**Red de Carreteras de Occidente, S.A.P.I de C.V. and Subsidiaries**

Consolidated financial statements for the years ended December 31, 2023, 2022 and 2021, and Independent auditors' report dated February 20, 2024

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated financial statements for the years ended December 31, 2023, 2022 and 2021 and independent auditors' report

**Table of Contents** **Page**

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# Independent auditors' report

**To the Board of Directors and Stockholders of**

***Red de Carreteras de Occidente S.A.P.I. de C.V.***

## Opinion

We have audited the consolidated financial statements of Red de Carreteras de Occidente, S.A.P.I. de C.V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2023, 2022 and 2021, and the consolidated statements of profit or loss and other comprehensive (loss) income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Red de Carreteras de Occidente, S.A.P.I. de C.V. and subsidiaries as of December 31, 2023, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IFRS Standards).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirement thar re relevant to our audit of the consolidated financial statements in Mexico and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

| Determination of the provision for improvement and maintenance of highway infrastructure *(thousand pesos)* | |
|---|---|
| See notes 3.o and 12 to the consolidated financial statements. | |
| **Key audit matter** | **How was the matter addressed in our audit** |
| The Entity is obliged to carry out activities of major maintenance on its highway concessions, as well as to carry out improvements to the infrastructure, as established in the concession agreement with the Mexican Government. The Entity recognizes a provision for improvement and maintenance of the infrastructure equals to the amount of the projection of the cost at present value of the improvement and maintenance to be carried out by type of repair and road section. The balance of this provision as of December 31, 2023, is $5,234,848. The assumptions used by the Entity's management for the determination of this provision mainly comprise the estimated amounts of improvement and major maintenance, as well as the inflation rates, discount rate and the judgment involved by the Entity to determine the provision.<br><br>We identify that the determination of the calculation of the provision for improvement and maintenance of the Entity's road infrastructure is a key audit matter because it involves significant judgments and estimates that have a material impact on operating result and the financial situation of the Entity. | The main procedures we performed to address this key audit issue included the following:<br><br>• We obtained an understanding of the obligations included within the concession agreements for the maintenance of the highway concessions.<br><br>• We obtained an understanding of the internal control of the Entity and its process for the determination and maintenance of the provision for improvement and maintenance of road infrastructure, evaluating the correct design and implementation of key controls.<br><br>• We evaluated the reasonableness of the discount and inflation rates used, comparing them with external information.<br><br>• We involved our specialists who assisted us in evaluating the reasonableness of the unit costs used in determining the amounts of improvement and maintenance expenses compared to market prices.<br><br>• We compared the disbursements made by the Entity throughout the year, corresponding to improvement and maintenance of road infrastructure with regards to those estimated by the Entity, to identify exceptions.<br><br>• We evaluated the completeness and accuracy of the information used by the Entity to determine the provision of road infrastructure improvement and maintenance.<br><br>•We analyzed the adequacy of disclosures and presentation in the financial statements. |

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Entity's annual report corresponding to the year ended December 31, 2023 that must be filed with the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) and the Mexican Stock Exchange (Bolsa Mexicana de Valores) (the "Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance that fact.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate threats or the applied safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Luis López Pérez

Guadalajara, Jalisco February 20, 2024

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated statements of financial position

**As of December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos)**

| Assets | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents, current | 5 | $ 10,616,151 | $ 12,571,346 | $ 10,905,231 |
| Trade accounts receivable, net | 6 | 961,442 | 618,665 | 261,241 |
| Recoverable income taxes | | 4,700 | 270,854 | 259,942 |
| Interest receivable on derivative financial instruments | | 3,274 | 3,309 | - |
| Financial assets arising from concessions – current portion | 7 | 374,009 | 424,870 | 438,606 |
| Derivative financial instruments | 13 | 644 | - | - |
| Other accounts receivable and prepaid expenses | 6 | 341,420 | 507,528 | 294,186 |
| Total current assets | | 12,301,640 | 14,396,572 | 12,159,206 |
| Non-current assets: | | | | |
| Long-term restricted cash | 5 | 188,754 | 169,633 | 158,944 |
| Financial assets arising from concessions – long-term portion | 7 | 500,033 | 645,922 | 759,460 |
| Intangible asset derived from concessions, net | 8 | 46,272,308 | 45,995,582 | 45,774,993 |
| Goodwill | 9 | 124,476 | 124,476 | 124,476 |
| Furniture and equipment and franchise rights, net | 10 | 23,029 | 18,193 | 22,617 |
| Machinery and equipment, net | 10 | 39,624 | 23,028 | 12,852 |
| Right-of-use assets, net | 11 | 71,236 | 42,797 | 49,630 |
| Derivative financial instruments | 13 | 12,396 | 30,799 | 16,313 |
| Deferred income tax assets | 16 | 5,904,345 | 6,014,145 | 6,637,908 |
| Other assets | | 9,806 | 9,690 | 11,140 |
| Total non-current assets | | 53,146,007 | 53,074,265 | 53,568,333 |
| Total | | $ 65,447,647 | $ 67,470,837 | $ 65,727,539 |

| Liabilities and stockholders' equity | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Current liabilities: | | | | |
| Accounts payable to suppliers | | $ 427,003 | $ 1,105,304 | $ 288,624 |
| Interest payable | | 1,407,197 | 1,420,459 | 1,419,489 |
| Interest payable on derivative financial instruments | | - | - | 2,549 |
| Other current liabilities | | 129,796 | 106,414 | 155,227 |
| Provisions for improvement and maintenance of highway infrastructure | 12 | 2,319,441 | 2,064,965 | 1,320,574 |
| Abertis Infraestructuras, S. A., related party | 24 | 14,861 | 16,881 | 9,719 |
| Current portion of long-term debt | 14 | 2,673,099 | 2,152,579 | 1,699,209 |
| Short-term employee benefits | 15 | 135,828 | 92,960 | 134,528 |
| Provision for executed work, not estimated | 12 | 147,111 | 152,037 | 65,292 |
| Taxes other than income tax | | 428,177 | 175,235 | 408,433 |
| Income taxes payable | 16 | 72,064 | 6,598 | 100,553 |
| Total current liabilities | | 7,754,577 | 7,293,432 | 5,604,197 |

(Continued)

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated statements of financial position

**As of December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos)**

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Non-current liabilities: | | | | |
| Long-term debt | 14 | $ 47,078,805 | $ 48,794,348 | $ 49,405,516 |
| Provisions for improvement and maintenance of highway infrastructure | 12 | 2,915,407 | 3,999,456 | 4,771,949 |
| Long-term employee benefits | 15 | 56,030 | 59,946 | 57,619 |
| Post-employment benefits | 15 | 13,632 | 10,369 | 9,807 |
| Other long-term liabilities | | 45,595 | 24,374 | 25,833 |
| Derivative financial instruments | 13 | 12,537 | 4,987 | 70,435 |
| Deferred income tax liability | 16 | 2,249 | 67,349 | 133,838 |
| Total non-current liabilities | | 50,124,255 | 52,960,829 | 54,474,997 |
| Total liabilities | | $ 57,878,832 | $ 60,254,261 | $ 60,079,194 |
| Contingencies and commitments | 25 | | | |
| Stockholders’ equity: | 20 | | | |
| Capital stock | | 337,968 | 337,968 | 2,337,968 |
| Retained earnings | | 7,238,381 | 6,865,398 | 3,354,613 |
| Other comprehensive loss | | (7,534) | 13,210 | (44,236) |
| Total stockholders’ equity | | 7,568,815 | 7,216,576 | 5,648,345 |
| Total | | $ 65,447,647 | $ 67,470,837 | $ 65,727,539 |

(Concluded)

See accompanying notes to consolidated financial statements.

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated statements of profit or loss and other comprehensive (loss) income

**For the years ended December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos)**

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Revenues: | 2.b, 17 | | | |
| Toll revenues | | $ 13,351,082 | $ 12,042,290 | $ 10,275,284 |
| Availability payments from the SICT | | 354,748 | 381,370 | 387,076 |
| Ancillary revenues from the use of rights of way and other related revenues | | 407,168 | 375,331 | 306,852 |
| Construction revenues | | 965,809 | 570,253 | 100,118 |
| Specialized services revenues | | - | - | 4,645 |
| Total revenues | | 15,078,807 | 13,369,244 | 11,073,975 |
| Costs and expenses: | 2.b, 18 | | | |
| Personnel costs and expenses | | 629,400 | 554,866 | 474,426 |
| Operating expenses | | 1,469,901 | 1,389,784 | 1,253,011 |
| Cost of ancillary revenues from the use of right of way and other related revenues | | 214,041 | 189,967 | 179,167 |
| Amortizations and depreciations | | 1,305,132 | 1,288,045 | 1,084,406 |
| Construction costs | | 965,809 | 570,253 | 100,118 |
| | | 4,584,283 | 3,992,915 | 3,091,128 |
| Income before other income (expenses), net | | 10,494,524 | 9,376,329 | 7,982,847 |
| Reversal of (loss due to) impairment of intangible assets derived from concessions | | - | 51,490 | 130,076 |
| Other income | | 101,347 | 50,009 | 69,123 |
| Other expenses | | (741) | (834) | (3,147) |
| | | 100,606 | 100,665 | 196,052 |
| Income from operations | | 10,595,130 | 9,476,994 | 8,178,899 |
| Interest expense | | (4,438,840) | (4,473,751) | (4,489,239) |
| Interest income | | 1,180,361 | 891,186 | 281,891 |
| Adjustments to the principal amount of UDI denominated debt | | (932,652) | (1,515,374) | (1,426,912) |
| Net foreign exchange loss | | (264) | (328) | (936) |
| | | (4,191,395) | (5,098,267) | (5,635,196) |
| Income before income taxes | | 6,403,735 | 4,378,727 | 2,543,703 |
| Income tax expense | 16 | 1,780,752 | 867,942 | 397,618 |
| Net income for the period | | 4,622,983 | 3,510,785 | 2,146,085 |

(Continued)

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated statements of profit or loss and other comprehensive (loss) income

**For the years ended December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos, unless otherwise stated, except for per share amounts)**

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Other comprehensive income (loss) items: | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | |
| Valuation of derivative financial instruments | | $ 21,992 | $ 79,069 | $ 142,581 |
| Deferred income taxes on derivative financial instruments | | (6,598) | (23,720) | (42,774) |
| Reclassifications of derivative financial instrument to profit and loss | | (47,301) | 865 | 54,799 |
| Deferred income taxes on derivative financial instrument amounts reclassified to profit and loss | | 14,190 | (259) | (16,440) |
| | | (17,717) | 55,955 | 138,166 |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of the defined benefit obligation | | (3,027) | 1,491 | (1,943) |
| Other comprehensive (loss) income items | | (20,744) | 57,446 | 136,223 |
| Comprehensive income for the period | | 4,602,239 | 3,568,231 | 2,282,308 |
| Basic and diluted earnings per common share *(pesos)* | 21 | $ 0.161 | $ 0.122 | $ 0.075 |

(Concluded)

See accompanying notes to consolidated financial statements.

**Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries**

# Consolidated statements of changes in stockholders' equity

**For the years ended December 31, 2022, 2021 and 2020**
**(Thousands of Mexican pesos)**

| | Note | Capital stock | (Accumulated deficit) retained earnings | Other comprehensive income (loss) | Total stockholders' equity |
|---|---|---|---|---|---|
| Balance as of December 31, 2020 | | $ 2,337,968 | $ 1,208,528 | $ (180,459) | $ 3,366,037 |
| Comprehensive income: | | | | | |
| Valuation of derivative financial instruments | | - | - | 197,380 | 197,380 |
| Deferred income taxes on derivative instruments | | - | - | (59,214) | (59,214) |
| Remeasurement of the defined benefit obligation | | - | - | (1,943) | (1,943) |
| Net income for the period | 21 | - | 2,146,085 | - | 2,146,085 |
| | | - | 2,146,085 | 136,223 | 2,282,308 |
| Balance as of December 31, 2021 | | 2,337,968 | 3,354,613 | (44,236) | 5,648,345 |
| Capital stock reduction | | (2,000,000) | - | - | (2,000,000) |
| Comprehensive income: | | | | | |
| Valuation of derivative financial instruments | | - | - | 79,934 | 79,934 |
| Deferred income taxes on derivative instruments | | - | - | (23,979) | (23,979) |
| Remeasurement of the defined benefit obligation | | - | - | 1,491 | 1,491 |
| Net income for the period | 21 | - | 3,510,785 | - | 3,510,785 |
| | | - | 3,510,785 | 57,446 | 3,568,231 |
| Balance as of December 31, 2022 | | 337,968 | 6,865,398 | 13,210 | 7,216,576 |
| Capital stock reduction | | - | (1,326,000) | - | (1,326,000) |
| Dividends declared | | - | (2,924,000) | - | (2,924,000) |
| Comprehensive income: | | | | | |
| Valuation of derivative financial instruments | | - | - | (25,309) | (25,309) |
| Deferred income taxes on derivative instruments | | - | - | 7,592 | 7,592 |
| Remeasurement of the defined benefit obligation | | - | - | (3,027) | (3,027) |
| Net income for the period | 21 | - | 4,622,983 | - | 4,622,983 |
| | | - | 4,622,983 | (20,744) | 4,602,239 |
| Balance as of December 31, 2023 | | $ 337,968 | $ 7,238,381 | $ (7,534) | $ 7,568,815 |

See accompanying notes to consolidated financial statements.

**Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries**

# Consolidated statements of cash flows

**For the years ended December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos)**

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Operating activities: | | | | |
| Income before income taxes | | $ 6,403,735 | $ 4,378,727 | $ 2,543,703 |
| Adjustments for: | | | | |
| Depreciation and amortization | 8, 10 and 11 | 1,305,132 | 1,288,045 | 1,084,406 |
| Loss on disposal of furniture and equipment | | 998 | 834 | - |
| (Reversal of) loss due to impairment of intangible assets derived from concessions | | - | (51,490) | (130,076) |
| Interest income | | (1,133,060) | (877,566) | (281,892) |
| Interest expense | | 4,411,433 | 4,428,871 | 4,406,790 |
| Reclassifications of derivative financial instrument to profit and loss | | (47,301) | 865 | 54,799 |
| Amortization of commissions and debt issuance costs | | 52,635 | 54,701 | 50,650 |
| Debt amortization cost | | (25,227) | (24,302) | (23,000) |
| Unrealized exchange loss (gain) | | 15 | (5) | - |
| Adjustments to principal amounts of UDI denominated debt | | 932,652 | 1,515,374 | 1,426,912 |
| | | 11,901,012 | 10,714,054 | 9,132,292 |
| (Increase) decrease in: | | | | |
| Trade accounts receivable | | (342,778) | (357,424) | (107,865) |
| Recoverable taxes | | 266,154 | (10,911) | 181,859 |
| Financial assets arising from concessions | | 196,750 | 127,274 | 25,256 |
| Other accounts receivable and prepaid expenses | | 166,108 | (213,342) | (19,706) |
| Other assets | | (115) | 1,447 | (1,865) |
| Increase (decrease) in: | | | | |
| Accounts payable to suppliers | | (697,176) | 816,684 | (33) |
| Other current liabilities | | 14,720 | (44,500) | 76,192 |
| Provisions | | 104,466 | 292,582 | (163,055) |
| Abertis Infraestructuras, S.A., related party | | (2,020) | 7,162 | 10,624 |
| Taxes payable other than income tax | | (213,933) | (303,026) | (92,132) |
| Income taxes paid | | (1,196,119) | (362,828) | (222,880) |
| Employee benefits | | 38,953 | (39,242) | 21,266 |
| Post-employment benefits | | 236 | 2,053 | 1,051 |
| Net cash provided by operating activities | | 10,236,258 | 10,629,983 | 8,841,004 |
| Investing activities: | | | | |
| Interest collected | | 1,133,060 | 877,566 | 281,892 |
| Acquisition of furniture and equipment and franchise rights | | (10,324) | (4,904) | (4,609) |
| Acquisition of machinery and equipment | | (8,303) | (1,811) | (4,830) |
| Proceeds on disposal of fixed assets | | 285 | 556 | - |
| Intangible assets derived from concessions | | (2,645,390) | (1,782,604) | (315,554) |
| Net cash used in investing activities | | (1,530,672) | (911,197) | (43,101) |

(Continued)

## Red de Carreteras de Occidente, S.A.P.I. de C.V. and Subsidiaries

# Consolidated statements of cash flows

**For the years ended December 31, 2023, 2022 and 2021**
**(Thousands of Mexican pesos)**

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Financing activities: | | | | |
| Payments of debt | | $ (2,155,083) | $ (1,703,571) | $ (1,367,697) |
| Interest paid | | (4,253,094) | (4,300,204) | (4,269,190) |
| Lease payments | | (30,819) | (31,484) | (24,038) |
| Payments of interest on derivative financial instruments, net | | 47,336 | (6,723) | (56,287) |
| Commissions and debt issuance costs paid | | - | - | (28,602) |
| Dividends paid | | (2,924,000) | - | - |
| Capital stock reduction | 20 | (1,326,000) | (2,000,000) | - |
| Net cash used in financing activities | | (10,641,660) | (8,041,982) | (5,745,814) |
| (Decrease) increase in cash and cash equivalents and restricted cash | | (1,936,074) | 1,676,804 | 3,052,089 |
| Cash and cash equivalents and restricted cash at beginning of year | 5 | 12,740,979 | 11,064,175 | 8,012,086 |
| Cash and cash equivalents and restricted cash at end of year | 5 | $ 10,804,905 | $ 12,740,979 | $ 11,064,175 |

(Concluded)

See accompanying notes to consolidated financial statements.

## 1. Nature of business and significant events of 2023:

Red de Carreteras de Occidente, S.A.P.I. de C.V. ("RCO") and subsidiaries (collectively, the "Entity") main activities are to construct, operate, conserve, maintain, and in general, to be the owner of the rights and obligations over the Maravatío-Zapotlanejo, Guadalajara-Aguascalientes-León-Tepic-San Blas and Zamora-La Piedad concessioned highways exploit (the "Concessioned Highways"), as well as Querétaro-Irapuato and Irapuato-La Piedad highway sections under the service provision project agreements ("PPS").

On October 3, 2007, the Federal Government, through its Department of Infrastructure, Communications and Transportation ("SICT"), granted a 30-year concession to the Entity (the "Concession Holder") to build, operate, conserve and maintain the Maravatío-Zapotlanejo and Guadalajara-Aguascalientes-León highways, with a total length of de 558.05 kilometers (as of such date), in the states of Michoacán de Ocampo, Jalisco, Guanajuato, and Aguascalientes, as well as highway extension work. The investment in the Concessioned Highways will be recovered by collecting the tolls authorized by the SICT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the National Consumer Price Index ("NCPI") or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate. Effective July 16, 2019, the SICT authorized the maximum average rate methodology. Under this methodology, a toll can be implemented differentiating between vehicle classes and road sections, maintaining the current average rate, to optimize traffic and service levels of the concessioned highways subject to the Concession Title. Toll income secures the Entity's long-term debt (see Note 14).

