

## Target Price Revision

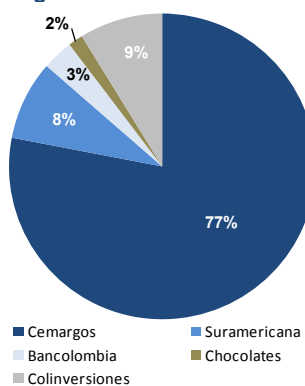
### Inversiones Argos S.A.: Current share value reflects the portfolio's expected performance

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52-week Low	\$ 7,100
52-week High	\$ 13,600
Market Price as at Sep-09-09	\$ 13,500
Year-to-date (%)	49.2%
Shares outstanding (bn)	645.40
Market Capitalization (\$bn)	8,712,900
<b>2010E Target Price</b>	<b>\$16,800</b>
Valuation Potential	24.4%

Figure 1. Investment Portfolio



Source: Valores Bancolombia.

#### Base Case Scenario

▪ We estimate a target price for Inversiones Argos S.A. by the end of 2010 of **COP\$16,800** per share, derived from a *Sum of the Parts* valuation exercise, under the assumption that the composition of the company's portfolio as of June, 2009 is maintained, concentrating in the cement industry, the insurance sector and the power generation sector.

▪ *Investment Portfolio:* The investment portfolio was valued according to our estimates for 2010 of Cementos Argos target price (COP\$11,100), Colombiana de Inversiones (COP\$35,200) and Suramericana de Inversiones (COP\$28,000). Given a conflict of interest, the stake in Bancolombia S.A. is valued according to the analyst consensus target price by Bloomberg (COP\$17,300/share).

▪ *Other investments:* Valued according to the book value reported as at June 2009 (COP\$24,008 million). These assets correspond to bonds representing nearly 30% of the total (COP\$7,122 million) and other investments in non stock-exchange listed companies that make up the remaining 70% (COP\$16,896 million).

▪ *Cash and temporary investments:* We assume that this component is maintained at the level reported as at June, 2009 (COP\$162,408 million).

▪ *Debt:* We assume that the company does not contract additional debt during the valuation horizon. We also assume that debt remains at the level reported as at June, 2009 (COP\$576,947 million), which corresponds to resources used for the purchase of Colombiana de Inversiones stock, the detail of which is presented in ANNEX I.

▪ *Operating Expenses:* We estimate these as the present value of the operating expenditure excluding provisions until 2016. These projections are based on the company's historical information and are adjusted on a yearly basis with expected inflation data, according to projections by the Bancolombia Group. Flows are discounted with a 13.1% rate, reflecting a 10.4% cost of debt and a 13.2% cost of equity capital. We assume growth to perpetuity of 3%, according to the long-term inflation target.

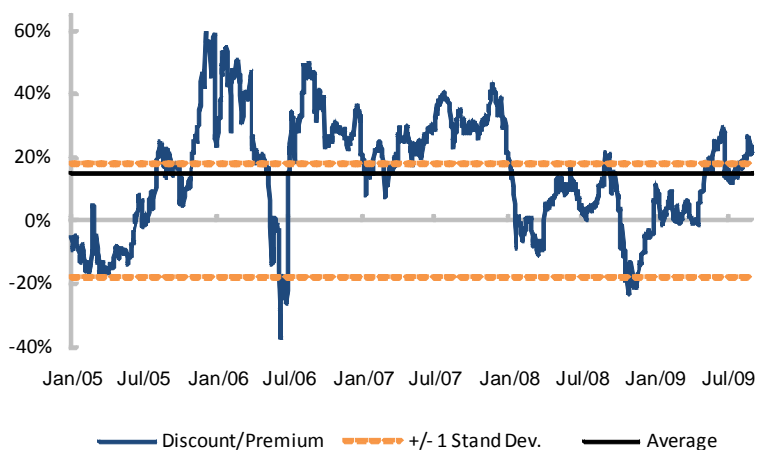
Table 1. Sum of the Parts – Base Scenario

