Construcciones EL CONDOR S.A.

45 AÑOS 1979 -2024

QUARTERLY REPORT 2Q - 2024

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GLOSSARY

Force Majeure: Refers to any event, circumstance, or combination of circumstances beyond the reasonable control of the party claiming it, which materially and adversely affects the performance of the obligations under the Contract. The term "Force Majeure" shall be understood to include any event of Force Majeure, including preliminary Force Majeure, Environmental Force Majeure and Network Force Majeure (National Infrastructure Agency).

Engineering, Procurement, and Construction (EPC) Contracts: A contract under which the contractor carries out the detailed engineering design of the project, procures all the necessary equipment and materials, and then constructs to deliver an operational facility or asset to its client.

Compliance: The set of procedures and best practices that organizations adopt to "identify and classify the operational and legal risks they face, and internal mechanisms established to prevent, manage, control, and respond to them."

Polycrisis: A word used to describe a scenario in which environmental, economic, and geopolitical crises converge and intertwine. It is the confluence of interrelated negative phenomena such as climate crises and pandemics, inflation and depression, wars, and international divisions.

Functional Unit: Refers to each of the project's divisions, each of which corresponds to a set of engineering structures and facilities essential for the provision of services with functional independence that allows it to function and operate individually.

ABOUT US

Construcciones El Condor S.A. is a Colombian company, leader in road infrastructure with 45 years in the market. Its Higher Purpose is "To be a sustainable alternative in the management of engineering projects in infrastructure and profitable investments, developing its human talent and other stakeholders, ensuring transparency of its actions, competitiveness and strength".

The company has been listed on the Colombian Stock Exchange since 2011, and has a share issuance and placement program, with no active issues. Construcciones El Condor stands out as an innovative company with high standards of corporate governance, and ranks as one of the best engineering companies in the country by making a lasting contribution to the development of Colombia's infrastructure.

