because Colombian GAAP requires calculation of the estimated liability using the actuarial methodology as mandated by law, this methodology includes actuarial assumptions which are based on nominal discount, salary and pension increase rates. The methodologies impact the method used for computing net periodic pension costs.

Under IFRS, the benefit obligation of the plans is determined by actuarial calculations which consider factors such as age of the participants, years of service, compensation, interest rates, mortality and other factors. The effects of pension costs in the income statement include the following components: service cost, interest cost, actuarial gains/losses and amortization (if actuarial gains or losses are recognized using the corridor method or another method). Actuarial gains and losses might be recognized directly in the stockholders' equity. The service cost component recognized in a period shall be determined as the actuarial present value of benefits attributed by the pension benefit formula to employee service during that period.

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