On June 26, 2014, the SICT amended the concession title granted to RCO to incorporate the construction, operation, conservation, and maintenance of a toll-free segment of 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán de Ocampo, and ending at the Maravatío-Zapotlanejo toll road junction, in the state of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project that was not originally contemplated in the concession title, and to maintain the financial equilibrium of the concession, the aforementioned amendment also includes an extension to the original term of the concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic on the Concessioned Highways. This rate adjustment became effective in May 2019.

On February 10, 2020, the SICT amended the concession title granted to RCO to incorporate the construction, operation, conservation, and maintenance of the following road sections: (i) a toll-free road with a length of 39.3 kilometers, commencing Maravatío-Zapotlanejo toll road junction at km 360+100, in the State of Michoacán, and ending at the North La Piedad toll road beltway, in the State of Michoacán (Ecuandureo-La Piedad ); (ii) a toll-free road section with a length of 71.3 kilometers, commencing Maravatío-Zapotlanejo toll road junction at km 168+000, in the State of Michoacán de Ocampo, and ending in Zitácuaro, in the State of Michoacán de Ocampo (Maravatío-Zitácuaro); and (iii) a toll-free beltway with a length of 25.0 kilometers, commencing Zapotlanejo-Lagos de Moreno toll road junction at km 146+200, in the State of Jalisco, and ending at Lagos de Moreno-San Luis Potosí toll road, in the State of Jalisco (Lagos de Moreno beltway) (the "Segments").

The foregoing, in accordance with the layout and project authorized by the SICT, is part of the extension works contemplated by the concession title. Considering that the construction of the aforementioned segment constitutes an additional project that was not originally contemplated in the concession title, and to maintain the financial equilibrium of the concession, the aforementioned amendment also includes an extension to the original term of the concession of six years, which results in the concession's enforcement until April 3, 2048.

On November 30, 2021, prior authorization from the SICT, the shareholders of RCO resolved through unanimous resolutions to approve the reform of its Bylaws, including the fact that RCO adopts the modality and legal regime of an Investment Promotion Corporation (for its abbreviation "S.A.P.I."). The foregoing in accordance with the provisions of the unofficial cancellation by the National Banking and Securities Commission ("CNBV") of the registration of all RCO shares in the National Securities Registry dated June 4, 2020.

Concesionaria de Vías Irapuato Querétaro, S.A. de C.V. ("COVIQSA"), a subsidiary of the Entity, operates, maintains, and preserves the Querétaro – Irapuato highway of 93 kilometers in length, and Concesionaria Irapuato La Piedad, S.A. de C.V. ("CONIPSA"), a subsidiary of the Entity, operates, maintains, and preserves the Irapuato - La Piedad highway of 73.52 kilometers in length, being both concession terms for a period of 20 years from 2006 and 2005, respectively. These activities are carried out under the PPS Contract, in accordance with the concession titles of COVIQSA and CONIPSA, which consider the recovery of the investment, by charging the SICT with two types of revenue: i) shadow toll payments; and ii) availability payments.

Concesionaria Tepic San Blas, S. de R.L. de C.V. ("COTESA"), a subsidiary of the Entity, operates, builds, preserves and maintains the Tepic - San Blas highway with a length of 30.929 kilometers in the state of Nayarit for 30 years starting May 19, 2016. The investment will be recovered by collecting the tolls authorized by the SICT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the NCPI, or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate.

Autovías de Michoacán, S. A. de C.V. ("AUTOVIM"), a subsidiary of the Entity, operates, builds, and maintains the Zamora – La Piedad highway with a length of 35 kilometers in the state of Michoacán de Ocampo for 30 years starting December 2, 2009. The investment will be recovered by collecting the tolls authorized by the SICT during the period agreed in the concession agreement, albeit with the right to annually adjust these tariffs according to the NCPI, or whenever the latter increases by 5% or more of the NCPI used with respect to the most recent adjustment in the rate. On December 15, 2020, the concessioned highway granted to AUTOVIM began operations of the first stage of the project.

The Entity is incorporated and located in México and has its domicile at Av. Américas No.1592 4th floor, Colonia Country Club, C.P. 44610, Guadalajara, Jalisco.

**Significant events of 2023:**

a. ***Variable capital stock reduction***

On March 24, 2023, the Entity paid dividends and a variable capital stock reduction to its shareholders in the amount of $2,924,000 and $1,326,000, respectively, which were made proportionally to all RCO shareholders.

The foregoing is derived from the dividends declared and the reduction of its capital, which was approved by its shareholders through unanimous resolutions dated March 8, 2023, upon recommendation of the Board of Directors. The resolutions and minutes of these unanimous resolutions were published to the market at the time.

b. ***Other immaterial reclassifications***

1.b Subsequent to the issuance of the consolidated financial statements as of December 31, 2022, the Entity's management decided to open the presentation of the note of intangible asset derived from concessions. Consequently, the Entity's management also determined that it was appropriate to modify in the same sense the note for the years 2022 and 2021 for comparability purposes. (See Note 8).

2.b Subsequent to the issuance of the consolidated financial statements as of December 31, 2021 and for the year then ended, the Entity's management decided to modify the presentation of certain items in the consolidated statements of profit or loss and other comprehensive (loss) income beginning in 2022. These modifications correspond to the items of toll revenues, amortizations and depreciations, operating expenses, personnel costs and expenses and cost of ancillary revenues from the use of right of way and other related revenues. Consequently, the Entity's management also determined that it was appropriate to modify accordingly the consolidated financial statements for the year 2021 for comparability purposes. The effects of these reclassifications are shown below:

| | December 31, 2021 Previously reported | Reclassifications | December 31, 2021 Modified |
|---|---|---|---|
| Revenues: | | | |
| Toll revenues | $ 9,290,745 | $ 984,539 | $ 10,275,284 |
| Shadow toll payments from the SICT | 984,539 | (984,539) | - |
| Costs and expenses: | | | |
| Personnel costs and expenses | - | 474,426 | 474,426 |
| General and administrative | 527,759 | (527,759) | - |
| Operating expenses | - | 1,253,011 | 1,253,011 |
| Operation and maintenance of assets from concession | 979,037 | (979,037) | - |
| Toll collection costs | 250,273 | (250,273) | - |
| Cost of ancillary revenues from the use of right of way and other related revenues | 183,368 | (4,201) | 179,167 |
| Amortizations and depreciations | - | 1,084,406 | 1,084,406 |
| Amortization of the intangible asset derived from concession | 1,050,573 | (1,050,573) | - |
| Construction costs | 100,118 | - | 100,118 |
| | $ 3,091,128 | $ - | $ 3,091,128 |

## 2. Adoption of new and revised International Financial Reporting Standards

a. ***Application of revised International Financial Reporting Standards ("IFRS" or "IAS") and International Financial Reporting Interpretations Committee ("IFRIC") that are mandatorily effective for the current year***

In the current year, the Entity has applied several amendments and interpretations to IFRS Standards described below, which were issued by the International Accounting Standards Board ("IASB") that are effective for an annual period that begins on or after January 1, 2023. The adoption has not had any material impact on the disclosures or amounts in these consolidated financial statements.

***IFRS 17 Insurance contracts***

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance contracts*.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features, which is described as the Variable Fee Approach. The general model is simplified if certain criteria are met when measuring the liability for remaining coverage using the premium allocation method.

The general model will use current assumptions to estimate the amount, time and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees of the insured.

***Amendments to IAS 1 - Classification of Liabilities as Current and Non-current***

The amendments to IAS 1 only affect the presentation of liabilities as current and non-current in the statement of financial position, and they do not affect the amount or timing in which any asset, liability, income, or expense is recognized or the information to be disclosed about of those items.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights of existence at the end of the reporting period, specifying that the classification is not affected by expectations about whether the entity will exercise the right to defer the cancellation of the liability, explaining that there are rights if there are agreements that must be fulfilled at the end of the reporting period, and introducing a definition of the "agreement" to clarify that the agreement refers to the transfer of cash from the counterparty, equity instruments, other assets or services.

***Amendments to IAS 1 – Disclosure of accounting policies***

The Entity adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* effective January 1, 2023. The amendments require to disclose its material accounting policy information instead of its significant accounting policies. These amendments did not result in any change in the policies used by the Entity and had no impact on the policies disclosed below.

***Amendments to IAS 8 – Definition of accounting estimates***

The IASB has issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

***International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12)***

The IASB published International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12) to address stakeholder concerns about the potential implications of the impending application of the Organization for Economic Co-operation and Development (OECD) Pillar 2 model rules on accounting for income taxes. In March 2022, the OECD published technical guidance on its 15% global minimum tax, agreed as the second "pillar" of a project to address the tax challenges arising from the digitalization of the economy. This guidance details the implementation and operation of the Global Base Erosion Standards (GloBE) agreed and published in December 2021, which establish a coordinated system to ensure that multinational companies with revenues of more than 750 million euros pay a tax of at least 15% on profit generated in each of the jurisdictions in which they operate. The IASB decided to address stakeholder concerns about the potential implications of the impending application of these standards on the accounting for income tax by jurisdictions, as different scenarios are envisioned that would involve very complicated deferred tax calculations in a situation that is very volatile due to the fact that jurisdictions apply the OECD standards at different speeds and at different times. Due to the many unknown variables involved, the IASB decided to develop a mandatory exemption until the global tax system has settled and re-established itself and the IASB can thoroughly assess the situation and provide an appropriate solution.

Therefore, the amendments in the International Tax Reform - Pillar 2 Model Standards (Amendments to IAS 12) are:

- An exception to the requirements of IAS 12 for an entity not to recognize and not to disclose information about deferred tax assets and liabilities related to OECD Pillar 2 income taxes. The entity must disclose that it has applied the exception.

- A disclosure requirement that requires an entity to disclose separately income tax expense (benefit) related to second pillar income taxes.

- A disclosure requirement that in periods in which second-pillar legislation is enacted or substantively enacted, but not yet effective, an entity disclose known or reasonably estimable information that would assist users of financial statements to understand the entity's exposure to second-pillar income taxes arising from that legislation.

- The requirement for an entity to apply the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are mandatory for annual periods beginning on or after January 1, 2023.

- The IASB will continue to monitor developments in the implementation of the Pillar 2 model standards. It plans to undertake further work to determine whether the temporary exception should be removed - or made permanent - once there is sufficient clarity on how jurisdictions apply the standards and the corresponding effects on entities. In the case of Mexico, the guidelines for the application of this regulation are not yet available.

b. ***New and revised IFRS Standards in issue but not yet effective***

At the date of authorization of these consolidated financial statements, the Entity has not applied the following new and revised IFRS that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | *Sale or contribution of assets between an investor and its associate or joint venture.* |
| Amendments to IAS 1 | *Classification of non-current liabilities with covenants.* |
| Amendments to IFRS 16 | *Lease liability in a sale and leaseback.* |
| Amendments to IAS 7 and IFRS | *Supplier Finance Arrangements.* |
| Amendments to IAS 21 | *Lack of exchangeability* |

Management does not expect that the adoption of the aforementioned standards will have a significant impact on the Entity's consolidated financial statements in future periods, as indicated below:

***Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Entity's management anticipates that the application of these amendments will have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

***Amendments to IAS 1 - Classification of Non-current liabilities with covenants***

The IASB has issued Non-current liabilities with covenants (Amendments to IAS 1) to clarify how the conditions that an entity must meet within twelve months after the reporting period affect the classification of a liability.

This amendment modifies the requirements introduced by the amendment to IAS 1 *Classification of Liabilities as Current and Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants that an entity must comply with on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity is required to disclose information in the notes that enables users of the consolidated financial statements to understand the risk that non-current liabilities with covenants could become due within twelve months.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with earlier application permitted.

***Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback.***

The IASB has issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

The modifications are effective for annual periods beginning on January 1, 2024, with earlier application permitted.

***Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements.***

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.

- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements.

- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.

- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.

- Liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted.

***Amendments to IAS 21 – Lack of exchangeability.***

The IASB has published *Lack of Exchangeability (Amendments to IAS 21)* that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments consist of:

- *Specify when a currency is exchangeable into another currency and when it is not* - a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

- *Specify how an entity determines the exchange rate to apply when a currency is not exchangeable* - when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

- *Require the disclosure of additional information when a currency is not exchangeable* - when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example. The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2025 with earlier application permitted. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in the consolidated equity.

The Entity's management is evaluating whether these amendments will have an impact on the consolidated financial statements.

## 3. Significant accounting policies

### a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

### b. ***Basis of preparation***

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in more detail in the accounting policies below.

Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value valuations measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair valuation measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Basis of consolidation of financial statements***

The consolidated financial statements include the financial statements of RCO and those of its subsidiaries over which it exercises control. Control is achieved when the Entity:

- Has power over the investee;

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect the returns of the investee.

The Entity assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The Entity's percentage of the participation in voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Entity, other vote holders, or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income (loss) from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries accounting policies are consistent with the Entity's accounting policies.

RCO's shareholding percentage in the capital stock of its subsidiaries is shown below:

| Subsidiary name | Ownership percentage | Activity |
|---|---|---|
| Prestadora de Servicios RCO, S. de R.L. de C.V. ("Prestadora") | 100% | Specialized services |
| RCO Carreteras, S. de R. L. de C. V. ("RCA") | 100% | Specialized services |
| Concesionaria de Vías de Irapuato Querétaro, S.A. de C.V. ("COVIQSA") | 100% | Concession under a PPS scheme |
| Concesionaria Irapuato La Piedad S.A. de C.V. ("CONIPSA") | 100% | Concession under a PPS scheme |
| Concesionaria Tepic San Blas, S. de R. L. de C. V. ("COTESA") | 100% | Concession to build, operate, exploit, conserve and maintain the Tepic-San Blas highway. |
| Autovías de Michoacán, S. A. de C. V. ("AUTOVIM") | 100% | Concession to build, operate, exploit, conserve and maintain the Zamora-La Piedad highway. |

All balances, transactions, and cash flows relating to transactions between the Entity and related parties are eliminated in consolidation. The subsidiaries were incorporated in Mexico, country in which they develop their activities.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss in the disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income regarding that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the subsidiary on the date when control is lost is considered as the fair value for the initial recognition, if any, the cost in the initial recognition of an investment in an associate or joint venture.

d. ***Monetary unit of the consolidated financial statements***

2023, 2022 and 2021 consolidated financial statements and notes include balances and transactions denominated in thousands of Mexican pesos.

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. ***Cash, cash equivalents and restricted cash***

Cash and cash equivalents mainly consist of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value, or if they are financial instruments that the Entity expects to recover the contract cash flow, it is valued at its amortized cost or its nominal value if there is no explicit financing component; any fluctuations in value are recognized in profit or loss of the period. Cash equivalents are represented mainly by investments in treasury certificates or risk-free instruments. Cash and cash equivalents subject to restrictions or intended for a specific purpose are classified as restricted cash and presented separately under current or non-current assets as the case may be.

g. ***Financial assets***

Financial assets are recognized and measured in the consolidated financial statements as described as follows:

i. Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

ii. Initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price under IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs.

All income and expenses related to financial assets are recognized in profit or loss and are presented within financial costs, financial income, or other financial items; except for impairment of accounts receivable from customers that is presented in expenses.

iii. Subsequent measurement of financial assets

*Financial assets at amortized cost*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Entity's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument (or, where appropriate, a shorter period) to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a risk credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit or loss and is included in the interest income line.

For financial assets that were not purchased or financial assets without credit-impaired on the date of initial recognition, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that subsequently have suffered credit impairment; for these assets, interest income is recognized by applying the effective interest rate at the amortized cost of the financial asset. If in subsequent reporting periods, the credit risk in the on credit-impaired financial instrument improves so that the financial asset no longer has credit-impaired, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset. For purchased financial assets or financial assets with credit impairment at the date of initial recognition, the Entity recognizes interest income by applying the effective interest rate adjusted for risk credit at the amortized cost of the financial asset upon initial recognition. The calculation is not made on the gross book value, even if the credit risk of the financial asset improves later so that the financial asset is no longer credit-impaired.

*Financial assets at fair value through other comprehensive income (FVOCI)*

The Entity accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell the financial assets and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI financial assets are first valued at amortized cost and subsequently adjusted to fair value with effect on other comprehensive income (“OCI”). Any gain or loss recognized in OCI will be recycled to net income or loss at the time of the derecognition of the financial asset.

*Financial assets at fair value through profit or loss (“FVTPL”)*

Financial assets that are held within a business model different from “hold to collect” or “hold to collect and sell” are valued at FVTPL. Also, regardless of the business model, financial assets whose contractual cash flows are not only capital and interest payments are accounted for at FVTPL. Derivative financial instruments fall into this category, except those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

i. Impairment of financial assets

The Entity recognizes an estimation for expected credit losses (ECL) for loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments.

For financial instruments at amortized cost, the Entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supported forecasts that affect the expected collectability of the future cash flows on each financial instrument.

For purposes of the previous analysis, the Entity determines the ECL based on the following stages of credit risk:

“Stage 1” of credit risk. They are those instruments that since their initial recognition have not significantly increased their credit risk. For these instruments, the Entity determines the ECL relative only to the events of default expected during the next 12 months of the life of the instrument. Where applicable, the corresponding interest is determined on the value of the financial instrument without considering the ECL.

“Stage 2” of credit risk. They are those instruments that since their initial recognition have significantly increased their credit risk. For these instruments, the Entity determines the ECL relative to all the default events expected during the remaining life of the financial instrument. Where applicable, the corresponding interest is determined on the value of the financial instrument without considering the ECL.

“Stage 3” of credit risk. They are those instruments with objective evidence of impairment. For these instruments, the Entity determines the ECL relative to all the default events expected during the remaining life of the financial instrument. Where applicable, the corresponding interest is determined on the value of the financial instrument, net of the ECL.

The ECL is determined by the difference between the estimated recovery value of the financial instrument and its book value when this is greater. The recovery value is the present value of the cash flows that are expected to be recovered from the financial instrument.

The Entity applies the simplified model of IFRS 9 for the recognition of the ECL of short-term financial instruments without an explicit financing component or when this is not significant, using a provision matrix. This consists of using your historical credit loss experience based on the number of due dates of accounts receivable. No cash flows are determined at present value.

h. ***Intangible assets and financial asset in concession***

The Entity applies IFRIC 12 *Service Concession Arrangements*, for the recognition of additions, improvements and extensions to concessioned highways. This interpretation establishes guidance regarding the accounting by private sector operators engaged in providing infrastructure assets and services to the public sector under the concession agreement, requiring such assets to be classified as either financial or intangible assets or as a combination of both.

- A financial asset results when an operator constructs or makes improvements to the concessioned infrastructure and the operator has an unconditional right to receive a specific amount of cash or other financial assets during the term of the agreement.

- An intangible asset results when the operator constructs or makes improvements and does not have an unconditional right to receive a specific amount of consideration. In exchange for its construction services, the Entity receives a license to operate the resulting asset for a given period. The future cash flows generated by the asset vary based on the use of such asset.

In both a financial and intangible asset model, revenue and costs related to construction or improvements are recognized in profit or loss.

The payment initially made to the SICT in exchange for the concession title was recognized as an intangible asset.