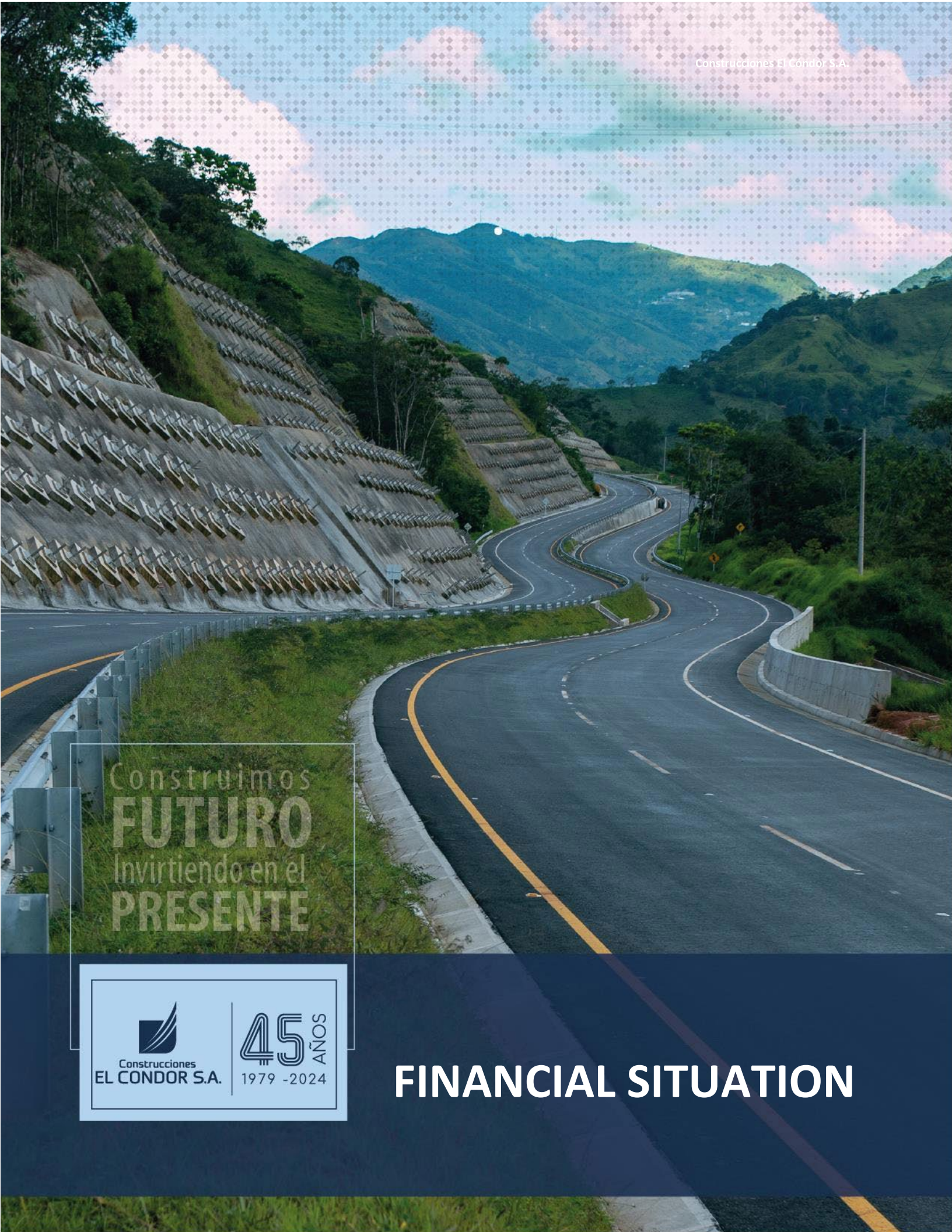
CAPITAL STOCK AND CLASS OF SHARES

Class of Shares: Common
Number of shareholders: 392
Percentage of ownership: 100%

The shareholder structure as of June 30, 2024.

TAX I.D.	NAME OF SHAREHOLDER	NUMBER OF SHARES	% OF SHARE
8110448537	PETRICORP S.A.S	203,761,374	35.475888%
8300545390	PATRIMONIO AUTONOMO GARANTIA ACCIONES EL CONDOR	143,000,000	24.897025%
9011104873	VINCE BUSINESS COLOMBIA S.A.S	61,157,768	10.647877%
9006810038	INVESTARCO S.A.S.	56,609,075	9.855927%
9006712705	TOPLUM S.A.S.	48,710,911	8.480816%

(*) Petricorp S.A.S. and Toplum S.A.S. are the Beneficial Owners of “PA Garantía Acciones El Condor”.



Construcciones
EL CONDOR S.A.

45 AÑOS
1979 -2024

FINANCIAL SITUATION

Quarterly Financial Statements

Separate and Consolidated Financial Statements:

CLICK HERE TO SEE SEPARATE AND CONSOLIDATED Q2 FINANCIAL STATEMENTS

Material changes in the financial statements for the first quarter of 2024 were displayed compared to the financial statements for the last quarter of 2023.

Comments from Management

The measures adopted by the Company to mitigate the situation, a plan has been launched since the first quarter of 2023 to control the impact that this could have on its different lines of business (construction and investments) and on its capacity to meet its commitments with its creditors, are listed below:

(i) Renegotiated the EPC contracts with the contractors to include the recognition of losses and the implementation of adjustment schemes in the contract prices;

(ii) Agreed with the financial creditors the terms of the debt re-profiling adjusted to the Company's capacity and cash flow;

(iii) Working capital resources have been obtained for the development of the projects, through resources from banks exclusively for the working capital of the projects, as well as the provision of resources for working capital by customers;

(iv) Independent trust vehicles have been structured to manage the working capital funds of the EPC contracts;

(v) Financial statements have been reviewed and cleaned up;

(vi) Streamlined administrative processes; and

(vii) Completed work at Pacífico Tres and Ruta al Mar.

Having overcome these challenges, the organization is looking ahead and working together to realize the dream of continuing to build a country. The Company's resilience and soundness have allowed it to capitalize on the lessons learned during these years, stand firm in adverse situations, and dream of an optimistic future.

Comparative Analysis of the Financial Statements of Q2 - 2024:

Revenue from ordinary activities reached COP 582.931 million, up 35% compared with 2023. This figure is equivalent to an increase in invoicing of COP 150.000 million. This result is related to the increase in invoicing from the construction contracts for the Magdalena 2 and Ruta al Sur projects.

Operating expenses were COP 522.728 million, up 17% compared to the first quarter of 2023. Gross profit amounted to COP 60.203 million, representing a gross margin of 10%. This result is mainly due to the profits contributed by the execution of San Agustín Zona Norte and Zona Sur (Ruta al Sur), and the beginning of the massive placement of asphalt mix in the Madalena 2 project. Administrative expenses amounted to 3.0% of revenue, down 11% compared to the previous year.

An operating profit of COP 40.829 million was displayed, representing an operating margin of 7%. The EBITDA was COP 66.899 million, equivalent to an EBITDA margin of 11.48%. This result exhibits an increase compared with the EBITDA margin shown in the first quarter of 2023, which was 2.02%.

Interest expense increased 32.76% to the first quarter of 2023; of this effect, 32.35 % corresponds to the increase in interest rates, this being the main variable generating the net loss. The company expects that the evolution of inflation will allow a reduction in interest rates in the medium-term and a reduction in debt, with the positive results already observed in the first quarter of the year.