Asset	Methodology	Stake %	2010E	Value (COP\$ BN)	Participation (%)
Cemargos	<i>Discounted Cash Flow</i>	70.5%	\$ 11,100	9,006,334	77.1%
Colinversiones	<i>Sum of the Parts</i>	40.2%	\$ 35,200	1,016,736	8.3%
Grupo de Inversiones Suramericana	<i>Sum of the Parts</i>	7.4%	\$ 28,000	970,359	3.2%
Bancolombia	<i>Analyst Consensus</i>	4.2%	\$ 17,300	373,504	1.5%
Chocolates	<i>Discounted Cash Flow</i>	1.9%	\$ 21,500	177,623	8.2%
Fabricato	<i>Market Prices</i>	1.9%	\$ 22.30	3,431	0.03%
Other Investments	<i>Book Value</i>			24,008	0.2%
Cash and Temporary Investments				162,408	1.4%
<b>TOTAL ASSETS</b>				<b>11,734,994</b>	
Debt				576,947	
Holding's PV Oper. Earn.				225,970	
<b>SHAREHOLDERS' EQUITY</b>				<b>10,871,490</b>	
Shares Outstanding				645,400,000	
<b>2010E Target Price</b>				<b>\$ 16,800</b>	

Source: Valores Bancolombia

Unlike other holdings that feature share price discounts, Inversiones Argos S.A. has historically traded with a 15% market premium (Figure 2). Explaining this premium is the fact that since it has a controlling stake in Cementos Argos, Inversiones Argos must record this equity (77% of its portfolio) at book value (COP\$6,293 by the end of June 2009). The base case scenario does not incorporate assumptions in connection with this.

Figure 2. Discount / Premium over Book Value



Source: Valores Bancolombia with Bloomberg data.

### Valuation Scenarios

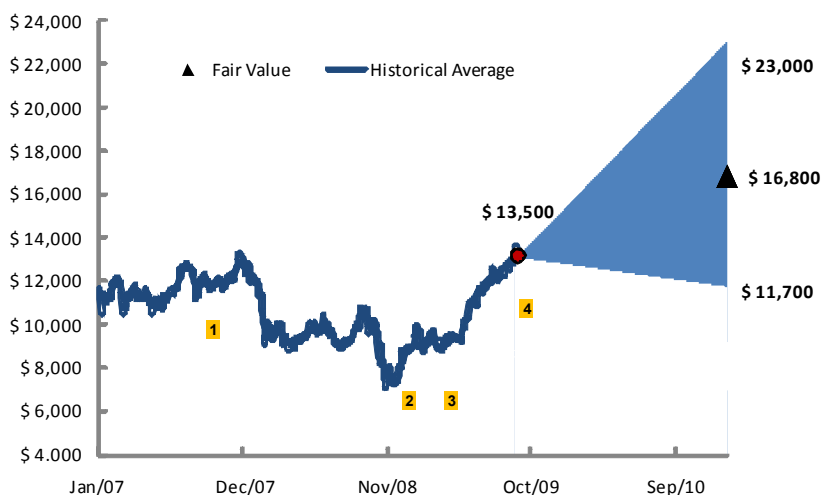
The alternate valuation scenarios evaluate the sensitivity of the base case scenario to the market value of the investment portfolio and the market premium/discount.

- **High-case scenario:** it considers an investment portfolio value of COP\$13.2 trillion, 12.7% higher than the base case scenario (COP\$11,734 billion) and a premium over share price of 18.1%.

These assumptions correspond to a standard deviation over the historical return (12 months) of the COLCAP and a standard deviation from the historical average discount. Under this scenario, the value of the shareholders' equity of the company rises to COP\$12,422 billion, 13.6% below the base case scenario, delivering a target price for December 2010 of COP\$23,000.

- **Low-case Scenario:** It considers an investment portfolio value of COP\$10.2 trillion, 12.7% lower than the base case scenario and a discount over share price of 18.1%. Under this scenario, the value of the shareholders' equity of the company comes to COP\$9,441 million, 13.6% below the base case scenario, delivering a target price for December 2010 of COP\$11,700.

Figure 3. Valuation Scenarios

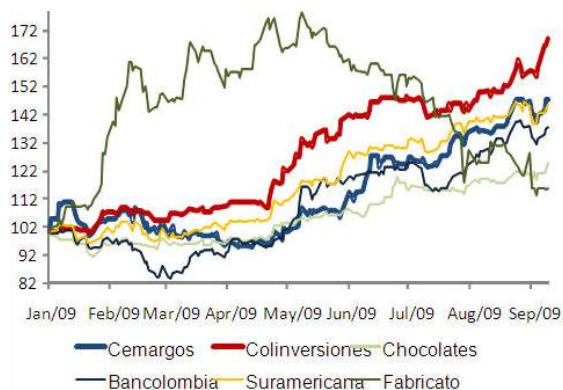


	Publication Date	Target Price	Closing Price
1	13-Aug-07	\$ 15,810	\$12,060
2	19-Mar-09	\$ 11,800	\$ 10,300
3	04-May-09	\$ 11,900	\$ 13,060
4	09-Sep-09	\$ 16,800	\$13,500

Source: Valores Bancolombia Calculations.