Expenditures for the road infrastructure retrofitting that are directly related to the concessioned assets and that help the Entity meet its quality standards, reduce maintenance cost for the remaining years of the concession, and ensure compliance with the obligations established in the concession title, are capitalized as part of the intangible asset for concession because they will generate additional economic benefits to those estimated should the initial investments were not carried out for such retrofitting of the road infrastructure.

The intangible asset recognized in the consolidated financial position statement is amortized during the concession period, described in Note 1, using the unit-of-use method based on the traffic volume, starting amortization as the works are concluded. Estimated useful life and amortization method are reviewed at each year-end, with the effect of any changes in estimates being accounted for on a prospective basis.

i. ***Furniture and equipment and franchise rights***

Expenses for furniture and equipment are recognized when the Entity has been transferred the benefits and risks attributable to them and are valued at acquisition cost (historical cost) less accumulated depreciation and any impairment loss.

Depreciation is recognized to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of these assets are estimated between 4 and 10 years.

The estimated useful lives, residual values, and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

Franchise rights expenditures are recognized as an intangible asset at acquisition cost less accumulated amortization and any impairment loss. The useful life is determined by the period of use and operation of the franchise asset.

A component of furniture and fixtures is written-off when it is sold or when no future economic benefits are expected to be obtained from continued use of the asset. The gain or loss arising from the sale or retirement of an item of furniture and fixtures is the result of the differences between the sale proceeds and the book value of the asset, and is recognized in profit or loss.

j. ***Machinery and equipment***

Expenditures for machinery and equipment are recognized when the benefits and risks attributable to them have been transferred to the Entity and are recorded at acquisition cost (historical cost), less accumulated depreciation and impairment loss.

Depreciation is recognized to write-off the cost of assets, less their residual value, using the straight-line method over their useful lives. The useful lives of assets are 6 years.

The estimated useful lives, residual values, and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

A component of machinery and equipment is written-off when it is sold or when no future economic benefits are expected to be obtained from continued use of the asset. The gain or loss arising from the sale or retirement of an item of plant and equipment is the result of the differences between the sale proceeds and the book value of the asset, and is recognized in profit or loss.

k. ***Right-of-use assets***

The right-of-use assets are initially recognized at cost and subsequently valued at cost less accumulated depreciation and impairment losses, and adjusted for any revaluation of the lease liability.

The lease liability is initially valued at the present value of the future lease payments and is subsequently adjusted for interest and lease payments, as well as the impact of lease modifications, among others. This liability is presented in the consolidated statement of financial position within the balance of other accounts payable in both, short and long term.

The Entity evaluates whether a contract contains a lease at the beginning of the contract.

Lease payments are divided into principal and interest, and are presented as financing cash flows.

In leases with a term of 12 months or shorter without an option to purchase, as well as in contracts where the underlying assets have a low-value (as personal computers and office furniture), the lease payments are recorded as an expense on a straight-line basis, over the lease term.

l. ***Goodwill***

Goodwill represents the future economic benefits that arise from other acquired assets that are not individually identifiable or separately recognized. Goodwill is not amortized but subject to impairment tests at each reporting period and when impairment indicators are noted.

m. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition or construction of the intangible asset (qualifying asset), which is an asset that necessarily takes substantial time before it is available for their intended use, are added to the cost of that asset, up to the time as the asset is ready for its intended use.

Interest income earned on the temporary investment of specific borrowings funds pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period when they are incurred.

n. ***Impairment of long-lived assets and goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to compare it to its carrying value and determine the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, otherwise, they are allocated to the cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less the cost to sell it and its value-in-use. In determining the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the value of money over time and the specific risks of the asset for which future cash flows estimations have not been adjusted. This impairment analysis is prepared by an independent expert appointed by the Entity's management. The value-in-use of these assets is determined by the discounted cash flow method; as the discount rate, the Entity uses the weighted average cost of capital, whose capital cost component is estimated by using the "Capital Asset Pricing Model".

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is then reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. These losses are first allocated, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the remaining assets of the unit, on a pro-rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

o. ***Provisions, maintenance and repairs***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be reliably measured.

The Entity recognizes a provision for costs that are expected to be incurred that affect the results of the periods from the time when concessioned highways are available for use to the year in which maintenance works, retrofitting or improvements to highway infrastructure and/or major repairs are carried out. This projection is recognized at net present value and is determined based on IAS 37 and IFRIC 12.

With respect to highways under construction, the Entity recognizes a provision for the amount of executed work that is not estimated, from the beginning of the construction stage until the highways are available for use; this provision is determined at the value of the costs to be incurred and is recognized based on IAS 37 and IFRIC 12.d.

Provisions are classified as current or non-current based on the estimated timing to perform the required obligations.

p. ***Employee benefits***

*Short-term employee benefits*

These benefits are granted to the employees and are paid during the employment relationship within a period no longer than 12 months after the end of the year in which the benefit was granted; they include, among others, salaries and wages, compensated absences, vacation, holiday bonus, bonuses and the Statutory employee profit-sharing (“PTU"). They are valued in proportion to the services provided, considering the current salaries and the liabilities are recognized as they accrue.

PTU is recognized in profit or loss of the year in which it is incurred, and it is presented in general and administrative expenses in the accompanying consolidated statements of profit (loss) and other comprehensive income (loss).

*Long-term employee benefits*

These benefits are granted to employees and are paid while the employment relationship is in effect, but after the 12 months following the end of the period in which such benefits were granted. Long-term employee benefits also include a provision for bonuses granted by the Entity, as discussed in Note 15.

The provision is recognized when: 1) the Entity acquires an obligation as the result of past events, and 2) the amount payable can be reliably estimated. The time value of money for this obligation is recognized when significant.

*Post-employment employee benefits*

These are benefits that are granted to employees while the employment relationship is in force, but which are paid at the end or after the end of the employment relationship. The Entity grants seniority premiums to all its employees when they are separated and have been with the Entity 15 years or more or to those who are laid off regardless of the length of time in the Entity. These benefits consist of a single payment equivalent to twelve days of salary per year of service, valued at the employee’s most recent salary without exceeding twice the current general minimum wage.

Seniority premium liability is recognized as incurred, and it is calculated by independent actuaries using the Projected Unit Credit Method, considering nominal interest rates.

Actuarial gains and losses are produced by changes in the actuarial assumptions used in the determination of labor obligations, they are determined by labor obligation liability remeasurement at the end of the period and they are immediately recognized in other comprehensive income (losses) when occur and are not subsequently reclassified to profit or loss. Past service cost is recognized in profit or loss when an amendment to the employee benefit plan occurs.

Payments to defined contribution benefit plans are recognized in profit or loss when employees have rendered the services entitling them to the contributions.

Termination benefits

These are benefits that are granted and paid to the employee on the occasion of the termination of the employment relationship and a liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs within the scope of IAS 37, which involves the payment of termination benefits.

q. ***Income taxes***

Income tax expense represents the sum of current and deferred income tax.

Current tax

Current income tax ("ISR") is recognized in profit or loss of the year in which is incurred.

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, applying the corresponding tax rates to such temporary differences as well as available tax loss carryforwards and tax credits.

Deferred tax assets or liabilities are generally recognized for all temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized; a deferred tax liability is recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from either goodwill or the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient future taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

r. ***Financial liabilities and equity instruments***

Classified as debt or equity

Financial liabilities and equity instruments issued by the Entity are classified as debt or equity instruments in accordance with the economic substance of the contractual agreement and its characteristics.

Financial liabilities

The Entity’s financial liabilities are initially valued at their fair value and after the initial recognition at amortized cost, unless they are short-term liabilities and do not have an explicit financial component, in which case they are valued at their nominal value or at transaction cost. The amortized cost of a financial liability is the initially recognized amount of such liability less capital payments and plus/minus the accumulated amortization, using the effective interest rate method, of any difference between the initial amount and the amount at maturity.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and basis points paid or received which form part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability (or where appropriate, a shorter period) to the net carrying amount of financial liability on initial recognition.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities if, and only if, its obligations are settled, canceled, or when they expire.

Equity instruments

An equity instrument is any contract that demonstrates a residual interest in an entity’s assets after deducting all liabilities. The equity instruments issued by the Entity are recognized at the value of the consideration received net of share issue costs.

The repurchase of the Entity’s own equity instruments is recognized and decreased directly in stockholders’ equity. No gains or losses are recognized in the Entity’s profit or loss, as a result of the purchase, sale, issuance, or cancellation of the Entity’s own equity instruments.

s. ***Derivatives financial instruments***

The Entity enters into a variety of financial derivatives to manage its exposure to interest rate volatility risks, including interest rate swaps. Further details of financial derivatives are disclosed in Note 13.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset while a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting:

The Entity designates certain derivative financial instruments, mainly for those that hedge interest rate risk, as hedging instruments, either as fair value hedges or as cash flow hedges.

To classify a derivative financial instrument as a hedge, there must be an economic hedging relationship between the derivative and the hedged item, changes in the fair value of derivative financial instruments compensate, in whole or in part, changes in fair value or cash flows of the hedged item, for which hedge effectiveness must exist.

Hedge effectiveness will be the degree to which changes in fair value or cash flows attributable to the risk of the hedged item are offset by the derivative instrument.

Hedge accounting recognizes in the result of the period, the effects of compensation of changes in the fair value of the hedging instrument and the hedged item.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;

- The effect of credit risk does not dominate the value changes that result from that economic relationship; and

- The coverage ratio is balanced.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of qualifying and designated as fair value hedges are recognized in profit or loss immediately, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the hedging instrument and in the hedged item attributable to the hedged risk, are recognized in the same line item of the effects of the hedged item.

Hedge accounting is interrupted prospectively when the hedging instrument expires, is sold, terminates, is exercised, when it no longer meets the criteria for accounting for hedges or when the Entity revokes the hedge designation for not being aligned to the Entity's management risk strategy. The adjustment to fair value of the book value of the hedged item generated by the hedged risk is amortized in profit or loss as of that date.

Cash flow hedges

The effective portion of changes in the fair value of qualifying derivatives that are designated as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit (loss) and other comprehensive income (loss) and is included in the "interest expenses" line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship for not being aligned to the Entity's management risk strategy, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity until the previously hedged item is finally recognized in profit or loss.

The Entity assesses that the hedging relationships are balanced; if this is not the case, the coverage ratio is rebalanced, that is, the hedged item or hedging instrument is adjusted to achieve the highest possible degree of efficiency.

Embedded derivatives

The Entity reviews all contracts for goods and services of which it is a party, to identify embedded derivatives that should be segregated from the host contract to recognize them at fair value. When an embedded derivative is identified and the host contract has not been valued at fair value, the embedded derivative is segregated from the host contract and recognized at fair value; Changes in such fair value are recognized in profit or loss of the period, as part of the financing cost or income. As of December 31, 2023, 2022, and 2021, there are no embedded derivatives that must be segregated from the host contract.

t. ***Revenues from ordinary activities***

Toll revenue recognition

The Entity's management recognizes the concession toll revenues at the time the vehicles make use of highways and pay the fee in cash or through electronic means in the collection places. In the case of shadow toll payments from the SICT, they are received directly from the SICT and are recorded at the time the vehicles make use of the highways.

Recognition of availability payments from the SICT

When operating the PPS, COVIQSA and CONIPSA recognize availability payment revenues related to their unconditional right to receive availability payments for making the Irapuato – La Piedad and Querétaro – Irapuato highways available to users. These revenues are equivalent, in accordance with IFRIC 12, to the accrued interest on the financial asset from the concession recognized in the consolidated statement of financial position, at amortized cost, using the effective interest rate method.

Recognition of ancillary revenues from the use of right of way and other related revenues

In concessioned highways, ancillary revenues from the use of right of way are recognized, and in FARAC I and COTESA revenues derived from restaurants and convenience stores are recognized. The use of the right of way is marketed through roadside lease contracts.

Ancillary revenues from the use of right of way are those charged to tenants such as gas stations and convenience stores, as well as for the construction or passing of electrical installations and telecommunications, aqueducts and gas pipelines.

Recognition of construction revenues and costs as the construction of the extension and rehabilitation works

Per IFRIC 12, the Entity recognizes construction revenues and costs as the construction of the extension and rehabilitation works to the concession infrastructure progresses ("Percentage of completion"), when such works allow increasing the capacity to generate future economic benefits.

Recognition model of revenue from ordinary activities

In order to carry out the appropriate recognition of revenue, the following five-step model is used.

1. Identify the contract(s) with a customer.
2. Identify performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the entity satisfies a performance obligation.

The following table shows the application of the five-step revenue recognition model by revenue type.

| | | Revenues | | | | |
|---|---|---|---|---|---|---|
| | **Five-step model** | **Toll revenues** | **Shadow toll payments** | **Availability payments** | **Ancillary revenues from the use of rights of way and other related revenues** | **Construction revenues** |
| 1 | Identify the contract with a customer | Contract; toll payment voucher is issued | Concession contract | Concession contract | Contract/ proof of the sale of goods | Concession contract |
| 2 | Identify performance obligations (PO) in the contract | One PO = Granting right-of-use to highways | One PO = Granting right-of-use to highways | One PO = Maintaining availability of highways | One PO = Granting the right of way / Deliver the goods sold | One PO = Construction of highway infrastructure |
| 3 | Determine the transaction price | Toll fee based on rates authorized by the SICT | Shadow payment for use established in the contract with the SICT | Availability payment established in the contract with the SICT | Costs related to the intangible asset from concession / Cost of the product plus a profit margin | The cost incurred in construction approximates fair value |
| 4 | Allocate the transaction price to the performance obligations in the contract | The transaction price = price of the single PO | The transaction price = price of the single PO | The transaction price = price of the single PO | The transaction price = price of the single PO | The transaction price = price of the single PO |
| 5 | Recognize revenue when the entity satisfies a performance obligation | At a point in time = Use of the highways | At a point in time = Use of the highways | At a point in time = Use of the highways | At a point in time = Use of the right of way / Delivery of goods to the customer | Over time = Work in progress that is recognized throughout the construction period |

u. ***Transactions in foreign currency***

Mexican peso is the Entity’s functional currency. Foreign currency transactions are recorded at the exchange rate in effect at the date of the transaction. Balances receivable or payable of foreign currency assets and liabilities are adjusted monthly to the market exchange rate at the closing date of the consolidated financial statements. The effects of exchange rate fluctuations are recorded in the consolidated statement of profit and loss and other comprehensive income, except in cases where they may be capitalized.

v. ***Earnings per share***

Basic earnings per common share are calculated by dividing net income attributable to the controlling interest (the non-controlling interest is immaterial) by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined on the assumption that the Entity’s commitments to issue or exchange its own shares are to be met.

w. ***Consolidated statement of profit or loss and other comprehensive income***

Since the Entity is a service company, it presents its ordinary costs and expenses based on their nature, as it considers that the information presented in this manner is clearer.

The Entity opted to include an operating profit line item in the consolidated statement of profit or loss and comprehensive income (loss), considering that this item contributes to a better understanding of the economic and financial performance of the Entity.

x. ***Consolidated statement of cash flows***

The Entity presents the cash flow from operating activities using the indirect method, in which the profit before income taxes is adjusted for the effects of transactions that do not require cash flows, including those associated with investing or financing activities.

The Entity classifies the total interest income (those related to financial assets by concession and those received from other financial assets) as operating activities and interest paid as financing activity.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In applying the Entity's accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following transactions are those in which management has exercised its professional judgment in applying accounting policies that may have a material effect on the amounts recorded in the consolidated financial statements:

– Management has determined, based on IFRIC 12 and the conditions established in the concession titles granted, the mechanism for the recovery of investment and operating expenses of the concessions through payments made for availability charges and the collection of other concepts from the SICT, and has recognized, as appropriate, an intangible asset for the variable revenue expected to be received and a financial asset for the payments that will be obtained directly from the SICT.

– Management has determined that it does not recognize a profit margin for extension and rehabilitation work, given that the fair value of such revenues and costs are substantially similar.

– The estimate of future vehicle flow is a critical assumption that has a significant effect on the following assets and liabilities: amortization of intangible assets from the concession, calculation of impairment on intangible assets, determination of the provision for major maintenance, improvements and highway infrastructure retrofitting, and projections of future taxable income. The Entity makes this estimate with the assistance of an outside expert.

The key sources of uncertainty in the estimates made at the date of the consolidated statement of financial position, and which have a significant risk of deriving in an adjustment in the carrying values of assets and liabilities during the following financial period are as follows:

– The Entity has recoverable tax loss carryforwards for which it has assessed their recoverability and concluded that it is appropriate to recognize a deferred income tax asset for such amounts.

– The Entity values, at fair value, financial derivatives it has entered into to mitigate the risk of interest rate fluctuations. Financial derivatives which comply with the accounting criteria to be recognized as hedging instruments have been classified as cash flow hedges. Notes 13 and 19 describe the techniques and methodologies used to value derivative financial instruments.

– The Entity reviews the estimated useful life and amortization methods used for intangible assets derived from the concessions (described in Note 3.h) at the end of each reporting period and the effects of any modifications to estimates are recognized prospectively. Additionally, at the end of each reporting period, the Entity reviews the carrying values of its tangible and intangible assets (including goodwill) to determine if any indications of impairment exist.

- Management makes an estimate to determine and recognize the provision to cover the maintenance and repair expenses of the Concessioned Highways that affects the results of the periods that comprise from which the Concessioned Highways are available for use until the maintenance and/or repairs works are carried out. (Note 12).

## 5. Cash, cash equivalents and restricted cash

For purposes of the consolidated statements of cash flows, cash and cash equivalents include balances of cash on hand and in banks, as well as investments in money market instruments. Cash and cash equivalents at the end of the reporting period, as shown in the consolidated statement of cash flows, can be reconciled to the related items in the consolidated statement of financial position as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Cash | $ 395,299 | $ 261,058 | $ 592,772 |
| Cash equivalents | 10,220,852 | 12,310,288 | 10,312,459 |
| | 10,616,151 | 12,571,346 | 10,905,231 |
| Long-term restricted cash | 188,754 | 169,633 | 158,944 |
| | $ 10,804,905 | $ 12,740,979 | $ 11,064,175 |

Seven management trusts have been established by the Entity for specific purposes in their use and destination and whose nature in some cases represents cash and in some other cash equivalents:

(i) The first trust No. 300195, was established with respect to the resources obtained from the toll collection and related services, which guarantee and are mainly destined for the payment of the contracted debt and maintenance of the concessioned asset, whose balance held in this trust as of December 31, 2023, 2022 and 2021 amounts to $8,890,625, $10,825,741 and $8,981,475, respectively.

In accordance with the twenty-eighth clause of the concession title, a Conservation and Maintenance Fund must be established that must be equal to three days of the annual gross income, as of December 31, 2023, 2022 and 2021 balance of such Fund amounts to $89,581, $75,471 and $66,337, respectively.

(ii) The second trust No. 300209 was established for the construction of expansion projects of the Concessioned Highways, whose balance held in this trust as of December 31, 2023, 2022 and 2021 amounts to $224,325, $390,357 and $149,887, respectively.

(iii) The third trust No. 661 was established for the issuance of Infrastructure Development Equity Certificates, whose balance held in this trust as of December 31, 2023, 2022 and 2021 amounts to a $3,667, $3,624 and $2,086, respectively.