Investments using the equity method generated a negative result of COP ($14.560) million. These items represent accounting effects but have no impact on the Company's cash flow. Taking into account the above, the Company's net result was COP ($64.730) million. If this consolidation effect is discounted, the net result changes to COP ($50.169) million and the net margin to -9%.

	Q2-2024	Q2-2023
Revenue from ordinary activities	$582,930,522	$ 432,903,515
Gross result	$ 60,202,860	$ (12,181,832)
Operating result	$ 40,829,326	$ (20,508,256)
Net result of the period	$ (64,730,049)	$ (79,636,590)
EBITDA	$ 66,899,265	$ 8,756,272

* ***Figures in thousands of Colombian Pesos***

Total assets amount to COP 2.31 trillion, of which our investment portfolio at book value amounts to $960.748 million. The ratio of current and non-current assets to total assets is 58% and 42%, respectively.

Cash and cash equivalents amounted to COP 28.704 million. The 42% cash difference by the end of 2023 derives from the fact that in December 2023, the Company received revenue from work minutes of November and December of that same year from both public work projects hired with the Instituto Nacional de Vías. The purpose was to meet with the budget execution of the year.

Liabilities closed at COP 1.638 trillion, with current liabilities accounting for 41% and long-term liabilities for 59% compared with a ratio of 84%/16% at the end of 2023. In June 2024, the Company completed the restructuring process of the financial debt, signing the re-profiling for COP 319.267 million to be paid in May 2027. The Company also changed the composition of the liability increasing it to long-term.

The Company's debt increased by 0.43% in December 2023 while the financial debt was distributed as follows (figures in millions of pesos):

- Debt whose source of payment is the income related to the investment portfolio COP 480.899
- Debt of working capital in construction COP 72.945
- Leasing of machinery and equipment COP 86.919
- financial obligations and leasing of joint operations COP 13.920
- Debt with a source of payment from claims COP 319.267

The equity of Construcciones El Condor S.A. closed at COP 668.508 million.

Comparative Analysis of Financial Statements of Q2 - 2024:

There were no material events in the financial statements at the end of the second quarter of 2024.

Market Risk in Q2 - 2024:

Market risk refers to the fair value of an asset that will decrease due to changes in market prices, either caused by interest rates, foreign currency, or other price risks. Each of these risks is described in the following section.

During the last quarter, the value of the shares on the stock market declined 46% at the end of the quarter. This situation is not specific to the Company but instead, an overall variation in the stock market. As of September 2023, eleven (11) shares listed lost more than 20% of their value, a situation generated, among other things, by variations in macroeconomic conditions and the impact of fiscal policy on stock market investments.

Internal Control and Risks Component

Material Risks:

During this quarter, the Company updated its priority risk matrix keeping in mind its compliance with the measures implemented along with the external context, global challenges, the infrastructure sector, and the country.

The financial impact rating scales and the probability scale are shown below.

Financial Impact

Describer		Range (Economic Losses in COP)
5	Extreme	> $15.000 Millions
4	High	8.000 Millions ≤ 15.000 Millions
3	Moderate	3.000 Millions ≤ 8.000 Millions
2	Low	500 Millions ≤ 3.000 Millions
1	Very Low	≤500 Millions

Probability Scale

Descrier		Description
5	Frequent / Very probable	The event is reiterative, or catastrophic if it takes place only once.
4	Probable	The event takes place regularly.
3	Moderate	The event may occur in several circumstances, or sporadically.
2	Not Probable	The event is unusual but may take place at any time.
1	Rare	The event may solely occur in exceptional circumstances.

As a result, we have the following prioritization of risks according to their severity:

Probability						
	5	Low	Moderate	High	Extreme	Extreme
	4	Low	Moderate	High	Extreme	Extreme
	3	Very Low	Low	Moderate	High	High
	2	Very Low	Low	Low	Moderate	High
	1	Very Low	Very Low	Low	Moderate	High
Financial Impact		1	2	3	4	5

No changes were made to the established scores for the other aspects evaluated: reputation, legal, personal safety, social, environmental and business continuity.

The following are the priority risks for the company:

	1	Failure to complete the execution of works
	2	Insufficient working capital
	3	Political and legislative model adverse to the business (*)
	4	Unfavorable variation in macroeconomic variables
	5	Delays in decisions made by governmental entities
	6	Inability to pay financial obligations
	7	Failure to execute the projects with the estimated productivity
	8	Public order, kidnappings, acts of terrorism, etc.
	9	Non-compliance of counterparties (clients, partners and strategic suppliers)
	10	Conduct and decisions contrary to business ethics and legislation in force
	11	Climate variations with adverse effects on the operation of the business
	12	Difficulty in recruiting and retaining competent personnel
	13	Cyber security breach that compromises information integrity, confidentiality and availability
	14	Occurrence of accidents that compromise the safety and health of employees and third parties
	15	Adverse social events

