

INSTITUTO COSTARRICENSE DE ELECTRICIDAD  
AND SUBSIDIARIES (GRUPO ICE)  
(An autonomous institution of the Government of Costa Rica)

Consolidated Financial Statements

December 31, 2023

*(With corresponding figures as of December 31, 2022)*

(With Independent Auditors' Report thereon)



**KPMG S.A.**  
KPMG Building  
San Rafael de Escazú  
Costa Rica  
+506 2201 4100

## Independent Auditors' Report

To the Board of Directors of  
Instituto Costarricense de Electricidad

### *Opinion*

We have audited the consolidated financial statements of Instituto Costarricense de Electricidad and Subsidiaries (Grupo ICE), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising material 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 Grupo ICE as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Grupo ICE in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Costa Rica 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.



**The key audit matter**

1. Employee benefits:

We considered this area to be a key audit matter because it requires a significant degree of judgment and estimates in determining the actuarial and financial assumptions used to measure the post-employment benefits (severance) obligation and its impact on the presentation of Grupo ICE's consolidated financial statements.

2. Provisions and contingent liabilities

We considered this area to be a key audit matter mainly because the elements considered for the measurement, recording and disclosure of a provision or contingent liability involve a significant degree of judgment.

**How the matter was addressed in our audit**

Our audit procedures in this area included:

- Analyzing and evaluating the appropriateness of actuarial and financial assumptions used to measure the employee benefits (severance) obligation in the actuarial study performed by Grupo ICE, including the comparison of key assumptions with external data and the analysis of personnel statistics. The foregoing was performed with the support of our actuarial expert.
- Performing testing to establish the completeness and accuracy of the databases used in the actuarial calculation of post-employment benefits.
- With the support of our specialist, verify the reasonableness of the calculation of the post-employment benefits liability and the effects on the consolidated financial statements.

Our audit procedures in this area included:

- Requesting confirmation from ICE's external legal counsel regarding the entity's current lawsuits, and assessing whether the accounting treatment is in conformity with IAS 37 (*Provisions, Contingent Liabilities and Contingent Assets*).
- Obtaining a breakdown of the legal cases filed against Grupo ICE and managed by the in-house legal counsel, and identifying the estimated amount and the probability of outflow of resources.
- For a sample of selected cases, verifying the files, inquiring from the in-house counsel the status of the proceedings and the probability of an outflow of resources. Based on the foregoing, assessing whether the accounting treatment is in conformity with IAS 37.
- Involving our legal specialist to assess the probability of a favorable outcome for Grupo ICE in claims where it is a defendant, namely for those selected by the auditor since they are considered relevant due to the amount of the claim.
- Reconciling the disclosures included in the notes with the accounting records.

**The key audit matter**  
3. Application of IFRS 9 – Financial Instruments

We considered this area to be a key audit matter mainly due to the impact of the application of this standard on the classification, measurement and presentation of the portfolio of investments in financial instruments and on the calculation of expected losses due to impairment of notes and accounts receivable.

**How the matter was addressed in our audit**  
Our audit procedures in this area included involving a specialist to:

- Obtaining an understanding and reviewing the methodology used to calculate the allowances for impairment of notes and accounts receivable and assessing whether the methodology is in conformity with IFRS 9.
- Perform a recalculation of the loss allowances for impairment of notes and accounts receivable.
- Obtaining an understanding of the business model used to manage the financial instruments portfolio; analyzing the historical movement of sales and the maturity of those investments; and based on the foregoing, assessing the adequate classification of those investments according to the classification criteria established in IFRS 9.
- Analyzing the considerations used by management to determine whether cash flows are “solely payments of principal and interest” (SPPI).
- Analyzing ICE’s methodology to measure the allowance for impairment of investments to determine whether it is consistent with the guidelines of IFRS 9, and recalculating the allowance for impairment of the investment portfolio.

*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 Grupo ICE'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 Grupo ICE or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Grupo ICE'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 Grupo ICE'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 Grupo ICE'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 Grupo ICE 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 Grupo ICE 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, actions taken to eliminate threats or safeguards applied.