(iv) The fourth irrevocable administration trust, source of payment and issuance of securities No. 32-6 of the COVIQSA project, in which all shadow toll and availability payment revenues are received in accordance with the PPS agreements, and from which distributions of all operating and financial expenses as well as dividends, if applicable, are paid, whose balance at December 31, 2023, 2022 and 2021 amounts to a $225,779, $191,951 and $816,817, respectively.

(v) The fifth irrevocable administration trust, source of payment and issuance of securities No. 31-8 of the CONIPSA project, in which all shadow toll revenues are received in accordance with the PPS agreements, and from which distributions of all operating and financial expenses as well as dividends, if applicable, are paid, whose balance at December 31, 2023, 2022 and 2021 amounts to a $172,230, $178,910 and $353,773, respectively.

(vi) The sixth trust No. 2792 was established for the administration of resources derived from the exploitation of the COTESA project, in which all the toll revenues from the Concessioned Highway are received. Balance held in this trust as of December 31, 2023, 2022 and 2021 is $87,813, $83,847 and $92,223, respectively.

Within this trust, according to obligations contracted in the concession title, the Entity created a fund of $5,000 for 2016 intended as a contingency fund for the right of way. Upon completion of the construction project, the resources of this fund were transferred to the Conservation and Maintenance fund in accordance with the twenty-fifth clause of the concession title whereby this should correspond to the greater between (i) the amount of $17,200 restated annually by inflation according to the NCPI as of the date this contribution is required; or (ii) the amount corresponding to 6 (six) months of maintenance and conservation costs plus value-added tax. As of December 31, 2023, 2022 and 2021 the balance of such fund amounted to de $26,867, $24,103 and $11,898, respectively.

(vii) The seventh trust No. 871 was established for the administration of resources derived from the exploitation of the AUTOVIM project. Balance held in this trust as of December 31, 2023, 2022 and 2021 is de $19,505, $29,938 and $118,076, respectively.

The trustee of trust No. 300195 and No. 300209 is HSBC México, S.A. Institución de Banca Múltipe, Grupo Financiero HSBC, Division Fiduciaria, and the trustee of trust No. 661 is CI Banco, S.A., Institución de Banca Múltiple, División Fiduciaria. In the case of COVIQSA and CONIPSA, Grupo Financiero Multiva, S.A. is the trustee of trust No. 32-6 and No. 31-8. In the case of COTESA and AUTOVIM, Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero is the trustee of trusts No. 2792 and No. 871, respectively.

The long-term restricted cash account whose balance at December 31, 2023, 2022 and 2021 amounts to $188,754, $169,633 and $158,944, respectively, corresponds to COVIQSA and CONIPSA, which originated mainly from the cash reserves to which they are bound by their PPS Contracts and their Loan Agreements.

## 6. Trade accounts receivable, other accounts receivable, and prepaid expenses

a. Accounts receivable are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Trade accounts receivable | $ 961,442 | $ 633,300 | $ 274,970 |
| Expected credit losses | - | (14,635) | (13,729) |
| | $ 961,442 | $ 618,665 | $ 261,241 |

Accounts receivable from customers disclosed above are classified as financial instruments that are subsequently valued at amortized cost.

The electronic toll income is recorded as an account receivable that is passed on to FARAC I due to the electronic toll company grants credit to certain customers, the contract establishes that the toll collection company will be obliged to pay the revenue only when the final customer who pays electronically the toll service has paid, the credit term is at least 10 days.

The account receivable for use of right of way includes primarily companies dedicated to: i) sale of fuels and lubricants and ii) sale of advertising through spectacular advertisements, which have a credit term of at least 90 days.

The account receivable with the SICT from PPS agreements of COVIQSA and CONIPSA have a low credit risk, due to the SICT pays according to the current expenditure budget of the federal government.

Customer aging

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current and overdue less than 90 days | $ 961,442 | $ 618,665 | $ 261,241 |
| Overdue more than 90 days | - | 14,635 | 13,729 |
| Total | $ 961,442 | $ 633,300 | $ 274,970 |

Movements in expected credit losses are as follows:

| | Total |
|---|---|
| Balance as of January 1, 2021 | $ (17,206) |
| Estimates, net | 3,477 |
| Balance as of December 31, 2021 | (13,729) |
| Estimates, net | (906) |
| Balance as of December 31, 2022 | (14,635) |
| Estimates, net | 14,635 |
| Balance as of December 31, 2023 | $ - |

b. Other accounts receivable and prepaid expenses:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Prepaid expenses:** | | | |
| Advances to suppliers | $ 122,203 | $ 253,393 | $ 15,490 |
| Premiums paid in advance for insurance and bonds | 32,743 | 77,470 | 120,669 |
| | 154,946 | 330,683 | 136,159 |
| **Other accounts receivable:** | | | |
| Creditable VAT not yet paid | 14,391 | 113,848 | 137,917 |
| Other accounts receivable | 172,083 | 62,817 | 20,110 |
| | 186,474 | 176,665 | 158,027 |
| | $ 341,420 | $ 507,528 | $ 294,186 |

## 7. Financial assets arising from concessions

The financial asset arising from concession comprising current and long-term portions corresponds to assets per the concession titles of COVIQSA and CONIPSA which grant the right to collect an availability payment from the SICT. The total current portion of the financial asset as of December 31, 2023, 2022 and 2021 is $374,009, $424,870 and $438,606, respectively, while the long-term asset as of December 31, 2023, 2022 and 2021 is $500,033, $645,922 and $759,460, respectively. The main features of each concession are detailed below:

a. The investment classification of the COVIQSA concession for the Querétaro-Irapuato toll-free segment, considering the characteristics of the concession title, was determined as a combination of 25% financial asset and 75% intangible asset.

On June 21, 2006, the Federal Government granted, through the SICT, a concession for 20 years to operate, maintain, and conserve the toll-free stretch of federal jurisdiction Querétaro-Irapuato of 93 kilometers in length, in the states of Querétaro and Guanajuato in the Mexican Republic, as well as to execute works for the modernization of said section, including the exclusive right to sign the PPS Contract with the Federal Government for the provision of road capacity in the above-mentioned section. The total value of the project is $1,465 million pesos, a figure that includes $1,172 million pesos for the engineering, procurement and construction of the sections to be modernized and expanded; and the remainder includes financing, maintenance and operation during the modernization stage.

The recovery of the concession investment will be carried out through quarterly collections made up of: (1) the payment from the SICT for keeping the concessioned highway available for use and (2) for the shadow toll payment received from the SICT for the number of vehicles that use the concessioned highway according to the defined tariff.

The income generated by the availability payments and toll payments received from the SICT has been used to secure COVIQSA's long-term debt, due in 2025. These funds are held in a trust, No. 32-6, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession title expires, without affecting the rights and obligations of the parties in each of the contracts. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives. Before July 21, 2006, COVIQSA delivered a signed notice to the SICT regarding the commencement of operations and maintenance work. Also, on July 31, 2006, COVIQSA delivered a signed notice concerning the commencement of modernization work on the existing highway.

At the end of the concession period, the concessioned highway, rights-of-way, permanently adhered facilities, and any related infrastructure and improvements and auxiliary services rights will revert to the Mexican Government at no cost and free from liens and encumbrances, with all the works that have been carried out for its exploitation.

The significant terms contained in the concession title agreement are as follows:

- Through the SICT, COVIQSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the sum of payments for shadow toll payments and availability payments received from the SICT (integrated payment) prior year payment, excluding value-added tax, which payment must be made on the final business day of January of each year during the 20-year concession period.

- COVIQSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance, and modernization of the existing highway without prior written authorization from the SICT. Under no circumstances would an assignment to a foreign government or state be authorized.

- Pursuant to the Fourteenth clause of the concession title agreement, without the prior consent of the SICT, COVIQSA's stockholders may not provide shares representing COVIQSA's common stock as collateral, and the concessionaire may not mortgage, encumber or alienate the rights derived from this concession or from the assets related to the operation and maintenance.

- COVIQSA must establish a conservation and maintenance fund for the concessioned highway, beginning with an amount of at least the equivalent to the budget of the concessionaire's costs for the subsequent six months of the calendar year immediately following that of the date of signature of the concession title. These funds are held in trust No. 32-6 as mentioned in Note 5.

According to an amendment to COVIQSA's PPS agreement, payments by the SICT are subject to a quarterly maximum cap of $192,459, based on December 31, 2011 prices and adjusted annually based on inflation.

As of December 31, 2023, COVIQSA complies with all conditions mentioned above.

b. In the case of CONIPSA, the concession for the Irapuato - La Piedad highway, considering the characteristics of the Service Provision contract, was classified as a combination of a financial asset in 88% and an intangible asset in 12%, respectively.

On September 12, 2005, the Federal Government, through the SICT, granted the Entity a 20-year concession and the contract for the provision of services for the operation, conservation and maintenance of the Irapuato-La Piedad free highway in the States of Guanajuato and Michoacán de Ocampo with a length of 74.32 kilometers under the PPS scheme. The original investment amounts to $735 million Mexican pesos. The recovery of the investment will be through quarterly collections made up of: (1) the payment from the SICT for keeping the concessioned highway available for use; and (2) the payment from the SICT for the number of vehicles that use the concessioned highway according to the defined tariff.

The income generated by the availability payments and shadow toll payments received from the SICT has been used to secure CONIPSA's long-term debt, due in August 2024. These funds are held in a trust, No. 31-8, as discussed in Note 5.

As the concession and PPS agreement are related instruments, the PPS agreement will be terminated when the concession title expires, without affecting the rights and obligations of the parties in each of the contracts. The PPS model represents a way of contracting the services required by public federal administration entities, to enable them to fulfill a public mission through private investment to increase basic infrastructure and provide higher quality public services, among other objectives.

On July 31, 2008, the SICT was officially notified of the completion of construction and the commencement of the highway's operation.

On April 13, 2009, CONIPSA entered into an amending contract to the concession title, by which a decrease was agreed of the original length from 74.32 kilometers to 73.52 kilometers, originating at the junction of the Querétaro - Irapuato Highway with the Irapuato - La Piedad highway and ending at kilometer 76+520 at the junction with the future release of La Piedad de Cabadas, in the States of Guanajuato and Michoacán de Ocampo, in the Mexican Republic. The amount of this decrease was reflected in the payment for keeping the concessioned highway available for use, which decreased from $146 million pesos to $143 million pesos (nominal value).

At the end of the concession period, the concessioned highway, rights-of-way, permanent facilities, and any related infrastructure and improvements and auxiliary services rights will revert to the Mexican Federal Government at no cost and free from liens and encumbrances.

The significant terms contained in the concession title agreement are as follows:

- Through the SICT, CONIPSA must make a fixed annual payment, authorized by the Treasury Department, to the Federal Government, equal to 0.000001% of the total prior year payment, excluding value-added tax. This payment must be made on the final business day of January of each year during the 20-year concession period, beginning with the second quarter of 2007.

- CONIPSA may not assign the rights or obligations derived from the concession or the assets utilized in the operation, maintenance, and modernization of the existing highway without prior written authorization from the SICT. Under no circumstances would an assignment to a foreign government or state be authorized.

- Pursuant to the Fourteenth Clause of the Concession Agreement, without the prior consent of the SICT, CONIPSA's stockholders may not provide shares representing CONIPSA's common stock as collateral, and the concessionaire may not mortgage, encumber or alienate the rights derived from this concession or from the assets related to the operation and maintenance.

- CONIPSA must establish a conservation and maintenance fund for the concessioned highway, beginning with an amount of at least the equivalent to the budget of the concessionaire's costs for the subsequent six months of the calendar year immediately following that of the date of signature of the concession title. These funds are held in trust No. 31-8, as discussed in Note 5.

As of December 31, 2023, CONIPSA complies with all conditions mentioned above.

## 8. Intangible asset derived from concessions

Subsequent to the issuance of the consolidated financial statements as of December 31, 2022, the Entity's management decided to open the presentation of the note of intangible asset derived from concessions, therefore, beginning in fiscal year 2023, the balance was distributed to the accounts mentioned below. Consequently, the Entity's management also determined that it was appropriate to modify in the same sense the note for the years 2022 and 2021 for comparability purposes.

The intangible asset related to concession is as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Intangible from concession | $ 52,806,742 | $ 52,806,742 | $ 52,806,742 |
| Capitalized financing cost | 203,380 | 203,380 | 203,380 |
| Investments in concessions with additional benefit | 2,483,900 | 1,491,983 | 829,652 |
| Improvements to the state of the infrastructure | 6,694,738 | 6,216,292 | 5,481,022 |
| Computer applications | 178,877 | 164,603 | 152,141 |
| | 62,367,637 | 60,883,000 | 59,472,937 |
| Accumulated amortization and impairment | (16,053,296) | (14,861,166) | (13,701,813) |
| Accumulated amortization to the improvements to the state of the infrastructure | (132,616) | (41,922) | - |
| | 46,181,725 | 45,979,912 | 45,771,124 |
| Advances to suppliers | 90,583 | 15,670 | 3,869 |
| | $ 46,272,308 | $ 45,995,582 | $ 45,774,993 |

| | Intangible from concession | Capitalized financing cost | Investments in concessions with additional benefit | Improvements to the state of the infrastructure | Computer applications | Total |
|---|---|---|---|---|---|---|
| Acquisition cost: | | | | | | |
| Balance as of January 1, 2021 | $ 52,806,742 | $ 203,380 | $ 815,283 | $ 5,618,888 | $ - | $ 59,444,293 |
| Additions (decrease) | - | - | 14,369 | (137,866) (1) | 152,141 | 28,644 |
| Balance as of December 31, 2021 | 52,806,742 | 203,380 | 829,652 | 5,481,022 | 152,141 | 59,472,937 |
| Additions | - | - | 662,331 | 735,271 | 12,461 | 1,410,063 |
| Balance as of December 31, 2022 | 52,806,742 | 203,380 | 1,491,983 | 6,216,292 | 164,603 | 60,883,000 |
| Additions | - | - | 991,918 | 478,446 | 14,274 | 1,484,637 |
| Balance as of December 31, 2023 | $ 52,806,742 | $ 203,380 | $ 2,483,900 | $ 6,694,738 | $ 178,877 | $ 62,367,637 |

| Accumulated amortization: | Intangible from concession | Improvements to the state of the infrastructure | Total |
|---|---|---|---|
| Balance as of January 1, 2021 | $ (12,781,316) | $ - | $ (12,781,316) |
| Amortization cost | (1,050,573) | - | (1,050,573) |
| Reversal of impairment loss | 130,076 | - | 130,076 |
| Balance as of December 31, 2021 | (13,701,813) | - | (13,701,813) |
| Amortization cost | (1,210,843) | (41,922) | (1,252,765) |
| Reversal of impairment loss | 51,490 | - | 51,490 |
| Balance as of December 31, 2022 | (14,861,166) | (41,922) | (14,903,088) |
| Amortization cost | (1,192,130) | (90,694) | (1,282,824) |
| Balance as of December 31, 2023 | $ (16,053,296) | $ (132,616) | $ (16,185,912) |

(1) In 2021 there is a decrease mainly due to a change in the criteria used by the SICT to measure certain indicators in COVIQSA and CONIPSA, resulting in a reduction in the estimates of the work to be performed for infrastructure improvements in these concessionaires.

a. As of December 31, 2023, 2022 and 2021, revenues were recorded in the period for the construction of expansion and rehabilitation works for the exchange of an intangible asset for $965,809, $570,253 and $100,118, respectively, and costs for the same amounts were also recorded, in each of the periods.

b. The principal characteristics of the concession agreement in RCO are as follows:

As part of its economic policy, on October 3, 2007, the Mexican Federal Government, through the SICT, granted a concession agreement to RCO, to construct, operate, conserve and maintain, for 30 years, the Concessioned Highways (Maravatio-Zapotlanejo, Zapotlanejo-Lagos, León-Aguascalientes, and Guadalajara-Zapotlanejo), with a total length of 558.05 kilometers (as of such date) in the states of Michoacán de Ocampo, Jalisco, Guanajuato and Aguascalientes; the concession agreement includes expansion works established in the concession agreement.

As mentioned in Note 1, on June 26, 2014, the SICT amended the Concession Title granted to RCO, to incorporate the construction, operation, conservation, and maintenance of a toll-free segment of 46 kilometers in length, commencing East of Jiquilpan, in the State of Michoacán de Ocampo, and ending at the Maravatío–Zapotlanejo toll road junction, in the State of Jalisco. Considering that the construction of the aforementioned segment constitutes an additional project which had not been originally contemplated in the Concession Title, and to maintain the financial equilibrium of the Concession, the aforementioned amendment also includes an extension to the original term of the Concession of four years and six months, as well as a weighted average 2% adjustment in the tolls applicable to the total traffic in the Concessioned Highways. The toll adjustment was effective in May 2019, as the construction of such segment was successfully concluded.

Regarding the Concessioned Highways, the recovery of the investment will be carried out through the collection of the tariffs authorized by the SICT during the agreed term in the concession title, being the Entity entitled to adjust those tariffs annually according to the NCPI or when this suffers an increase of 5% or more, with respect to the index existing on the date the last adjustment was made. As of July 16, 2019, the SICT authorized the maximum average rate methodology. Under this methodology, a toll can be implemented differentiating between vehicle classes and road sections, maintaining the current average rate, to optimize the capacity and service level of the Concessioned Highways subject to the Concession Title. Toll revenues are guaranteeing long-term debt (See Note 14).

As described in Note 1, on February 10, 2020, the SICT amended the concession title granted to RCO to incorporate the construction, operation, conservation, and maintenance of the following road sections: (i) a toll-free road with a length of 39.3 kilometers, commencing Maravatío-Zapotlanejo toll road junction at km 360+100, in the State of Michoacán, and ending at the North La Piedad toll road beltway, in the State of Michoacán (Ecuandureo-La Piedad ); (ii) a toll-free road section with a length of 71.3 kilometers, commencing Maravatío-Zapotlanejo toll road junction at km 168+000, in the State of Michoacán de Ocampo, and ending in Zitácuaro, in the State of Michoacán de Ocampo (Maravatío-Zitácuaro); and (iii) a toll-free beltway with a length of 25.0 kilometers, commencing Zapotlanejo-Lagos de Moreno toll road junction at km 146+200, in the State of Jalisco, and ending at Lagos de Moreno-San Luis Potosí toll road, in the State of Jalisco (Lagos de Moreno beltway) (the "Segments"). The foregoing, in accordance with the layout and project authorized by the SICT, is part of the extension works contemplated by the concession title. Considering that the construction of the aforementioned segment constitutes an additional project that was not originally contemplated in the concession title, and to maintain the financial equilibrium of the concession, the aforementioned amendment also includes an extension to the original term of the concession of six years, which results in the concession's enforcement until April 3, 2048.

c. The significant terms contained in the concession title agreement of RCO are as follows:

Carry out the extension works established in the RCO concession title, of which as of December 31, 2023, the following are in the construction process: (a) Zacapu highway - junction of the Maravatío-Zapotlanejo highway with a length of 8.67 kilometers in the State of Michoacán de Ocampo and (b) Toll-free segment highway with a length of 46 kilometers starting east of Jiquilpan, Michoacán de Ocampo, and termination at the junction with the Maravatío - Zapotlanejo Highway, in the state of Jalisco.