Material Changes Compared with the Last Quarterly Report:

The material changes in the risk matrix are associated with:

1. Decreased severity of risk No. 2: Insufficient working capital; from extreme to high.
2. Total risk management: Refinancing of debt, leaving priority matrix.
3. Regulatory changes: The risk is included as part of risk No. 3 – Political and legislative model adverse to the business
4. Road safety: High accident and death rate in concessioned corridors. This is managed as part of the risks of each Concession in the operational matrix.
5. Inclusion of the following risks:
   - 13. A breach in cyber security that compromises information integrity, confidentiality, and availability.
   - 14. Occurrence of accidents that compromise the safety and health of employees and third parties.
   - 15. Adverse social events
6. Increased severity of risk No. 7: Failure to execute projects with the expected productivity; foes from high to extreme.
7. Increase severity of risk No. 11: Climate variations with adverse effects on the operation of the business; increases from moderate to high.
8. Increased severity of risk No. 12: Difficulty in recruiting and retaining competent personnel; increases from low to moderate.

Insufficient working capital:

This risk is described as the need to finance the working capital of the projects under less favorable conditions than those established in the structuring and for longer than expected. This, in turn, generates pressures on the company's liquidity, delays in the payment of its obligations, limitations in the capacity to meet its commitments, and limitations in maintaining the operation.

In 2023, the strategy with the banks to support the working capital of each project materialized, achieving the disbursement of resources through the creation of Autonomous Patrimonies. Likewise, resources derived from the medium-term non-revolving credit signed with Bancolombia S.A. were disbursed. Payment facilities have been obtained with clients to support the working capital required for the execution of the works. These payment facilities and the invoicing dynamics of the projects have made it possible to maintain the sources of financing for the working capital required.

Meanwhile, management continues the recognition of longer terms derived from Liability Exempt Events, higher costs, and their timely recognition, seeking to mitigate the effect on cash flows due

to the financing that the Company has made of all its projects to guarantee compliance with its contractual obligations.

Failure to execute projects with the estimated productivity

If projects are not executed with the estimated productivity due to planning problems, operational inefficiencies, or lack of adequate resources, the company could face delays in delivery deadlines, increased costs, and decreased quality of work, which could lead to a loss of competitiveness and a breach of contracts.

This risk increases its severity due to the huge impact it has on the profitability of the projects and the wide range of variables that can materialize.

With the management carried out on all project execution fronts and in coordination with all areas not only of the Core business processes but also of the support processes, integral solutions are being provided to reduce the differences that rise in the profitability of the projects concerning the baseline. This management includes the timely escalation to clients of all unforeseen situations and force majeure events that are beyond the Company's scope and management, to achieve the recognition of the higher costs generated.

Climate variations with adverse effects on the operation of the business

Climate variations may be reflected through fluctuations in the average values of the variables and/or variance and/or in the form of probability distribution that characterizes them, affecting the development and sustainability of the infrastructure.

With the end of the “La Niña” weather phenomenon, project execution conditions have improved, returning to the Company's construction performance. However, in the face of the challenges imposed by climate change, the Company has to continue developing the capacity to adapt. Likewise, the challenge includes being prepared for the extreme weather that could occur due to the high temperatures caused by the El Niño phenomenon, possible decreases in water resources, and other adverse effects thereof.

Difficulty in recruiting and retaining competent personnel

This risk corresponds to the possibility of not being able to attract, retain, or develop employees with the necessary skills, knowledge, and competencies to meet the operational and strategic objectives, due to weaknesses in the succession planning strategy, attraction or retention of key personnel, or the lack of supply in the areas of influence of the projects.

This risk is managed by the Company by developing a succession plan for critical positions. Regarding projects, actions are implemented to attract foreign personnel when there is a scarce supply of local labor.

Risks Identified in the Quarter:

A breach in cyber security that compromises information integrity, confidentiality, and availability

Refers to incidents in which unauthorized access, use, disclosure, interruption, modification, or destruction of information occurs in computer systems or networks.

This risk was part of the process risks; nevertheless, given the high probability of occurrence and its impact, it is scaled to the strategic risk matrix.

The Company has developed and maintained information security policies and procedures. It also has a disaster risk management plan and is constantly working on the corporate culture focusing on the types of threats that may cause this risk to materialize.

Occurrence of accidents that compromise the safety and health of employees and third parties

Accidents in the work setting could have serious consequences for employees, contractors, visitors, or customers.

This risk is not new for the Company and is part of its management priorities.

The Company constantly develops self-care and prevention campaigns to manage the main causes of occupational accidents. It also has policies, procedures, and protocols for occupational health and safety, associated with all work execution processes safely, aiming to protect all its employees.