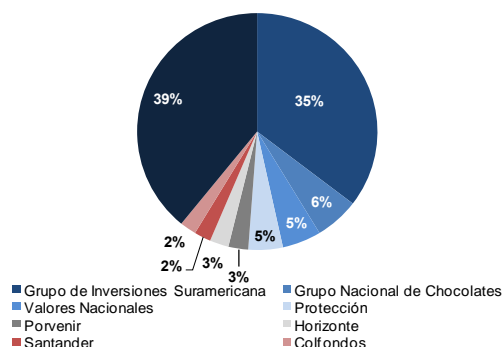
ANNEX I

Figure 1. Performance of Stocks in the Portfolio (Index 100= January 2009)



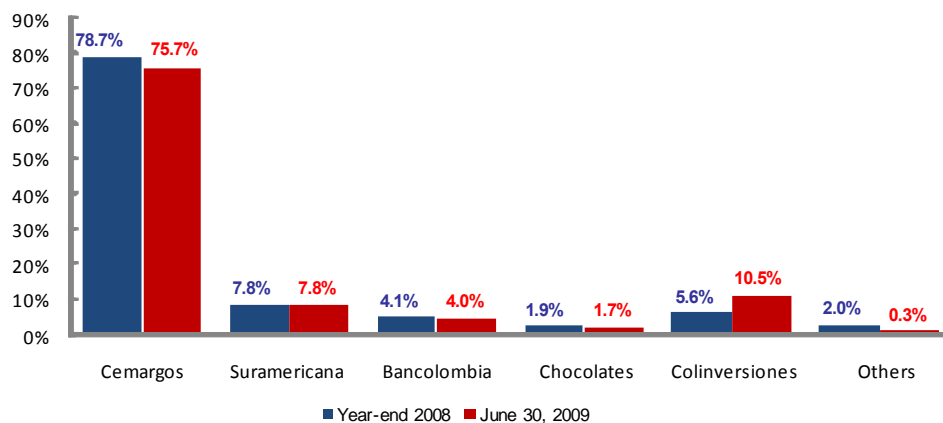
Source: Valores Bancolombia with data from BVC.

Figure 2. Shareholder Composition



Source: Valores Bancolombia with data from the Financial Superintendency.

Figure 3. Portfolio of the Company



Source: Valores Bancolombia.

Table 1. Financial Obligations

Institution	Item	Capital (COP\$ million)	Start Date	Expiry Date	Interest Rate
BBVA	Long Term Loan	119,239	Jul-30-08	Jul-30-11	DTF+3.48%
Bancolombia S.A.	Long Term Loan	300,000	Jul-30-08	Jul-30-11	DTF+3.50%
Several Institutions*	ST and MT Loans*	155,852*	Apr-09*	Dec-31-10*	DTF+3.50%*
<b>Total</b>		<b>576,947</b>			

\*According to information from the issuer.

Source: Valores Bancolombia with data from Inversiones Argos.

## ANNEX II

**Table 1. Individual Financial Statements of Inversiones Argos S.A  
(COP\$ billion)**

<b>Income Statement</b>	<b>2007</b>	<b>2008</b>	<b>1S09</b>	<b>1S08</b>	<b>% Chg</b>
Operating Revenues	179	140	286	108	164%
Operating Costs and Expenses	7	21	4	5	-16%
Operating Income	172	119	282	104	173%
Net Non-Operating Revenues / Expenses	5	-17	-28	-0	12,531%
Net Income	174	91	254	103	146%

<b>Balance Sheet</b>	<b>2007</b>	<b>2008</b>	<b>1S09</b>	<b>1S08</b>	<b>% Chg</b>
Total Assets	6,724	6,252	7,706	6,252	23%
Current Assets	53	241	279	241	16%
Non-current Assets	6,670	6,252	7,427	6,011	24%
Total Liabilities	52	486	770	486	58%
Current Liabilities	49	64	191	64	198%
Non-current Liabilities	3	422	579	422	37%
Shareholders' Equity	6,672	5,766	6,936	5,766	20%

**Source:** Inversiones Argos S.A.

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