The rights and obligations derived from the concession may not be subject to transmission by the Concessionaire unless: (i) it has the prior written authorization of the SICT, (ii) has fulfilled all its obligations arising from the concession title at the date of the request for authorization to the SICT, (iii) not less than three years after the effective date of the concession have elapsed, (iv) the assignee fulfills the requirements established in the bases and applicable laws for the granting of the concession and the Concessionaire and (v) the Concessionaire and/or the assignee comply with the provisions regarding concentrations provided for in the Federal Antitrust Law.

Neither the concessionaire nor its stockholders may transfer or pledge their interests in the Entity, or the rights derived from the concession without the prior written authorization of the SICT.

By the assignment of the concession title, the Concessionaire made an initial payment equivalent to $44,051,000, under the terms indicated by the SICT, which is part of the intangible asset.

The federal government retains the right to revoke the concession under the terms established in article 19 of the Mexican General Law on State Property; in the declaration of rescue, the government must establish the general basis applicable to settle any compensation payable to the concessionaire, taking into account the duly substantiated investment made, as well as the depreciation of equipment and other assets used directly for purposes of the concession.

On the termination date of the concession or, in the case of the extension, the highways, including all assets permanently attached thereto, as well as the operating, conservation and maintenance rights and other ancillary services rights will revert to the Mexican government, in good condition, at no cost and free of any encumbrances.

As discussed in Note 3.n, the Entity performs annual impairment tests. As of December 31, 2023, there is no indication of impairment losses involving the carrying value of the intangible asset from concession.

The value-in-use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the Capital Asset Pricing Model ("CAPM") is used as a discount rate.

The Entity must create and maintain a conservation fund to ensure compliance with the conservation and maintenance program, which must include a minimum amount equal to three days of the annual expected gross revenue concerning the year in question. Such conservation fund must be used solely and exclusively for the conservation and maintenance of the highways.

The Entity is obliged to pay to the Federal Government an annual consideration equivalent to 0.5% of the gross toll tariff revenues (excluding the value-added tax), of the immediately prior year derived from the operation of the Concessioned Highways during the concession term. For the years ended December 31, 2023, 2022 and 2021, consideration paid was $60,584, $54,495 and $45,911, respectively. As of December 31, 2023, RCO complies with all conditions mentioned above.

d. The main characteristics of the intangible asset from concession in COTESA are as follows:

On May 19, 2016, the Mexican Federal Government, through the SICT, granted a Concession agreement to COTESA, to build, operate, conserve and maintain for 30 years, the Concessioned Highways Tepic-San Blas, with a total length of 30.929 kilometers in the state of Nayarit, as well as the expansion works that are indicated in the concession title.

For the Concessioned Highways, the recovery of the investment will be made through the collection of tolls established by the SICT over the term established in the concession agreement, having the right to adjust those tolls on an annual basis according to the NCPI or sooner in the event of an increase of 5% or more of the NCPI used with respect to the most recent adjustment in the rate.

e. The significant terms contained in the concession title agreement of COTESA are as follows:

The rights and obligations derived from the concession may not be subject to transmission by the Concessionaire unless: (i) it has the prior written authorization of the SICT, (ii) has fulfilled all its obligations arising from the concession title at the date of the request for authorization to the SICT, (iii) not less than three years after the effective date of the concession have elapsed, (iv) the assignee fulfills the requirements established in the bases and applicable laws for the granting of the concession and the Concessionaire and (v) the Concessionaire and/or the assignee comply with the provisions regarding concentrations provided for in the Federal Antitrust Law.

Neither the concessionaire nor its stockholders may transfer or pledge their interests in the Entity, or the rights derived from the concession without the prior written authorization of the SICT.

By the assignment of the concession title, the Concessionaire made an initial payment equivalent to $10,059, under the terms indicated by the SICT, which is part of the intangible asset.

On the termination date of the concession, the highways, including all assets permanently attached thereto, as well as the operating, conservation, and maintenance rights and other ancillary services rights will revert to the Mexican government, in good condition, at no cost and free of any encumbrances.

As discussed in Note 3.m, the Entity performs annual impairment tests. As of December 31, 2023, there is no indication of impairment losses involving the carrying value of the intangible asset from concession.

The value-in-use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the Capital Asset Pricing Model (“CAPM”) is used as a discount rate.

The Entity must establish and maintain the Reserve Fund for Maintenance and Conservation, to ensure compliance with the conservation and maintenance program, which must be maintained with a minimum amount that is greater between: i) $17,200 updated annually or ii) the amount corresponding to 6 months of maintenance and conservation costs plus value-added tax (VAT) according to the highway maintenance and periodic maintenance program. This Conservation Fund must be used solely and exclusively for the conservation and maintenance of the Concessioned Highway.

The Entity is obliged to pay to the Federal Government an annual consideration equivalent to 0.5% of the gross toll tariff revenues (excluding the value-added tax), of the immediately prior year derived from the operation of the Concessioned Highways during the concession term. For the years ended December 31, 2023, 2022 and 2021, consideration paid was $521, $492 and $15,071, respectively. As of December 31, 2023, COTESA complies with all conditions mentioned above.

f. The main characteristics of the intangible asset from concession in AUTOVIM are as follows:

On December 2, 2009, the Mexican Federal Government, through the SICT, granted a Concession agreement to AUTOVIM, to project, build, operate, leverage, conserve and maintain for 30 years, the Concessioned Highways Zamora-La Piedad, with a total length of 35.000 kilometers in the state Michoacán de Ocampo, as well as the expansion works that are indicated in the concession title.

For the Concessioned Highways, the recovery of the investment will be made through the collection of tolls established by the SICT over the term established in the concession agreement, having the right to adjust those tolls on an annual basis according to the NCPI or sooner in the event of an increase of 5% or more of the NCPI used with respect to the most recent adjustment in the rate.

g. The significant terms contained in the concession title agreement of AUTOVIM are as follows:

According to the Concession Title, all revenue and expenses related to the Concessioned Highway must be informed to an Administration Trust, which will have a Technical Committee formed by representatives of the State Government, the Concessionaire and the creditors. Likewise, the Concession Title establishes that the recovery of the investment along with its yields will be subordinated to the payment of: (i) taxes paid by the Concessionaire, (ii) refunds by Right of Way, (iii) the consideration in favor of the Government of the State, (iv) the expenses of use, operation and maintenance of the Concessioned Highway, (v) the constitution of the required reserve funds and (vi) the service of the credits.

The concession title does not provide for any condition or require any explicit authorization by the Ministry of Communications and Public Works of the State of Michoacán de Ocampo (the “SCOP”) to be able to pay dividends as long as: (i) Section 1 of the Concessioned Highway is put into operation and (ii) the subordination for the recovery of the investment described in the previous paragraph is respected. Likewise, the Concession Title foresees the possibility of a financial rebalancing of the Concession in case the Concessionaire demonstrates that the internal rate of return (the “IRR”) supported by the Concession Title and its annexes has not materialized in the course of the original life of the Title.

All expenditures related to the construction of the Concessioned Highway will have to be approved by the SCOP through the approval, by the Independent Work Engineer, of each of the progress estimates presented. The Independent Engineer will present monthly, its opinion regarding the construction progress to the Technical Committee of the Administration Trust.

The Concessionaire must pay the following consideration in favor of the State Government:

- Restitution by Right of Way. Up to 50% of the Surplus Resources obtained in the previous year must be paid annually in favor of the State Government to restore the cost of releasing the right of way of the Concession.

- Initial Consideration. It will be for an amount of up to 50% of the Surplus Resources obtained in the previous year until the amount of 30 (thirty) million pesos has been completed as long as the Restitution by Right of Way has been paid in full.

- Periodic Consideration. It will be for an amount equal to 5% of net revenues of the operation of the Concessioned Highway, without exceeding 50% of the Surplus Resources obtained in the previous year as long as the Initial Consideration has been paid in full.

For the consideration related to the Concession Title, the “Surplus Resources” are defined as the revenue derived from vehicles that exceed the forecasted Annual Average Daily Traffic (the “TPDA”) and included in Annex 16. Financial Run of the Concession title.

A Contingent Works Fund must be created, which must be constituted for an amount of up to 30 (thirty) million pesos to be contributed proportionally to Section 1 and Section 2 respectively; This Fund has been duly constituted for the amount corresponding to Section 1, which is equivalent to 40% (forty percent) of the total length of the Concessioned Road. Likewise, the Concessionaire may, but will not be obliged to, establish a Conservation Fund.

After written approval by the SCOP, new shareholders may be incorporated into the Concessionaire through the subscription of new shares and the corresponding increase in share capital.

At the concession termination date, the assets subject to the Concessioned Highway, its improvements and accessions will fully revert to the control and administration of the executive power of the State of Michoacán de Ocampo.

As of December 31, 2023, AUTOVIM has complied with all the conditions included in the concession title agreement.

On December 15, 2020, the concession highway granted to AUTOVIM began operations in the first stage of the project.

h. The main characteristics of the CONIPSA and COVIQSA concession titles are the following:

The intangible asset from concession includes the corresponding portion of CONIPSA and COVIQSA, whose main conditions are described in Note 7. During 2020 and as a result of the improvements in the concessioned infrastructure mentioned in subsection i. of this Note, CONIPSA recognized an intangible asset for $296,283. Further, and as a result of a downward trend in vehicular traffic on the Irapuato-La Piedad highway, concessioned to CONIPSA, and which was stressed as a result of the COVID-19 pandemic, as described in Note 1.c, an impairment loss for $232,426 was recognized as of 2020. However, in the study carried out by an independent and external expert in 2021 and 2022, the value in use of this asset increased compared to 2020, so a reversal was recognized in 2022 and 2021 of such impairment loss of $51,490 and $130,076, respectively, in the consolidated statement of profit or loss and other comprehensive (loss) income. The fair value is less than the value-in-use and, therefore, the recoverable amount of this intangible asset in CONIPSA was determined based on its value-in-use, which was $98,570 as of December 31, 2020. Regarding the intangible asset from concession in COVIQSA, this does not present impairment loss indicators. The value-in-use of the highways has been determined using the discounted cash flow method. For this purpose, the weighted average cost of capital estimated through the CAPM is used as a discount rate.

i. The Entity has capitalized the amount of the provision for improvements in the concessioned infrastructure, which is described in Note 12, as an intangible asset since such infrastructure improvements will increase the expected economic benefits out of the operation of the concessioned highways. This addition to the intangible asset will be amortized per the Entity's accounting policy, using the unit-of-use method based on the traffic volume. In 2021 a decrease is noted, mainly due to a change in the criteria used by the SICT for the measurement of certain indicators in COVIQSA and CONIPSA, resulting in a reduction of the estimates of the works to be carried out for the infrastructure improvements in said concessionaires. In 2023 and 2022 no changes in the criteria used by the SICT were deemed.

## 9. Goodwill

As mentioned in Note 1, on February 21, 2019, 100% of the voting shares of AUTOVIM were acquired. The results of AUTOVIM are included in the consolidated financial statements from that date.

The total consideration paid was $125,435 in cash and the fair value of the net assets acquired amounted to $959. As such, goodwill of $124,476 was recognized. As of December 31, 2023, no impairment indicators have been identified regarding goodwill.

## 10. Furniture and equipment and franchise rights

a. Franchise rights correspond to the consideration payments to Subway International, B.V., Papa John’s Eum, S. de R.L. de C.V. (up to October 31, 2022), Operadora Cuarto de Kilo, S. de R.L. de C.V., Black Coffee Galerías de Jalisco, S. de R.L. de C.V. and Grupo Indeventur, S.A. de C.V., (beginning operations on April 4, 2023) to operate restaurants located on the Concessioned Highways and are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Acquisition cost | $ 7,012 | $ 6,314 | $ 5,916 |
| Accumulated amortization | (5,748) | (5,236) | (4,776) |
| | $ 1,264 | $ 1,078 | $ 1,140 |

b. Furniture and equipment consist of the following:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Acquisition cost | | | |
| Computer equipment | $ 12,866 | $ 8,200 | $ 3,674 |
| Furniture and fixtures | 27,880 | 35,562 | 46,715 |
| Vehicles | 16,920 | 2,186 | 65 |
| | 57,666 | 45,948 | 50,454 |
| Accumulated depreciation | (35,901) | (28,833) | (28,977) |
| | $ 21,765 | $ 17,115 | $ 21,477 |

c. Machinery and equipment consist of the following:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Acquisition cost | $ 81,663 | $ 60,954 | $ 72,302 |
| Accumulated depreciation | (42,039) | (37,926) | (59,450) |
| | $ 39,624 | $ 23,028 | $ 12,852 |

d. The following useful lives are used in the calculation of depreciation and amortization:

| | |
|---|---|
| Franchise rights | 5 years |
| Computer equipment | 4 years |
| Furniture and fixtures | 10 years |
| Vehicles | 4 years |
| Machinery and equipment | 6 years |

## 11. Rights-of-use assets, net

The Entity maintains leases, which are shown below classified by class of underlying asset:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Acquisition cost:** | | | |
| Offices | $ 36,979 | $ 36,022 | $ 27,454 |
| Vehicles and construction equipment | 119,555 | 73,941 | 65,237 |
| Computer equipment | 9,069 | 8,793 | 8,793 |
| | 165,603 | 118,756 | 101,484 |
| Accumulated depreciation | (94,367) | (75,959) | (51,854) |
| | $ 71,236 | $ 42,797 | $ 49,630 |

Below are the movements in the cost of acquisition and in the accumulated depreciation of the right-of-use asset by class of underlying asset:

| | Property | Vehicles and construction equipment | Computer equipment | Total |
|---|---|---|---|---|
| **Acquisition cost:** | | | | |
| Balance as of January 1, 2021 | $ 26,364 | $ 81,844 | $ 10,878 | $ 119,086 |
| Additions (cancelations), net | 1,090 | (16,607) | (2,085) | (17,602) |
| Balance as of December 31, 2021 | 27,454 | 65,237 | 8,793 | 101,484 |
| Additions (cancelations), net | 8,568 | 8,704 | - | 17,272 |
| Balance as of December 31, 2022 | 36,022 | 73,941 | 8,793 | 118,756 |
| Additions (cancelations), net | 957 | 45,614 | 276 | 46,847 |
| Balance as of December 31, 2023 | $ 36,979 | $ 119,555 | $ 9,069 | $ 165,603 |

| | Property | Vehicles and construction equipment | Computer equipment | Total |
|---|---|---|---|---|
| **Depreciation:** | | | | |
| Balance as of January 1, 2021 | $ (24,053) | $ (34,626) | $ (9,873) | $ (68,552) |
| Movements, net | 7,269 | 7,501 | 1,928 | 16,698 |
| Balance as of December 31, 2021 | (16,784) | (27,125) | (7,945) | (51,854) |
| Movements, net | (2,658) | (20,895) | (552) | (24,105) |
| Balance as of December 31, 2022 | (19,442) | (48,020) | (8,497) | (75,959) |
| Movements, net | (4,299) | (13,754) | (355) | (18,408) |
| Balance as of December 31, 2023 | $ (23,741) | $ (61,774) | $ (8,852) | $ (94,367) |

| | Property | Vehicles and construction equipment | Computer equipment | Total as of December 31, 2023 |
|---|---|---|---|---|
| Depreciation charge | $ 4,811 | $ 21,235 | $ 356 | $ 26,402 |
| Interest expense on lease liabilities | 1,850 | 3,985 | 26 | 5,861 |
| Total cash outflow for leases | 6,075 | 24,356 | 388 | 30,819 |

| | Property | Vehicles and construction equipment | Computer equipment | Total as of December 31, 2022 |
|---|---|---|---|---|
| Depreciation charge | $ 2,658 | $ 20,895 | $ 552 | $ 24,105 |
| Interest expense on lease liabilities | 1,925 | 3,503 | 59 | 5,487 |
| Total cash outflow for leases | 5,607 | 25,227 | 650 | 31,484 |

| | Property | Vehicles and construction equipment | Computer equipment | Total as of December 31, 2021 |
|---|---|---|---|---|
| Depreciation charge | $ 5,467 | $ 15,387 | $ 1,094 | $ 21,948 |
| Interest expense on lease liabilities | 985 | 3,476 | 94 | 4,555 |
| Total cash outflow for leases | 5,448 | 18,034 | 556 | 24,038 |

Lease liabilities as of December 31, 2023, 2022 and 2021 amount to $74,525, $44,869 and $86,093, respectively, which are included in Other current and long-term liabilities.

## 12. Provisions

As of December 31, 2023, 2022 and 2021, the most significant provisions are comprised as follows:

| | January 1, 2023 | Increases | Applications | Cancelations | December 31, 2023 |
|---|---|---|---|---|---|
| Provision for: | | | | | |
| Improvement and maintenance of highway infrastructure ST(1) | $ 2,064,965 | $ 2,318,056 | $ (2,063,580) | $ - | $ 2,319,441 |
| Improvement and maintenance of highway infrastructure LT(1) | 3,999,456 | (1,084,049) (2) | - | - | 2,915,407 |
| Executed work, not estimated (4) | 152,037 | 1,156,902 (4) | (1,161,828) | - | 147,111 |
| | $ 6,216,458 | $ 2,390,909 | $ (3,225,408) | $ - | $ 5,381,959 |

| | January 1, 2022 | Increases | Applications | Cancelations | December 31, 2022 |
|---|---|---|---|---|---|
| Provision for: | | | | | |
| Improvement and maintenance of highway infrastructure ST(1) | $ 1,320,574 | $ 2,241,227 | $(1,496,836) | $ - | $ 2,064,965 |
| Improvement and maintenance of highway infrastructure LT(1) | 4,771,949 | (772,493) (2) | - | - | 3,999,456 |
| Executed work, not estimated (4) | 65,292 | 790,321 (4) | (703,576) | - | 152,037 |
| | $ 6,157,815 | $ 2,259,055 | $ (2,200,412) | $ - | $ 6,216,458 |

| | January 1, 2021 | Increases | Applications | Cancelations | December 31, 2021 |
|---|---|---|---|---|---|
| Provision for: | | | | | |
| Improvement and maintenance of highway infrastructure ST(1) | $ 1,164,592 | $ 1,552,317 | $ (931,834) | $ (464,501) (3) | $ 1,320,574 |
| Improvement and maintenance of highway infrastructure LT(1) | 5,273,445 | (501,496) (2) | - | - | 4,771,949 |
| Executed work, not estimated (4) | 73,388 | 315,334 (4) | (323,430) | - | 65,292 |
| | $ 6,511,425 | $ 1,366,155 | $ (1,255,264) | $ (464,501) | $ 6,157,815 |

(1) As of December 31, 2023, 2022 and 2021, the financial cost associated with the maintenance provision is $165,740, $130,342 and $108,955 respectively, for the value of the passage of time between the provision at net present value and its projection. The applied discount rates at the end of December 2023, 2022 and 2021 are 8.94%, 9.02% and 7.60%, respectively, and they correspond to the yield rate 10-year Mexican sovereign bond denominated in pesos.

(2) The amount includes the reclassification from long-term to short-term provisions during the year.