Social events adverse to the business operation

This risk is described as resistance or rejection by residents, community organizations, and other stakeholders to the construction of projects and the operation of concessions.

This risk is managed as part of the social programs developed in the projects, considering the communities in the areas of influence.

Situations beyond the reasonable control of the Company are reported to the clients for joint management, due to the high impact on the execution of projects and development of Concessions.

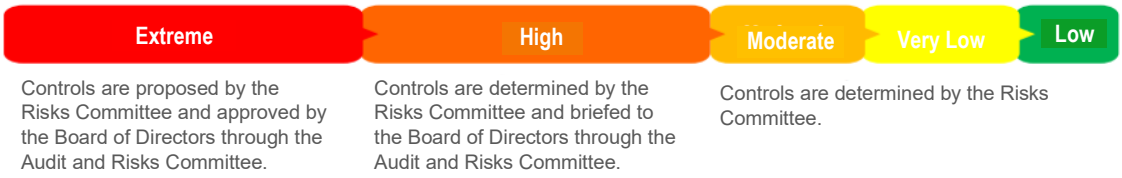
Management and Monitoring

To the Company, risk management is an ongoing process that seeks to generate value by identifying and managing in a structured and efficient manner the threats that may affect the achievement of the Organization's objectives.

To achieve the foregoing, the Risk Management Process has been designed and implemented, establishing a methodology that allows for a comprehensive assessment of risks, taking into account financial, reputational, legal, social, and environmental factors. The purpose is to preserve the integrity of business resources, the continuity and sustainability of the Company, while contributing to enhance a resilient culture.

Risk Management

To ensure appropriate, timely, and effective management, the Company has determined a risk governance model that takes into account the prioritization of adverse events according to their severity. Hence, risks are appropriately assigned to those responsible for their management, with appropriate monitoring and escalation to the Board of Directors through the Audit and Risk Committee.



The responsibility of implementing the controls of all risks lies with process leaders.

In line with this escalation, the Board of Directors, through the Audit and Risk Committee, monitors the management of priority risks, their materialization, and the follow-up of the findings and improvement plans established. Hence, collegial decisions are taken, taking into account emerging situations, the follow-up of projects, the findings of the statutory auditors, as well as the results of internal and external audits.

Other Priority Risks and Management Made

- **Failure to complete the execution of the works**

This risk continues to be extremely severe due to the impact it may have on the Company. This risk includes events of internal and external origin that affect the completion of the work within the contractual deadlines and under the structuring assumptions.

To manage this risk, the Company carries out a detailed follow-up of each of its projects, aligns the execution of the works with the approach considered in the structuring phase, carries out the works in extended shifts and double shifts, and accelerates the execution of the works when the conditions allow it.

Likewise, it manages with its clients all the events of external origin that materialize and exceed the reasonable control of the Contractor, seeking extensions of time and the recognition of Exempt Events of Responsibility to demonstrate the affectation by unforeseeable and irresistible events that hinder the execution of the works within the initially established deadlines.

Non-compliance of counterparties (clients, partners, and strategic partners)

This event is described as a failure to meet contractual agreements that results in greater costs and/or efforts to the Company than originally anticipated. These events have taken place in the past year:

- Unilateral decisions of the National Government through the Ministry of Transportation, which by issuing Decree 050 of 2023, which suspended the increase in toll rates. This hurt he financial models with which the concession projects were structured, which the Company has an investment portfolio.

- Non-compliances with ANI: Directly affecting the investors of Concesiones Viales, which have materialized as indicated below:

  - Non-compliance with the annual payments of future reserves, for the Public Initiative Concessions, a situation that forces to have higher liquidity lines by the investors.

  - Delays to release funds financed in the Autonomous Support Subaccounts and in the State Contingency Funds, as appropriate for each Concession. The purpose is to compensate the contractual risks in charge of the State, which have materialized in the development of Concessions.

  - Lack of decisions by ANI in the management of the Concessions: Causing delays that affect the execution of projects and economic imbalances that lead to the recognition of Exempt Events of Responsibility (EER) and claims that seek not only the recognition of the State's responsibility in the management of the Concessions but also the recognition of the State's responsibility in the execution of the Concessions alongside the recognition of the State's responsibility in the management of the Concessions.

- Failure of INVIAS to comply with the budget registration, a situation that occurred in January 2024 and delayed the payment of the works executed, and the corresponding adjustments for November and December 20223 and January 2024, generating greater pressure on the Company's liquidity.

Credit Risk

Consistent with the risk of default by customers, partners, and strategic suppliers, credit risk, is the adverse event in which a counterparty fails to meet its obligations under a financial instrument or commercial contract, resulting in a financial loss. The Company's exposure to credit risk arises from its operating activities (particularly trade receivables) and its financial activities, including deposits with banks and financial institutions and other financial instruments.