(3) In 2021 a decrease is noted, mainly due to a change in the criteria used by the SICT for the measurement of certain indicators in COVIQSA and CONIPSA, resulting in a reduction of the estimates of the works to be carried out for the infrastructure improvements in said concessionaires.

(4) With respect to highways under construction, the Entity recognizes a provision for the amount of work executed that is not estimated, from the beginning of the construction stage until the highways are available for use; this provision is determined at the value of the costs to be incurred.

## 13. Financial derivatives

The Entity uses swaps to set interest rates from variable rates to fixed rates.

The following table shows the financial instruments that the Entity has entered into to hedge interest rate fluctuations through interest rate swaps, which have been formally designated as cash flow hedges:

| Hedge | Date Contracting | Maturity | Rate Received | Paid | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|---|---|---|
| $ 808,553 | Jul. 19 | Jun. 34 | TIIE *28 d(1) | 9.0850% | $ (12,537) | $ (4,987) | $ (70,435) |
| 348,667 | Sep. 15 | May. 25 | TIIE *28 d(1) | 6.1100% | 12,396 | 27,989 | 14,440 |
| 29,455 | Feb. 16 | Ago. 24 | TIIE *28 d(1) | 5.7800% | 644 | 2,810 | 1,873 |
| | | | | | $ 503 | $ 25,812 | $ (54,122) |

(1) As of December 31, 2023, 2022 and 2021, the 28-day TIIE rate is 11.5035%, 10.7605% and 5.7150%, respectively.

Variable rate to fixed rate

During the concession, RCO has contracted several swaps that change the financing profile from a variable interest rate to a fixed interest rate. On June 28, 2019, through the first reopening of the RCO 18U ticker symbol issuance and the RCO 19 ticker symbol issuance, an advance payment was made for a total principal amount of $3,650,000, of the credits for capital expenditures that RCO had held with Santander since 2016 and 2017, derived from the foregoing, existing derivatives at that date were canceled. On July 2, 2019, a line of credit agreement was signed with Banco Santander (Mexico), as the creditor, whose main destination will be for working capital expenses (Capex), for which reason, a swap was contracted to change the financing profile from a variable interest rate to a fixed interest rate of 9.0850% for an amount of $851,108.

In September 2015, COVIQSA entered into two swaps that change the profile from a variable interest rate to a fixed interest rate of 6.1100%; the joint amount of the swaps was $1,751,218.

In February 2016, CONIPSA entered into two swaps that changed the profile from a variable interest rate to a fixed interest rate of 5.7800%; the joint amount of the swaps was $262,424.

During 2023, 2022 and 2021 there were no ineffective portions that should be recognized in profit or loss for the period.

## 14. Long-term debt

Long-term debt consists of the following:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Securitized certificates of RCO of 1,481,044,500 UDIs maturing in 2032, bearing interest payable biannually at a fixed interest rate of 5.2500%. (RCO12U) | $ 2,289,006 | $ 2,402,176 | $ 2,417,514 |
| Securitized certificates of RCO of $2,841,000 maturing in 2027, bearing interest payable biannually at a fixed interest rate of 9.0000%. (RCO12) | 552,618 | 704,919 | 850,738 |
| Senior debt instruments issued by RCO for $7,500,000 maturing in 2028, bearing interest payable bi-annually at a fixed rate of 9.0000%. | 4,725,000 | 5,625,000 | 6,300,000 |
| Securitized certificates of RCO for $4,400,000 maturing in 2030, bearing interest payable biannually at fixed interest rate of 9.0500%. (RCO14) | 3,960,000 | 4,224,000 | 4,356,000 |

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Credit line contracted by RCO up to $11,135,561with an original maturing date in 2032, and extended maturity to 2037 on December 21, 2017. Tranche A for $4,990,000 bearing interest at a fixed rate of 10.1000% and Tranche B for $2,145,561 bearing interest at the TIIE rate plus 325 basis points through October 2016, 375 basis points through October 2018, and bearing interest at the fixed rate of 10.1000% through 2032. On December 21, 2017, Tranche C of the credit line was contracted for up to $4 million, of which $2,930,000 were withdrawn and such amount bears interest at a compound fixed interest rate of 10.36%. | 9,848,144 | 9,937,728 | 10,004,161 |
| Credit line contracted by RCO up to $4,596,000 maturing in 2029, bearing interest payable bi-annually at a fixed rate of 10.35%. | 4,320,240 | 4,420,433 | 4,504,080 |
| Secured loan contracted by CONIPSA for up to $580,000 to modernize and extend the Irapuato - La Piedad highway section, with maturity in November 2024, bearing interest at a rate equal to the 91-day TIIE plus a spread (2). This loan is secured by the Entity's shares in CONIPSA. | 29,455 | 68,728 | 108,001 |
| Secured loan contracted by COVIQSA up to for $1,048,782, maturing until the year 2025, interest payable quarterly at the fixed rate of 8.0800%. This loan is secured by the Entity's shares in COVIQSA. | 208,813 | 345,154 | 481,496 |
| Guaranteed loan contracted by COVIQSA up to for $1,751,217, maturing until the year 2025, interest payable quarterly at the TIIE rate plus a spread (3). This credit is guaranteed with the COVIQSA shares | 348,667 | 576,326 | 803,984 |
| Securitized certificates of RCO of 2,491,451,000 UDIs maturing in 2040, bearing interest payable biannually at a fixed interest rate of 6.0000%. (RCO18U) | 19,885,770 | 19,051,637 | 17,709,814 |
| Unsecured loan contracted by RCO for up to $2,000,000 with a term of 15 years, accruing monthly interest at TIIE rate plus 2.250 basis points (1). | 808,553 | 842,598 | 851,109 |
| Securitized certificates of RCO for $2,800,000 maturing in 2038, bearing interest payable biannually at fixed interest rate of 9.6700%. (RCO19) | 2,800,000 | 2,800,000 | 2,800,000 |
| Total debt | 49,776,266 | 50,998,699 | 51,186,897 |
| Less: current portion | 2,673,099 | 2,152,579 | 1,699,209 |
| Long-term debt | 47,103,167 | 48,846,120 | 49,487,688 |
| Commissions and debt issuance costs | (1,096,123) | (1,070,896) | (1,046,594) |
| RCO18U debt cost | 503,246 | 503,246 | 503,246 |
| Accumulated amortization of debt issuance costs | 568,515 | 515,878 | 461,176 |
| Total | $ 47,078,805 | $ 48,794,348 | $ 49,405,516 |

(1) The margin applicable from the date of signing the contract and until June 9, 2022 of 2.2500%, from June 10, 2022 and until June 9, 2025 of 2.5000%, from June 10, 2025 and until June 9, 2028 of 2.7500% and from June 10, 2028 and until June 9, 2031 of 3.0000% and from June 10, 2031 and until the maturity date of 3.25000%.

(2) The applicable spread is 1.9500% from the signing date of the contract through August 27, 2018; 2.1000% from August 27, 2018 through August 27, 2020; 2.3500% from August 27, 2020 through August 27, 2023; and 2.5500% from August 27, 2023 through the maturity date.

(3) The applicable spread is 1.9500% from the signing date of the contract through May 27, 2018; 2.1000% from May 27, 2018 through May 27, 2021; 2.3500% from May 27, 2021 through May 27, 2024; and 2.5500% from May 27, 2024 through the maturity date.

As of December 31, 2023, 2022 and 2021, the 28-day TIIE rate is 11.5035%, 10.7605% and 5.7150% respectively.

Reconciliation of obligations derived from financing activities:

| | Long term debt | Interest payable | Derivative financial instruments, net | Interest on derivative financial instruments, net | Lease liability | Capital stock | Retained earnings |
|---|---|---|---|---|---|---|---|
| Balances as of December 31, 2020 | $ 51,046,462 | $ 1,395,399 | $ 251,502 | $ 4,037 | $ 84,531 | $ 2,337,968 | $ 1,208,528 |
| Changes that represent cash flows - | | | | | | | |
| Payments | (1,367,697) | (4,269,190) | - | (56,287) | (24,038) | - | - |
| Commissions and debt issuance costs | (28,602) | - | - | - | - | - | - |
| Changes that do not represent cash flows - | | | | | | | |
| Other changes related to capital | - | - | - | - | | - | 2,146,085 |
| Lease contracts obtained | - | - | - | - | 21,045 | - | - |
| Interest expense | - | 4,293,280 | - | - | 4,555 | - | - |
| Valuation effect of derivative financial instruments | - | - | (197,380) | 54,799 | - | - | - |
| Adjustments to principal amounts of UDI denominated debt | 1,426,912 | - | - | - | - | - | - |
| Accumulated amortization of commissions and debt issuance | 27,650 | - | - | - | - | - | - |
| Balances, December 31, 2021 | 51,104,725 | 1,419,489 | 54,122 | 2,549 | 86,093 | 2,337,968 | 3,354,613 |
| Changes that represent cash flows - | | | | | | | |
| Payments | (1,703,571) | (4,300,204) | - | (6,723) | (31,484) | - | - |
| Capital stock reduction | - | - | - | - | - | (2,000,000) | - |
| Changes that do not represent cash flows - | | | | | | | |
| Other changes related to capital | - | - | - | - | | - | 3,510,785 |
| Lease contracts obtained | - | - | - | - | (15,227) | - | - |
| Interest expense | - | 4,301,174 | - | - | 5,487 | - | - |
| Valuation effect of derivative financial instruments | - | - | (79,934) | 865 | - | - | - |
| Adjustments to principal amounts of UDI denominated debt | 1,515,374 | - | - | - | - | - | - |
| Accumulated amortization of commissions and debt issuance | 30,399 | - | - | - | - | - | - |
| Balances, December 31, 2022 | $ 50,946,927 | $ 1,420,459 | $ (25,812) | $ (3,309) | $ 44,869 | $ 337,968 | $ 6,865,398 |

| | Long term debt | Interest payable | Derivative financial instruments, net | Interest on derivative financial instruments, net | Lease liability | Capital stock | Retained earnings |
|---|---|---|---|---|---|---|---|
| Balances, December 31, 2022 | $ 50,946,927 | $ 1,420,459 | $ (25,812) | $ (3,309) | $ 44,869 | $ 337,968 | $ 6,865,398 |
| Changes that represent cash flows - | | | | | | | |
| Payments | (2,155,083) | (4,253,094) | - | 47,336 | (30,819) | - | |
| Capital stock reduction | - | - | - | - | - | - | (1,326,000) |
| Dividends paid | - | - | - | - | - | - | (2,924,000) |
| Changes that do not represent cash flows - | | | | | | | |
| Other changes related to capital | - | - | - | - | | - | 4,622,983 |
| Lease contracts obtained | - | - | - | - | 54,614 | - | - |
| Interest expense | - | 4,239,832 | - | - | 5,861 | - | - |
| Valuation effect of derivative financial instruments | - | - | 25,309 | (47,301) | - | - | - |
| Adjustments to principal amounts of UDI denominated debt | 932,652 | - | - | - | - | - | - |
| Accumulated amortization of commissions and debt issuance | 27,408 | - | - | - | - | - | - |
| Balances, December 31, 2023 | $ 49,751,904 | $ 1,407,197 | $ (503) | $ (3,274) | $ 74,525 | $ 337,968 | $ 7,238,381 |

The aforementioned loan agreements include various covenants that restrict the Entity's ability to incur additional debt, issue guarantees, sell concession intangible assets and make distributions of cash surpluses. The value of the intangible asset derived from concessions at December 31, 2023, 2022 and 2021 is $46,272,308, $45,995,582 and $45,774,993, respectively.

The Entity is only permitted to make distributions of excess cash if: i) the historic debt service coverage ratio (twelve months before the date of distribution) is equal to or greater than 1.25 to 1.00, ii) reasonable projections demonstrate a projected debt service coverage ratio (twelve months after the date of distribution) equal to or greater than 1.25 to 1.00 and iii) has neither occurred nor continues any default event. Likewise, compliance with certain financial ratios is required.

Regarding COVIQSA and CONIPSA, as mentioned in Note 5, these entities maintain long-term restricted cash. Additionally, they are required to maintain a debt service coverage ratio of 1.2 and have certain restrictions to make capital distributions. Undistributed profits by COVIQSA and CONIPSA as of December 31, 2023, 2022 and 2021 amount to $2,328,573, $3,859,660 and $3,118,583, respectively.

For the years ended December 31, 2023, 2022 and 2021, the Entity has complied with these restrictions.

The scheduled maturities of long-term debt as of December 31, 2021, without including commissions and debt issuance costs, are as follows:

| | | |
|---|---|---|
| 2024 | $ | 2,673,347 |
| 2025 | | 3,074,684 |
| 2026 | | 3,041,438 |
| 2027 | | 2,858,042 |
| 2028 | | 2,514,860 |
| 2029 and thereafter | | 35,613,895 |
| | $ | 49,776,266 |

Interest payable based on debt maturity is as follows:

| | | |
|---|---|---|
| 2024 | $ | 4,029,234 |
| 2025 | | 3,738,439 |
| 2026 | | 3,471,874 |
| 2027 | | 3,220,235 |
| 2028 | | 2,990,208 |
| 2029 and thereafter | | 16,437,420 |
| | $ | 33,887,410 |

## 15. Employee benefits

a. The Entity grants eligible executives an annual performance bonus equivalent to 1 to 12 months of salary per the Entity's performance parameters and specific function. As of December 31, 2023, 2022 and 2021, the liabilities for this concept amount to a $45,121, $41,628 and $75,078, respectively, and are presented in the consolidated statement of financial position as short-term employee benefits. The expense for this concept was $43,656, $44,228 and $56,997 as of December 31, 2023, 2022 and 2021, respectively. Additionally, the short-term employee benefits line item includes the provision for employee statutory profit sharing and vacation provision, as of December 31, 2023, 2022 and 2021, liabilities amount to $90,707, $51,332 and $59,450, respectively.

b. The Entity grants relevant executives a deferred performance bonus equivalent to between 6 and 12 months of basic salary, whose formula considers performance parameters of the Entity and function specific; the deferred performance bonus vests over 3 years.

   As of December 31, 2023, 2022 and 2021, the liabilities for this concept amount to $56,030, $25,012 and $37,233, respectively, and are presented in the consolidated statement of financial position as Employee Benefits. The expense for this concept was $31,018, $26,966 and $23,057 in 2023, 2022 and 2021, respectively.

c. Compensation package contracts for relevant executives establish the payment of a bonus of retention that will be paid as long as the director remains as an employee of the Entity for a period from 12 to 36 months, after June 4, 2020 (date of change of control) up to June 4, 2023. As of December 31, 2022 and 2021 amount to $18,317 and $57,619, respectively.

d. Compensation to directors and other key members of management during the 2023, 2022 and 2021 periods was $81,751, $82,108 and $114,257, respectively.

e. The Entity must pay its employees a seniority premium. The net cost of these obligations for the years ended December 31, 2023, 2022 and 2021 is $1,747, $5,110 and $1,051, respectively. Other disclosures required under accounting provisions are not deemed material.

## 16. Income taxes

The Entity is subject to ISR. According to ISR Law, the tax rate for 2023, 2022 and 2021 was 30%., and it is expected to remain at this level in the coming years.

a. Income tax expense for the years ended December 31, 2023, 2022 and 2021 are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| ISR: | | | |
| Current | $ 1,728,457 | $ 334,647 | $ 298,746 |
| Deferred | 52,295 | 533,295 | 98,872 |
| Total income tax | $ 1,780,752 | $ 867,942 | $ 397,618 |

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of gain or loss before income tax for the periods ended as of December 31, is:

| December 31, 2023 | Amount | Tax | % |
|---|---|---|---|
| Income before income tax | $ 6,403,735 | $ 1,921,121 | 30 |
| Changes to current tax: | | | |
| Non-deductible | 739,520 | 221,856 | 3 |
| Annual inflation adjustment | 1,504,946 | 451,484 | 7 |
| Other temporary items | (2,886,680) | (866,004) | (13) |
| | (642,214) | (192,664) | (3) |
| Current Tax | 5,761,521 | 1,728,457 | 27 |
| Changes to deferred tax: | | | |
| Other temporary items | 2,886,680 | 866,004 | 13 |
| Inflation effects | (2,690,423) | (807,127) | (12) |
| Others | (21,940) | (6,582) | - |
| Deferred tax | 174,317 | 52,295 | 1 |
| Income tax | $ 5,935,838 | $ 1,780,752 | 28 |

| December 31, 2022 | Amount | Tax | % |
|---|---|---|---|
| Income before income tax | $ 4,378,727 | $ 1,313,618 | 30 |
| Changes to current tax: | | | |
| Non-deductible | 711,838 | 213,551 | 5 |
| Annual inflation adjustment | 2,457,827 | 737,348 | 17 |
| Other temporary items | (6,432,902) | (1,929,870) | (44) |
| | (3,263,237) | (978,971) | (22) |
| Current Tax | 1,115,490 | 334,647 | 8 |

(Continued)

| December 31, 2022 | Amount | Tax | % |
|---|---|---|---|
| Changes to deferred tax: | | | |
| Other temporary items | 6,432,902 | 1,929,870 | 44 |
| Inflation effects | (4,662,960) | (1,398,888) | (32) |
| Others | 7,710 | 2,313 | - |
| Deferred tax | 1,777,652 | 533,295 | 12 |
| Income tax | $ 2,893,142 | $ 867,942 | 20 |

(Concluded)

| December 31, 2021 | Amount | Tax | % |
|---|---|---|---|
| Income before income tax | $ 2,543,703 | $ 763,111 | 30 |
| Changes to current tax: | | | |
| Non-deductible | 703,880 | 211,164 | 8 |
| Annual inflation adjustment | 2,610,387 | 783,116 | 31 |
| Other temporary items | (4,862,151) | (1,458,645) | (58) |
| | (1,547,884) | (464,365) | (19) |
| Current Tax | 995,819 | 298,746 | 11 |
| Changes to deferred tax: | | | |
| Other temporary items | 4,862,151 | 1,458,645 | 58 |
| Inflation effects | (4,518,044) | (1,355,413) | (53) |
| Others | (14,533) | (4,360) | - |
| Deferred tax | 329,574 | 98,872 | 5 |
| Income tax | $ 1,325,393 | $ 397,618 | 16 |

c. Main temporary differences that originate the deferred income tax assets are:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Assets:** | | | |
| Furniture and equipment | $ - | $ - | $ 1,071 |
| Intangible assets derived from the concessions | 5,631,502 | 5,262,633 | 4,364,285 |
| Derivative financial instruments | - | - | 16,237 |
| Debt cost | 17,254 | 10,304 | 129,399 |
| Accrued liabilities and provisions | 561,597 | 462,392 | 341,777 |
| | 6,210,353 | 5,735,329 | 4,852,769 |

(Continued)

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Liabilities:** | | | |
| Furniture and equipment | (7,331) | (6,430) | - |
| Derivative financial instruments | (806) | (8,576) | - |
| Commissions and debt issuance costs | (1,205) | (2,478) | (130,693) |
| Prepaid expenses and advances to suppliers | (39,345) | (48,415) | (55,344) |
| Financial assets arising from concessions | (262,212) | (321,238) | (359,420) |
| | (310,899) | (387,137) | (545,457) |
| Net deferred income tax asset from temporary differences | 5,899,454 | 5,348,192 | 4,307,312 |
| Tax loss carryforwards | 2,642 | 598,604 | 2,196,758 |
| Net deferred income tax asset | $ 5,902,096 | $ 5,946,796 | $ 6,504,070 |

(Concluded)

The realization of deferred tax assets depends on the future generation of taxable profits during the period in which the temporary differences will be deductible. Management considers the reversal of deferred tax liabilities and projections of future taxable profits when making its assessment of the realization of deferred tax assets. Based on the results obtained in the previous years, in the future projections of profits and that maturity for the main deferred tax assets equals the term of the concessions, management that deferred tax assets will be realized.