Cash and Cash Equivalents

The Company's cash and cash equivalents are held with AAA-rated financial institutions. The Audit and Risk Management Committee verifies that cash management meets the Company's policies.

Trade and other receivables

This risk, which is analyzed and monitored, has not been a priority risk for the Company, given the excellent quality of the payers of the receivables since most are related to fully financed 4G projects, as well as other public works projects with various government entities where there is budgetary availability and projects with private customers.

However, as mentioned above, the regulatory changes adopted by the national government regarding the non-increase of toll rates have an impact on the investment business and therefore this risk is particularly elevated.

At year-end, the carrying amount of trade and other receivables is amortized over the following time horizons:

Individual Financial Statements

	Less than 1 year	1 to 5 years	More than 5 years	Total
Commercial accounts receivable and other accounts receivable	626,683,640	84	-	626,683,724
Accounts receivable of related parties	397,675,465	121,899,762	336,540,411	856,115,638
Total	**1,024,359,105**	**121,899,846**	**336,540,411**	**1,482,799,362**

Figures in thousands of Colombian Pesos

Consolidated Financial Statements

	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other accounts receivable	627,720,380	4,159,739	-	631,880,119
Accounts receivable of related parties	396,821,887	121,899,762	336,533,749	855,255,398
Total	**1,024,542,267**	**126,059,501**	**336,533,749**	**1,487,135,517**

Figures in thousands of Colombian Pesos

Inability to pay financial obligations

On June 7, 2024, the Company entered into the Re-profiling Agreement, which consolidates under the same credit agreement several of the Company's debt obligations with the following banks: Banco de Bogotá S. A.; Banco de Occidente S.A.; Banco Santander de Negocios Colombia S.A.; Bancolombia S.A.; Instituto para el Desarrollo de Antioquia and Instituto para el Desarrollo de Antioquia. A.; Banco de Occidente S.A.; Banco Santander de Negocios Colombia S.A.; Bancolombia S.A.; Instituto para el Desarrollo de Antioquia and Itaú Colombia S.A. (all of the above are called the Creditors), and Fiduciaria Davivienda S.A. is included, as Agent representing the Creditors. The value of the principal owed in this Re-profiling Agreement amounts to COP 191,474,924,023, and the maturity date of the obligation is June 7, 2028.

Moreover, on the same date, Addendum No. 1 to the Corporate Credit Agreement granted by Bancolombia S.A. was signed on June 27, 2023, for COP 62,000,000,000. The purpose of this Addendum is to establish that the principal and interest of this credit will be paid under similar conditions to those provided for under the Re-profiling Agreement, including the maturity date, which is June 7, 2028.

Both the Re-profiling Agreement and the Corporate Credit Agreement have as a source of payment: (i) the economic rights to receive and collect from claims that the Company has filed or that in the future will be filed in connection with the different projects in which it participates; (ii) the remaining resources from the execution of the projects after paying the working capital indebtedness, and (iii) the economic rights over the investment assets in which the Company participates after paying in full and irrevocably the indebtedness associated with such assets.

By signing these contracts, the debt re-profiling plan that the Company began a year ago for its financial obligations was completed. The debt profile was organized and the sources of payment were separated, guaranteeing that all liquidity resources were allocated to the execution of the projects in charge, making the construction business independent. The Company was assisted by

Exponencial Banca de Inversión in the structuring and development of the entire financial re-profiling plan.

One of the Company's existing challenges is to achieve an adequate level of financial leverage that allows investments to continue generating the expected value for shareholders.

The management of this risk is achieved to the extent that project objectives are met, expected profitability is obtained, actions to maintain and improve working capital conditions continue to materialize as well as the already achieved debt re-profiling.

The following is a list of the Company's financial commitments over a timeline against which all actions are focused to maintain an appropriate level of leverage:

Separate Financial Statements

	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial obligations	103,246,410	783,785,423	-	887,031,833
Leasing	21,144,631	60,966,019	4,808,772	86,919,422
Commercial accounts payable	393,237,469	42,703,566	-	435,941,035
Other accounts payable	4,429,590	1,656,647	-	6,086,237
Total	**522,058,100**	**889,111,655**	**4,808,772**	**1,415,978,527**

Figures in thousands of Colombian Pesos

Consolidated Financial Statements

	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial obligations	103,246,410	783,785,423	-	887,031,833
Leasing	21,144,631	60,966,019	4,808,772	86,919,422
Commercial accounts payable	393,101,540	44,378,703	-	439,480,243
Other accounts payable	4,429,617	1,656,646	-	6,086,263
Total	**523,922,198**	**890,786,791**	**4,808,772**	**1,419,517,761**

Figures in thousands of Colombian Pesos

Note: The consolidated financial statements correspond to the information of the following companies: Condor Investment Inc., Concesión Cesar Guajira S.A.S., and Estudios y Diseños El Condor S.A.S. The description of each of these companies is included in Note 2 of the Consolidated Financial Statements.

Execution of contracts with fixed prices or with adjustments that do not recognize the variations of macroeconomic variables:

These contracts affect the organization due to high volatility in macroeconomic variables, beyond those contemplated in the financial modeling, which generate cost overruns in the execution of projects and which are not easily transferable to Clients.

Interest Rates:

The Company is exposed to interest rate fluctuations, mainly due to the importance of financing working capital, given the high value of work performed in this sector. The increase in inflation and unfavorable changes in macroeconomic variables affect the intervention rates, which hurt the Company through the higher financial cost of debt. For this reason, the Company manages its capital structure and makes the appropriate adjustments according to changes in economic conditions.

The Organization analyzes the impact of the increase in interest rates independently for its two lines of business: Construction and Investments.

For Investments, as a result of this analysis, it is concluded that although there is a natural hedge on the increase in debt service due to the indexation of inflation to the value of the assets, the increase in interest rates has a negative and obvious impact on the financial statements.

For the Construction line, the impact of the interest rate is evident in the higher cost of working capital.

Overall, the increase in the cost of debt has hurt the Company's results. So far this year, the financial cost is equivalent to 20% of the accumulated income from ordinary activities.

Inflation:

The higher-than-expected increase in the cost of materials for the construction of the projects, caused by the sudden and unforeseen increase in macroeconomic variables, distorts how the value of the contracts was estimated, hurting the economic balance and negatively affecting the gross result of the projects.

The Company manages this risk through a revenue portfolio based on a diversification of clients with their respective contractual conditions for the execution of projects, seeking to recognize price adjustments.

Faced with cost overruns that are not covered by the adjustments to the unit prices of the contracts, given their increase above the coverage, the Company carries out contractual management with its clients, demonstrating the unforeseeable events that could affect the economic balance of the contracts.

As a result of the management carried out by the Company, the recognition of price adjustments has been achieved in EPC contracts where initially there were fixed prices; and management continues to strive for the recognition in all the projects concerned.

Exchange Rates:

Foreign exchange risk refers to the fair value or future cash flows of a financial instrument that will fluctuate because of changes in exchange rates.

The Company's exposure to foreign exchange risk is related to trade and other payables denominated in foreign currencies, the Company's investments abroad, and the execution of projects, and is directly related to the exchange rate that increases the cost of materials, equipment, spare parts and consumables required for the construction of works. For this reason, it is also included in the management carried out with clients for the recognition of unforeseeable cost overruns that affect the economic equilibrium of contracts.

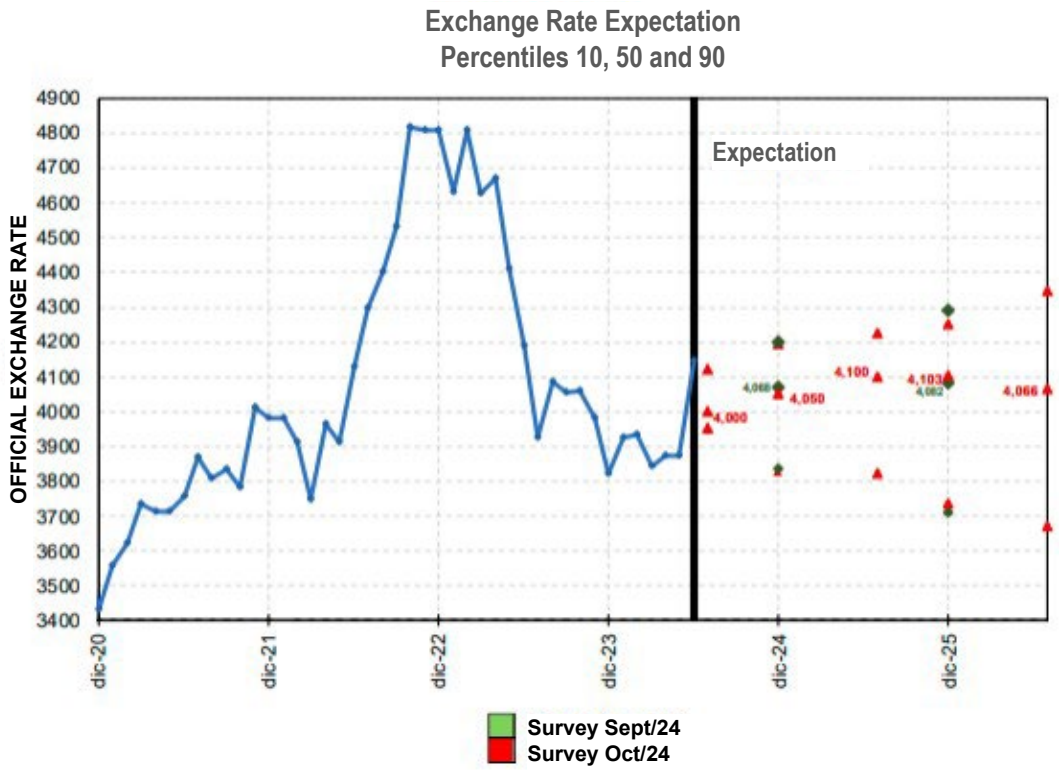
Concerning foreign currency loans, the Company has hedged the risk of exchange rate fluctuations by entering into a forward delivery transaction for the total value of the loans, thereby absorbing potential cost overruns during the term of the loans.