As of December 31, 2023, a deferred tax liability of $473,944, related to the investment in subsidiaries has not been recognized, for the following reasons:

- The Entity has control over the time in which the temporary difference can be reversed.
- It is unlikely that the temporary difference will be reversed in the near future.

d. Reconciliation of changes in deferred taxes balances is presented below:

| 2023 | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| ***Temporary differences*** | | | | |
| Furniture and equipment | $ (6,430) | $ (901) | $ - | $ (7,331) |
| Intangible assets derived from concessions | 5,262,633 | 368,869 | - | 5,631,502 |
| Derivative financial instruments | (8,576) | 175 | 7,595 | (806) |
| Debt cost | 10,304 | 6,950 | - | 17,254 |
| Accrued liabilities and provisions | 462,392 | 99,205 | - | 561,597 |
| Commissions and debt issuance costs | (2,478) | 1,273 | - | (1,205) |
| Prepaid expenses and advances to suppliers | (48,415) | 9,070 | - | (39,345) |
| Financial assets arising from concessions | (321,238) | 59,026 | - | (262,212) |
| | 5,348,192 | 543,667 | 7,595 | 5,899,454 |
| Tax loss carryforwards | 598,604 | (595,962) | - | 2,642 |
| | $ 5,946,796 | $ (52,295) | $ 7,595 | $ 5,902,096 |

| 2022 | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| ***Temporary differences*** | | | | |
| Furniture and equipment | $ 1,071 | $ (7,501) | $ - | $ (6,430) |
| Intangible assets derived from concessions | 4,364,285 | 898,348 | - | 5,262,633 |
| Derivative financial instruments | 16,237 | (834) | (23,979) | (8,576) |
| Debt cost | 129,399 | (119,095) | - | 10,304 |
| Accrued liabilities and provisions | 341,777 | 120,615 | - | 462,392 |
| Commissions and debt issuance costs | (130,693) | 128,215 | - | (2,478) |
| Prepaid expenses and advances to suppliers | (55,344) | 6,929 | - | (48,415) |
| Financial assets arising from concessions | (359,420) | 38,182 | - | (321,238) |
| | 4,307,312 | 1,064,859 | (23,979) | 5,348,192 |
| Tax loss carryforwards | 2,196,758 | (1,598,154) | - | 598,604 |
| | $ 6,504,070 | $ (533,295) | $ (23,979) | $ 5,946,796 |

| 2021 | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| ***Temporary differences*** | | | | |
| Furniture and equipment | $ (322) | $ 1,393 | $ - | $ 1,071 |
| Intangible assets derived from concessions | 3,664,752 | 699,533 | - | 4,364,285 |
| Derivative financial instruments | 75,451 | - | (59,214) | 16,237 |
| Debt cost | 134,383 | (4,984) | - | 129,399 |
| Accrued liabilities and provisions | 344,235 | (2,458) | - | 341,777 |
| Commissions and debt issuance costs | (128,491) | (2,202) | - | (130,693) |
| Prepaid expenses and advances to suppliers | (35,218) | (20,126) | - | (55,344) |
| Financial assets arising from concessions | (366,998) | 7,578 | - | (359,420) |
| | 3,687,792 | 678,734 | (59,214) | 4,307,312 |
| Tax loss carryforwards | 2,974,364 | (777,606) | - | 2,196,758 |
| | $ 6,662,156 | $ (98,872) | $ (59,214) | $ 6,504,070 |

e. Under rule I.3.3.2.4 of the omnibus tax ruling published on December 27, 2022, taxpayers engaged in the operation of a concession granted by the federal government may utilize their tax losses until they are fully utilized, or the concession expires, or the Entity is liquidated, whichever occurs first. As of December 31, 2023, the amount of the tax loss carryforward benefits (restated for the effects of inflation as permitted by Mexican Income Tax Law) is $8,807.

## 17. Revenue from ordinary activities

The ordinary income of the Entity is toll revenues, shadow toll payments from the SICT, availability payments from the SICT, ancillary revenues from the use of rights of way and other related revenues and construction revenues are mainly related to the provision of highways operation services, use of the right-of-way, own roadside services such as restaurants and convenience stores, the Entity presents financial information based on operating segments that are regularly reviewed by the Board of Directors.

**December 31, 2023**

| Segments | Concession Toll revenue | Income from operating services | Ancillary revenues from the use of rights of way and other related revenues | Construction revenues | Total |
|---|---|---|---|---|---|
| FARAC I | $12,096,806 | $ - | $ 404,632 | $ 965,544 | $13,466,982 |
| COVIQSA | 989,483 | 191,258 | 322 | - | 1,181,063 |
| CONIPSA | 98,825 | 163,490 | 70 | - | 262,385 |
| COTESA | 104,203 | - | 2,144 | 265 | 106,612 |
| AUTOVIM | 61,765 | - | - | - | 61,765 |
| Total | $13,351,082 | $ 354,748 | $ 407,168 | $ 965,809 | $15,078,807 |

Revenue recognition of:

| | Concession Toll revenue | Income from operating services | Income from the use of right-of-way and other related | Income from construction of expansion and rehabilitation works | Total |
|---|---|---|---|---|---|
| Goods and services transferred immediately | $13,351,082 | $ - | $ 407,168 | $ - | $13,758,250 |
| Effective interest rate method | - | 354,748 | - | - | 354,748 |
| Construction revenues from percentage of completion | - | - | - | 965,809 | 965,809 |
| Total | $13,351,082 | $ 354,748 | $ 407,168 | $ 965,809 | $15,078,807 |

**December 31, 2022**

| Segments | Concession Toll revenues | Income from operating services | Ancillary revenues from the use of rights of way and other related revenues | Construction revenues | Total |
|---|---|---|---|---|---|
| FARAC I | $10,884,364 | $ - | $ 373,454 | $ 570,003 | $11,827,821 |
| COVIQSA | 917,715 | 198,941 | 226 | - | 1,116,882 |
| CONIPSA | 94,686 | 182,429 | 65 | - | 277,180 |
| COTESA | 98,310 | - | 1,586 | - | 99,896 |
| AUTOVIM | 47,215 | - | - | 250 | 47,465 |
| Total | $12,042,290 | $ 381,370 | $ 375,331 | $ 570,253 | $13,369,244 |

Revenue recognition of:

| | Concession Toll revenue | Income from operating services | Income from the use of right-of-way and other related | Income from construction of expansion and rehabilitation works | Total |
|---|---|---|---|---|---|
| Goods and services transferred immediately | $12,042,290 | $ - | $ 375,331 | $ - | $12,417,621 |
| Effective interest rate method | - | 381,370 | - | - | 381,370 |
| Construction revenues from percentage of completion | - | - | - | 570,253 | 570,253 |
| Total | $12,042,290 | $ 381,370 | $ 375,331 | $ 570,253 | $13,369,244 |

| December 31, 2021 Segments | Toll revenues | Availability payments from the SICT | Ancillary revenues from the use of rights of way and other related revenues | Construction revenues | Specialized services revenues | Total |
|---|---|---|---|---|---|---|
| FARAC I | $ 9,172,420 | $ - | $ 304,544 | $ 84,206 | $ 4,645 | $ 9,565,815 |
| COVIQSA | 916,179 | 193,762 | 565 | - | - | 1,110,506 |
| CONIPSA | 68,360 | 193,314 | 62 | - | - | 261,736 |
| COTESA | 86,476 | - | 1,681 | 13,762 | - | 101,919 |
| AUTOVIM | 31,849 | - | - | 2,150 | - | 33,999 |
| Total | $10,275,284 | $ 387,076 | $ 306,852 | $ 100,118 | $ 4,645 | $11,073,975 |

Revenue recognition of:

| | Toll revenues | Income from operating services | Ancillary revenues from the use of rights of way and other related revenues | Construction revenues | Specialized services revenues | Total |
|---|---|---|---|---|---|---|
| Goods and services transferred immediately | $10,275,284 | $ - | $ 306,852 | $ - | $ 4,645 | $10,586,781 |
| Effective interest rate method | - | 387,076 | - | - | - | 387,076 |
| Construction revenues from percentage of completion | - | - | - | 100,118 | - | 100,118 |
| Total | $10,275,284 | $ 387,076 | $ 306,852 | $ 100,118 | $ 4,645 | $11,073,975 |

## 18. Costs and expenses by nature

Total costs and expenses classified by nature are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Personnel costs and expenses | $ 629,400 | $ 554,866 | $ 474,426 |
| Corporate services provided by Abertis Infraestructura, S.A., related party | 146,747 | 125,596 | 97,154 |
| Major maintenance provision | 578,181 | 603,121 | 538,690 |
| Others | 744,973 | 661,067 | 617,167 |
| Operating expenses | 1,469,901 | 1,389,784 | 1,253,011 |
| Costs for use of right of way and other related | 214,041 | 189,967 | 179,167 |
| Construction costs of expansion and rehabilitation works | 965,809 | 570,253 | 100,118 |
| Amortization and depreciations | 1,305,132 | 1,288,045 | 1,084,406 |
| | $ 4,584,283 | $ 3,992,915 | $ 3,091,128 |

Costs and expenses as of December 31, 2021, including reclassifications mentioned in note 2.b, are as follows:

| | December 31, 2021 Previously reported | Reclassifications | December 31, 2021 Modified |
|---|---|---|---|
| Personnel costs and expenses | 527,759 | (53,333) | 474,426 |
| Major maintenance expenses | 538,690 | (538,690) | - |
| Lower maintenance costs | 66,324 | (66,324) | - |
| Operating costs | 236,083 | (236,083) | - |
| Others | 137,940 | (137,940) | - |
| Operation and maintenance of assets by concession | 979,037 | (979,037) | - |
| Insurance and sureties | 78,233 | (78,233) | - |
| Consideration to the Federal Government | 60,983 | (60,983) | - |
| Others | 111,057 | (111,057) | - |
| Concession toll costs | 250,273 | (250,273) | - |
| Corporate services provided by Abertis Infraestructura, S.A, related party | - | 97,154 | 97,154 |
| Major maintenance provision | - | 538,690 | 538,690 |
| Others | - | 617,167 | 617,167 |
| Operative expenses | - | 1,253,011 | 1,253,011 |
| Amortization of the intangible asset per concession | 1,050,573 | (1,050,573) | - |
| Amortization and depreciations | - | 1,084,406 | 1,084,406 |
| Construction costs of expansion and rehabilitation works | 100,118 | - | 100,118 |
| Cost for right of way use and other related | 183,368 | (4,201) | 179,167 |
| | $ 3,091,128 | $ - | $ 3,091,128 |

## 19. Risk management

a. ***Significant accounting policies***

Details of the significant accounting policies and methods adopted (including recognition criteria, bases of valuation, and revenue and expense recognition bases) for each class of financial asset, financial liability, and equity instruments are disclosed in Note 3.

b. ***Financial instrument categories and risk management policies***

The main financial instrument categories are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| ***Financial assets*** | | | |
| Cash and cash equivalents | $ 10,616,151 | $ 12,571,346 | $ 10,905,231 |
| Long-term restricted cash | 188,754 | 169,633 | 158,944 |
| Trade accounts receivable | 961,442 | 618,665 | 261,241 |
| Other accounts receivable | 186,474 | 62,817 | 20,110 |
| Financial assets arising from concessions | 874,042 | 1,070,792 | 1,198,066 |
| Derivative financial instruments | 13,040 | 30,799 | 16,313 |
| Interest receivable on derivative financial instruments | 3,274 | 3,309 | - |

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| ***Financial liabilities*** | | | |
| Accounts payable to suppliers | $ 427,003 | $ 1,105,304 | $ 288,624 |
| Interest payable | 1,407,197 | 1,420,459 | 1,419,489 |
| Interest payable on derivative financial instruments | - | - | 2,549 |
| Other current liabilities | 129,796 | 106,414 | 155,227 |
| Abertis Infraestructuras, S.A. related party | 14,861 | 16,881 | 9,719 |
| Long-term debt | 49,751,904 | 50,946,927 | 51,104,725 |
| Other long-term liabilities | 45,595 | 24,374 | 25,833 |
| Derivative financial instruments | 12,537 | 4,987 | 70,435 |

The Entity's financial assets and liabilities are exposed to different economic risks including (i) financial market risks (traffic, foreign currency and prices), (ii) interest rates risk (iii) credit risks, and (iv) liquidity risks.

The Entity seeks to minimize the potential negative effects of the above risks on its financial performance by implementing different strategies. It uses financial derivatives to hedge against its exposure to financial risks derived from those transactions recognized in the consolidated statements of financial position (recognized assets and liabilities). The Entity does not hedge against other types of exposure because it considers potential risks to have an insignificant effect on its operations.

The Entity only enters into financial derivatives as hedges to reduce the financial exposure of its liabilities. The financial derivatives entered into for this purpose can be designated for accounting purposes as hedges or for trading purposes without affecting their primary objective of mitigating the risks to which the Entity is exposed through its projects.

The Entity's internal control policy establishes that the contracting of loans and assessment of risks involved in the projects require the collegial analysis of the representatives of the areas of finance, legal and administration, before their authorization. As part of this analysis, the use of derivatives to hedge financing risks is also evaluated. By internal control policy, the contracting of derivatives is the responsibility of the areas of finance and administration of the Entity once the aforementioned analysis is completed.

When evaluating the use of financial derivatives to hedge against financial risks, the Entity analyzes the sensitivity of pertinent variables at different potential levels. This is carried out to define the economic efficiency of each alternative proposed for hedging the measured risk. This process is then matched with the obligations and/or conditions of each alternative to define the most appropriate solution. Furthermore, the Entity performs effectiveness tests with the support of an expert appraiser to determine the treatment applicable to each derivative financial instrument once contracted.

In the case of interest rate hedges, instruments are contracted to fix maximum financial costs to support the viability of the projects or to link them to the allowed tariffs' increases.

It is common that counterparties of financial derivatives that hedge the Entity's debt are the same financial institutions (or their affiliates) that issue the related debt.

c. ***Market risk***

The Entity's activities primarily expose it to financial risks derived from highway traffic and their maintenance cost.

Revenues of the Entity are directly related to the operation of the Concessioned highways, any government action that had a negative effect on the Concession, a recession in the regions where it operates, a natural disaster, or any other event that could affect traffic level on highways operated, could have a material adverse effect on the financial position and operating results of the Entity. Additionally, the obstruction in the passage to the toll booths, derived from social movements could adversely affect the income of the highways in operation.

Furthermore, the revenues from toll collection by the Entity are regulated according to the increase in inflation. The Concession Title allows RCO to annually increase tariffs, according to inflation, or earlier if cumulative inflation is equal to or higher than 5.0% over the last tariff increase. However, inflation is also a key variable in the structure of financing costs, since the Entity maintains debt for 2,778,236 Investment Units (UDI), equivalent to $22,174,776 as of December 31 of 2022 (44.6% of the total debt), which fluctuates based on inflation, therefore, a significant inflation could affect RCO's financial results; an increase (decrease) of 100 basis points in the UDI value of the Entity's loan liabilities would result in a decrease of $213,665 and $(212,594) in stockholders' equity, respectively.

The percentage of annual inflation in the last three years is shown below:

| **December 31,** | **Inflation of the year** |
|---|---|
| 2023 | 4.66% |
| 2022 | 7.82% |
| 2021 | 7.36% |

The Entity is exposed to the risk in prices, mainly of the maintenance cost of the highways which may have an adverse material effect on the financial position and operating results of the Entity.

Regarding foreign exchange risk, the Entity considers its exposure to be insignificant due to the few transactions and balances being denominated in foreign currency. The Entity contracts its financings in the same currency as the source of payment. Should exposure to this risk become significant in a particular period, it will be managed within the parameters of approved policies.

d. ***Interest rate risk management***

The Entity is mainly exposed to interest rate risks because it has entered into variable-rate loans. The Entity manages this risk by maintaining an adequate combination of variable-rate loans and interest rate swap contracts. The Entity's hedging activities are regularly monitored so that they align with interest rates identified as a risk, for it to implement the most effective hedging strategies.

To mitigate the risk of interest rate fluctuations, the Entity utilizes interest swaps to fix variable rates (see Note 13).

The interest rate swaps entered into by the Entity change variable interest rate profiles to fixed interest rate profiles. The Entity performs a stress analysis to determine the most appropriate amount to be contracted under a fixed-payments scheme while considering that concessions generally allow the Entity to increase tariffs based on inflation and demand elasticity. A TIIE rate increase (decrease) of 100 basis points would result in a decrease of stockholders' equity of $628 and $(628), respectively. The effect on net income of the year would be insignificant as the instruments that expose the Entity to these risks are protected by highly effective cash flow hedges.

The carrying value of the Entity's financial derivatives as of December 31, 2023, 2022 and 2021 is a net of $503, $25,812 and $(54,122), respectively, and the debt amounts to $49,776,266, $50,998,699 y $51,186,897, respectively.

e. ***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss for the Entity. The Entity's main credit risk primarily involves cash and cash equivalents and, to a lesser extent, its accounts receivable from its customers. In the case of the accounts receivable and financial assets of COVIQSA and CONIPSA, as the main customer is the SICT, despite the level of concentration, the credit risk is deemed to be insignificant. FARAC I does not have significant clients, hence, no concentration exists. With regards to cash and cash equivalents, the Entity maintains a policy only to perform transactions with institutions with an acknowledged reputation and high credit rating. The main funds are held in trusts. The Entity's maximum credit risk exposure as of December 31, 2023, 2022 and 2021, is $12,843,177, $14,481,305, and $12,559,863. Notes 5 and 6 describe the main financial assets subject to credit risks.

The Entity applies the IFRS 9 simplified model of recognizing lifetime expected credit losses throughout life for all trade receivables, using the provision matrix approach, as these items do not have a significant financing component.

Trade receivables are written off when there is no reasonable expectation of recovery.

| | Trade receivables days past due | | |
|---|---|---|---|
| | **Current** | **More than 90 days** | **Total** |
| **December 31, 2023** | | | |
| Expected credit loss rate | 0% | 100% | |
| Gross carrying amount | $ 961,442 | $ - | $ 961,442 |
| Lifetime expected credit loss | - | - | - |
| **December 31, 2022** | | | |
| Expected credit loss rate | 0% | 100% | |
| Gross carrying amount | $ 618,665 | $ 14,635 | $ 633,300 |
| Lifetime expected credit loss | - | 14,635 | 14,635 |

(Continued)

| December 31, 2021 | Trade receivables days past due: Current | More than 90 days | Total |
|---|---|---|---|
| Expected credit loss rate | 0% | 100% | |
| Gross carrying amount | $ 261,241 | $ 13,729 | $ 274,970 |
| Lifetime expected credit loss | - | 13,729 | 13,729 |

(Concluded)

The maximum exposure to credit risk is represented by the carrying value of financial assets.

***Liquidity risk management***

The Entity manages its liquidity risk by maintaining adequate reserves of cash and bank credit lines available and consistently monitoring its projected and actual cash flows. Long-term debt maturities are presented in Note 13. The Entity maintains funds in trusts based on its contractual obligations, and these funds are used for debt repayment, as well as highway maintenance and extension costs, among other purposes. The Entity also has lines of credit under its bank loans, as discussed in Note 13. The following table shows the amounts of bank credit lines that the Entity has available to reduce liquidity risk:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| ***Bank credit lines*** | | | |
| Amounts drawn | $ 49,776,266 | $ 50,998,699 | $ 51,186,897 |
| Amounts not yet drawn | 2,000,000 | 2,000,000 | 3,148,891 |
| | $ 51,776,266 | $ 52,998,699 | $ 54,335,788 |

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on repayment periods. The tables have been designed based on the undiscounted cash flows of the financial assets using the nearest date on which the Entity must make the payments. The tables include both the cash flows for interest and principal. As long as the interest is variable-rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. Contractual maturity is based on the nearest date on which the Entity must make the payment:

| December 31, 2023 | Less than 1 year | Over 1 year and less than 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Accounts payable to suppliers | $ 427,003 | $ - | $ - | $ 427,003 |
| Interest payable | 4,029,234 | 13,420,756 | 16,437,420 | 33,887,410 |
| Other current liabilities | 129,796 | 45,595 | - | 175,391 |
| Abertis Infraestructuras, S.A related party | 14,861 | - | - | 14,861 |
| Long-term debt (1) | 2,673,347 | 11,489,024 | 35,613,895 | 49,776,266 |
| Derivative financial instruments | 27,257 | (40,490) | (23,252) | (36,485) |
| Total | $ 7,301,498 | $ 24,914,885 | $ 52,028,063 | $ 84,244,446 |

| | Less than 1 year | Over 1 year and less than 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **December 31, 2022** | | | | |
| Accounts payable to suppliers | $ 1,105,304 | $ - | $ - | $ 1,105,304 |
| Interest payable | 4,187,628 | 14,242,471 | 19,034,472 | 37,464,571 |
| Other current liabilities | 106,414 | 24,374 | - | 130,788 |
| Abertis Infraestructuras, S.A related party | 16,881 | - | - | 16,881 |
| Long-term debt (1) | 2,152,579 | 11,563,276 | 37,282,844 | 50,998,699 |
| Derivative financial instruments | 39,043 | (25,333) | (22,855) | (9,145) |
| Total | $ 7,607,849 | $ 25,804,788 | $ 56,294,461 | $ 89,707,098 |
| **December 31, 2021** | | | | |
| Accounts payable to suppliers | $ 288,624 | $ - | $ - | $ 288,624 |
| Interest payable | 4,195,654 | 14,842,565 | 25,545,052 | 44,583,271 |
| Interest payable on derivative financial instruments | 2,549 | - | - | 2,549 |
| Other current liabilities | 155,227 | 25,833 | - | 181,060 |
| Abertis Infraestructuras, S.A related party | 9,719 | - | - | 9,719 |
| Long-term debt (1) | 1,699,209 | 10,789,068 | 38,698,619 | 51,186,896 |
| Derivative financial instruments | 19,166 | 43,073 | 48,868 | 111,107 |
| Total | $ 6,370,148 | $ 25,700,539 | $ 64,292,539 | $ 96,363,226 |

(1) The amount does not include commissions and debt issuance costs.

f. ***Fair value of financial instruments***

The fair value of the Swap interest rates and debt entered into by the Entity is determined according to the present value of future cash flows. This method consists of estimating future cash flows, in the case of derivatives, it is determined per the fixed rate of the derivative and the market curve at that date to determine the variable cash flows, using the appropriate discount rate to estimate the present value. Additionally, the Entity uses recognized sources of information to obtain risk factors, such as interest rate curves.

All the Entity’s derivatives are classified as Level 2 of the fair value hierarchy established by IFRS 13 *Fair value measurement*. Level 2 fair value measurements are based on information other than the quoted prices included within Level 1 (fair value measurements derived from quoted prices (unadjusted) on active markets for identical assets and liabilities), which can be observed for assets or liabilities, whether directly (e.g. prices) or indirectly (e.g. derived from prices).

Except for what is detailed in the following table, Management considers that carrying values of financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements, approximate their fair value:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| **Financial assets** | | | | |
| Cash and cash equivalents | $ 10,616,151 | $ 10,616,151 | $ 12,571,346 | $ 12,571,346 |
| Trade accounts receivable | 961,442 | 961,442 | 618,665 | 618,665 |
| Interest from derivative financial instruments receivable | 3,274 | 3,274 | 3,309 | 3,309 |
| Other accounts receivable and prepaid expenses | 186,474 | 186,474 | 20,070 | 20,070 |
| Financial assets arising from concessions | 874,042 | 874,042 | 1,070,792 | 1,070,792 |
| Long-term restricted cash | 188,754 | 188,754 | 169,633 | 169,633 |
| Derivative financial instruments | 13,040 | 13,040 | 30,799 | 30,799 |
| **Financial liabilities:** | | | | |
| Accounts payable to suppliers | $ 427,003 | $ 427,003 | $ 1,105,304 | $ 1,105,304 |
| Interest payable | 1,407,197 | 1,407,197 | 1,420,459 | 1,420,459 |
| Other current liabilities | 129,796 | 129,796 | 106,414 | 106,414 |
| Accounts payable to shareholders | 14,861 | 14,861 | 16,881 | 16,881 |
| Long-term debt | 49,751,904 | 47,289,388 | 50,946,927 | 47,570,846 |
| Other long-term liabilities | 45,595 | 45,595 | 24,374 | 24,374 |
| Derivative financial instruments | 12,537 | 12,537 | 4,987 | 4,987 |

| | December 31, 2021 | |
|---|---|---|
| | **Carrying value** | **Fair value** |
| **Financial assets** | | |
| Cash and cash equivalents | $ 10,905,231 | $ 10,905,231 |
| Trade accounts receivable | 261,241 | 261,241 |
| Other accounts receivable and prepaid expenses | 20,068 | 20,068 |
| Financial assets arising from concessions | 1,198,066 | 1,198,066 |
| Long-term restricted cash | 158,944 | 158,944 |
| Derivative financial instruments | 16,313 | 16,313 |

| | December 31, 2021 | |
|---|---|---|
| | **Carrying value** | **Fair value** |
| **Financial liabilities:** | | |
| Accounts payable to suppliers | $ 288,624 | $ 288,624 |
| Interest payable | 1,419,489 | 1,419,489 |
| Interest payable on derivative financial instruments | 2,549 | 2,549 |
| Other current liabilities | 155,227 | 155,227 |
| Accounts payable to shareholders | 9,719 | 9,719 |
| Long-term debt | 51,104,725 | 51,002,722 |
| Other long-term liabilities | 25,833 | 24,418 |
| Derivative financial instruments | 70,435 | 70,435 |

The Entity engages experts to value and recognize financial instruments at their fair value.

## 20. Stockholders' equity

a. Common stock at par value is as follows:

| As of December 31, 2023 | Number of shares | | Amount |
|---|---|---|---|
| Fixed capital | | | |
| Series A | 55,352 | $ | 5 |
| Variable capital | | | |
| Series A | 20,105,331,151 | | 236,645 |
| Series B | 8,609,634,800 | | 101,318 |
| Total | 28,715,021,303 | $ | 337,968 |

| As of December 31, 2022 | Number of shares | | Amount |
|---|---|---|---|
| Fixed capital | | | |
| Series A | 55,352 | $ | 5 |
| Variable capital | | | |
| Series A | 20,105,331,151 | | 236,645 |
| Series B | 8,609,634,800 | | 101,318 |
| Total | 28,715,021,303 | $ | 337,968 |

| As of December 31, 2021 | Number of shares | | Amount |
|---|---|---|---|
| Fixed capital | | | |
| Series A | 55,352 | $ | 5 |
| Variable capital | | | |
| Series A | 20,105,331,151 | | 1,636,969 |
| Series B | 8,609,634,800 | | 700,994 |
| Total | 28,715,021,303 | $ | 2,337,968 |

Series A shares refer to fixed capital without right of withdrawal and Series B shares refer to variable capital; all the shares are common, nominative, at no par value, and are fully subscribed and paid in.

As of the date of issuance of these consolidated financial statements, there are two relevant shareholders in RCO. The first of these shareholders is BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as trustee of the trust F/411215-7 that maintains the ownership of 20,105,386,503 Series "A" Shares and 3,486,881,000 Series "B" Shares. This shareholder exercises control.

Furthermore, The Bank of New York Mellon, S.A., Institución de Banca Múltiple, as trustee (currently CIBanco S.A. Institución de Banca Múltiple from April 28, 2014 as consequence of the acquisition by CIBanco of 100% of the capital of The Bank of New York Mellon Mexico), of the Issuer Trust Agreement CKD number F/00661 dated September 24, 2009 maintains ownership of 5,122,753,800 Series "B" Shares.

The natural person considered to be the main beneficiary shareholder has not been identified.

b. In a stockholders' meeting dated March 8, 2023, the Entity paid dividends and a variable capital stock reduction to its shareholders in the amount of $2,924,000 and $1,326,000, respectively, which were made proportionally to all RCO shareholders. Payment to stockholders was made on March 24, 2023.

c. In a stockholders' meeting dated December 5, 2022, reductions in variable common stock were approved for $2,000,000, which was made proportionally to all RCO shareholders. Payment to stockholders was made on December 14, 2022.

d. Stockholders' equity reduction, except for the amounts related to restated taxable paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the reduction occurs. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.

The common stock reductions made during 2023 and 2022 were not subject to income tax.

e. Equity risk management – The Entity manages its equity to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through capital structure optimization. The Entity's management reviews the capital structure when presenting its financial projections to the Board of Directors and stockholders as part of the business plan. When performing its review, the Board of Directors considers the cost of equity and its associated risks.

f. As of December 31, 2023, 2022 and 2021, the restated taxable paid-in capital balance is $16,723,962, $17,286,087 and $17,888,960, respectively.

## 21. Earnings per share

Consolidated net income and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Consolidated net income for the period | $ 4,622,983 | $ 3,510,785 | $ 2,146,085 |
| Weighted average number of ordinary shares for the calculation of basic and diluted earnings per share | 28,715,021,303 | 28,715,021,303 | 28,715,021,303 |

## 22. Segment information

The Entity's activities are primarily related to building, operating, conserving, and maintaining concessioned highways considering their locations, regulators, and conditions of concession agreements, among others. Therefore, based on results of operations, for which there is available financial information, and which are reviewed regularly by the Board of Directors, who determine the resources that will be allocated to each segment and evaluate their performance, the segments, under IFRS 8, are as follows:

- FARAC I is the concession granted to RCO under the Concession Title of RCO, which was adjudicated as of October 3, 2007. Such Concession Title grants the right and obligation to build, operate, operate and conserve (i) Zapotlanejo-Guadalajara, (ii) Maravatío-Zapotlanejo, (iii) Zapotlanejo-Lagos and, (iv) León-Aguascalientes, components of the package for 30 years starting from the date of award. Also, within the RCO Concession Title, is the obligation to build and maintain the extension works. The FARAC I segment integrates RCO, Prestadora and RCA.

- CONIPSA is the concessionaire responsible for operating, conserving, and maintaining, for 20 years from 2005, the federal toll-free highway starting at the junction of the Querétaro-Irapuato highway and the Irapuato-La Piedad highway, and ends at kilometer 76+520, at the junction with the Cabadas La Piedad beltway, in the state of Guanajuato and Michoacán de Ocampo. The highway under CONIPSA's concession is part of a highway corridor from east to west, linking together various cities located in the Bajío region in central Mexico, and the west of Guadalajara and eastern Mexico City.

- COVIQSA is the concessionaire responsible for operating, conserving, and maintaining, for 20 years from 2006, the 93-kilometer federal toll-free highway located in the states of Querétaro, Guanajuato, and Michoacán de Ocampo. This highway corridor is an important part of the Bajío region, from east to west that connects the cities of Querétaro and Irapuato and let passage to a large number of carriers that do business in the city of Querétaro, Irapuato, and La Piedad, plus regions such as northern León, southern Morelia, western Guadalajara, and eastern Mexico City.

- COTESA is the concessionaire responsible for operating, conserving, and maintaining, for 30 years counted from May 19, 2016, the Tepic - San Blas highway which starts at the El Trapicho junction located in the kilometers 6 + 600 of the federal highway Mex-015D Tepic-Villa Union and ends on the federal highway Mex-015 Santa Cruz- San Blas, in the kilometers 8 + 060 with a total length of 30.929 kilometers located in the State of Nayarit.

- AUTOVIM is the concessionaire responsible for operating, conserving, and maintaining, for 30 years counted from December 2, 2009, the Zamora – La Piedad highway with a total length of 35.000 kilometers located in the State of Michoacán de Ocampo.

These reporting segments are presented for the years ended December 31, 2023, 2022 and 2021.

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | FARAC I | COVIQSA | CONIPSA | COTESA | AUTOVIM | Eliminations and others | Total |
| Total revenues | $ 13,522,813 | $ 1,181,062 | $ 262,386 | $ 106,613 | $ 61,765 | $ (55,832) | $ 15,078,807 |
| Income from operations | 9,531,797 | 836,715 | 178,175 | 45,242 | 23,062 | (19,861) | 10,595,130 |
| Net income | 4,529,068 | 775,338 | 144,317 | 44,474 | 27,466 | (897,680) | 4,622,983 |
| Total liabilities | 58,727,630 | 1,248,994 | 278,957 | 102,995 | 16,912 | (2,496,656) | 57,878,832 |

| | December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | FARAC I | COVIQSA | CONIPSA | COTESA | AUTOVIM | Eliminations and others | Total |
| Total revenues | $ 11,883,829 | $ 1,116,882 | $ 277,179 | $ 99,896 | $ 47,465 | $ (56,007) | $ 13,369,244 |
| Reversal of impairment loss of intangible asset derived from concession | - | - | 51,490 | - | - | - | 51,490 |
| Income from operations | 8,444,862 | 804,362 | 204,705 | 42,879 | 10,264 | (30,078) | 9,476,994 |
| Net income | 4,368,104 | 832,040 | 165,293 | 42,937 | 27,687 | (1,925,276) | 3,510,785 |
| Total liabilities | 60,728,823 | 1,593,861 | 366,573 | 98,287 | 13,984 | (2,547,267) | 60,254,261 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | FARAC I | COVIQSA | CONIPSA | COTESA | AUTOVIM | Eliminations and others | Total |
| Total revenues | $ 9,643,909 | $ 1,110,506 | $ 261,736 | $ 101,919 | $ 33,999 | $ (78,094) | $ 11,073,975 |
| Reversal of impairment loss of intangible asset derived from concession | - | - | 130,076 | - | - | - | 130,076 |
| Income from operations | 6,993,181 | 849,510 | 314,104 | 36,648 | 8,169 | (22,713) | 8,178,899 |
| Net income | 1,089,614 | 790,897 | 225,051 | 34,270 | 22,152 | (15,899) | 2,146,085 |
| Total liabilities | 60,863,091 | 2,189,787 | 411,839 | 97,088 | 9,609 | (3,492,220) | 60,079,194 |

## 23. Noncash transactions

For the years ended December 31, 2023, 2022 and 2021, the Entity recognized construction revenues of $965,809, $570,253 and $100,118, respectively, not collected in cash, which are not reflected in the consolidated statements of cash flows.

## 24. Transactions and balances with related parties

Balances and transactions between RCO and its subsidiaries, which are related parties, have been eliminated in the consolidation process and are not included in this note. Transactions between the Entity and its related parties (non-subsidiaries) are shown below:

a. Transactions with related parties carried out in the normal course of business were as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2023** | **2022** | **2021** |
| Corporate services provided by Abertis Infraestructura, S.A. | $ 146,747 | $ 125,596 | $ 97,154 |

b. As of December 31, 2023, 2022 and 2021, there is an account payable to Abertis Infraestructura, S.A. for $14,861, $16,881 and $9,719, respectively, as shown in the consolidated statements of financial position. This account payable is derived from the corporate services described in paragraph a. of this note.

c. The compensation of the relevant directors comprises the following:

1. Short-term employee benefits in 2023, 2022 and 2021 of $125,407, $126,336 and $171,254, respectively.

2. Other long-term benefits in 2023, 2022 and 2021 of $31,018, $26,966 and $23,057, respectively.

   See description of bonus plans for key personnel in Note 15.

## 25. Contingencies and commitments

The Entity is not aware of and has not been notified of any judicial, administrative or arbitral proceedings of which it is a party, nor does it have any pending legal proceedings, other than those that form part of the normal course of business. Likewise, ordinary civil suits and appeal trials related to access to the Concessioned Highways are in process, as well as the resolution of a tax audit performed by the tax authorities, as described below:

a. On November 1, 2022, a tax audit was initiated, which was notified by the Central Administration for the Audit of Large Diverse Taxpayers of the Tax Administration Service, requiring the Entity, documentation and information so that the authority would be able to verify the tax situation of RCO in terms of income tax for the fiscal year 2019. During the process of the tax audit, various documentation and information requested by the authority was presented by means of an official letter issued and notified on August 2, 2023. On October 25, 2023, an official notice of observations was issued and notified by the authority through which the alleged omissions or inconsistencies observed during the audit process carried out for the fiscal year 2019 were pointed out (the Official Notice of Observations). On November 24, 2023, RCO answered to the Official Notice of Observations by providing several supporting documentation and information to refute all the observations made by the Authority, as well as to make several statements and explain the observed items. Additionally, on the same date, RCO requested the adoption of a Conclusive Agreement before the *Procuraduría de la Defensa del Contribuyente* (hereinafter PRODECON, the Tax Ombudsman), so the Audit will be suspended for the duration of the Conclusive Agreement process, which will have a maximum duration of 12 months. On November 29, 2023, PRODECON received the Agreement through which PRODECON notifies the admission of the Conclusive Agreement request.

   The proceedings are currently in process, which, in the opinion of the Entity, are not likely, individually or in the aggregate, to result in a material adverse effect on its business, operations, results, cash flows or financial position.

b. The compensation package contracts for relevant executives establish the payment of a retention bonus that will be paid as long as when the director remains as an employee of the Entity for a period from 12 to 36 months, subsequent to the date of the change of control up to June 4, 2023. As of December 31, 2022 and 2021, amount to $18,317 and $57,619, respectively.

## 26. Authorization for issuance of financial statements

On February 20, 2024, the issuance of these consolidated financial statements was authorized by Demetrio Javier Sodi Cortés, CEO, and Jorge Parra Palacios, CFO of Red de Carreteras de Occidente, S.A.P.I. de C.V. These consolidated financial statements are subject to approval at the general ordinary stockholders' meeting, where they may be modified, based on provisions outlined in the Mexican General Corporate Law.

Consolidated financial statements as of December 31, 2022, were approved by unanimous resolutions adopted outside of a shareholders meeting dated March 8, 2023.

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