At the end of the year, the Company had a total exposure of USD 179,789. If the exchange rate increased or decreased by 450 pesos, the impact on results would be **$80.905 (thousands)** Colombian Pesos

Likewise, the Company has a total exposure of accounts payable in USD of $29.517.803 with the aforementioned hedge and at the date of presentation of these financial statements, there is a negative impact of **$17,534,860 (thousands)** Colombian Pesos.

The net value of the risk estimated at the close of the fiscal year, considering the fluctuation of the exchange rate associated with the debt would be a total of $4,283,011 (thousands) Colombian pesos.

The above valuations took into account the terms of the financial instrument and the official exchange rate (or TRM) projections presented by the financial sector for the year 2024:



Source: Monthly survey of economic analysts' expectations – Colombian Central Bank (Banco de la República).

Political and legislative model adverse to the business

This risk is described as significant political and/or legislative changes in the country that could create economic and legal instability on the different regulatory fronts, new regulations, and greater restrictions, or adverse policies that could increase the tax burden, operating costs, and limitations to the continuity or loss of business opportunities.

The Company has been attentive to all changes that may affect the achievement of its objectives and, given the uncertainty of public investment policies, it creates synergies with the Guild to promote economic reactivation policies through investments in road infrastructure, considering its positive and material impact on the generation of employment, boosting the economy and generating development and competitiveness for the regions and the country.

In addition, it adjusts its corporate strategy with the vision of participating in new sectors and markets.

Delays in decisions from governmental entities

This risk is warned by significant delays from governmental authorities due to bureaucratic procedures, changes in administration, and changes in administrative policies, among others, which may generate delays in obtaining permits, licenses, or any decision necessary for the operation. The above leads to delays in the execution of projects, delays in payment approvals for the work executed, compensation for materialized risks, increased costs, and loss of business opportunity.

The company's senior management, respecting its relationship guidelines, manages the situations with its clients and with governmental bodies, proposing technical solutions to the inconveniences that may arise and demonstrating at all times due diligence in the procedures that it handles. The latter has allowed us to obtain the recognition of exempting events of liability from the client when delays affect the duration of the project.

Public order, kidnapping, and acts of terrorism

Refers to the chance that events related to social instability, and criminal and terrorist acts may affect the safety of employees, the operation of projects, and generate damage to infrastructure, plant, and equipment.

During the quarter, no situations were affecting the safety of employees or infrastructure. In these conditions, the Company acts in coordination with the local authorities, prioritizing the integrity of its employees, the protection of the assets and the work in question, and then managing the resulting impact with its clients.

Conducts and decisions contrary to business ethics and applicable laws and regulations

This risk is described as the possibility that employees, managers, partners, customers, and suppliers perform actions that violate ethical principles or applicable laws and regulations.

These events are managed daily in the Company, in coherence with the risk policy where zero tolerance is declared for events that contravene business ethics and violate corporate principles.

In this quarter there were no alerts with the counterparties that represent the greatest risks in terms of severity.

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Material Issues

ASG MATERIAL ISSUES

Environmental and Social Material Changes:

There were no material changes in the information reported on the practices, processes, policies, and indicators of the environmental and social components in the second quarter of 2024.

Corporate Governance Changes:

For Corporate Governance, the following changes occurred during the reporting period:

Approval of the Comprehensive Amendment of the Conflicts of Interest Policy:

On May 24, 2024, the Company's Board of Directors, after an analysis made by the Corporate Governance and Strategy Committee, approved the integral amendment to the Conflicts of Interest Policy, to:

- Update the content of the Policy to align it with the provisions of Decree 046 of 2024.
- Establish the scope of the Policy.
- Include definitions to clarify the concepts of (i) Conflict of interest; (ii) Act of competition with the Corporation; and (iii) Nature of conflicts of interest, among others.