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.

April 24, 2024

San José, Costa Rica  
 Randall Mora Acuña  
 Member No. 2429  
 Policy No. 0116FID000682512  
 Expires 09/30/2024

¢1,000 digital tax stamp paid pursuant to  
 Law No. 6663

Nombre del CPA: RANDALL MORA ACUÑA  
 Cédula: 2429  
 Cédula: 2429  
 Número del Contrato de Auditoría y Subscripción  
 Identificación del cliente: 0116FID000682512  
 Fecha: 14/04/2024 10:14 AM  
 Tipo de Impuesto: 1000  
 Código de Impuesto: 0116FID000682512  
 Timbre de €1000 de la Ley 6663 emitido y cancelado en el original.



Código de Timbre: CP9-1000-11775

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES  
(San José, Costa Rica)


Consolidated Statement of Financial Position  
(In millions of colones)

As of December 31,

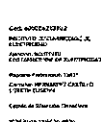
<u>Assets</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Non-current assets:</b>			
Property, plant and equipment, net	8	4,871,357	5,007,262
Intangible assets, net	9	91,193	93,566
Other assets		5,003	8,338
Equity investments	10	5,638	5,727
Notes and other accounts receivable, net	11	180,038	177,230
Investments in financial instruments	12	392,555	359,764
<b>Total non-current assets</b>		<b>5,545,784</b>	<b>5,651,887</b>
<b>Current assets:</b>			
Inventories	13	67,801	55,379
Notes and other accounts receivable, net	11	62,996	65,030
Investments in financial instruments	14	130,658	191,429
Trade receivables, net	15	214,751	175,028
Prepaid expenses		9,207	5,870
Other assets		109	146
Cash and cash equivalents	16	378,544	338,778
Assets held for sale		867	616
<b>Total current assets</b>		<b>864,933</b>	<b>832,276</b>
<b>Total assets</b>	€	<b>6,410,717</b>	<b>6,484,163</b>
<b>Liabilities and equity</b>			
<b>Equity:</b>			
Paid-in capital	€	155	155
Reserves		2,729,203	2,469,080
Retained earnings		337,349	328,297
Equity attributable to owners of Grupo ICE		3,066,707	2,797,532
Non-controlling interests		6,204	6,130
<b>Total equity</b>		<b>3,072,911</b>	<b>2,803,662</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bonds payable	17(a)	609,594	799,241
Loans payable	17(b)	1,242,181	1,356,137
Lease liabilities	17(c)	254,013	270,342
Employee benefits	19	466,311	450,866
Accounts payable	20	148,232	153,626
Contract liabilities	21	70,903	61,769
Deferred income - Government grants		21,276	20,717
Deferred tax liabilities	29	78,412	81,492
Provisions	22	3,234	3,799
<b>Total non-current liabilities</b>		<b>2,894,156</b>	<b>3,197,989</b>
<b>Current liabilities:</b>			
Bonds payable	17(a)	108,741	74,457
Loans payable	17(b)	83,372	92,331
Lease liabilities	17(c)	19,020	62,832
Employee benefits	19	89,549	98,570
Accounts payable	20	89,555	84,203
Contract liabilities	21	9,982	10,271
Deferred income - Government grants		-	281
Accrued interest payable		21,904	25,881
Provisions	22	12,470	23,768
Other liabilities	23	9,057	9,918
<b>Total current liabilities</b>		<b>443,650</b>	<b>482,512</b>
<b>Total liabilities</b>		<b>3,337,806</b>	<b>3,680,501</b>
<b>Total equity and liabilities</b>	€	<b>6,410,717</b>	<b>6,484,163</b>

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

  
Harold Cordero Villalobos  
General Manager

  
Keiner Arce Guerrero  
Financial Manager

  
Lizbeth Hernández Castillo  
Accounting Director



TIMBRE 300.0 COLONES

VERIFICACION: <https://verificacion.rrcc.gob.cr/>



INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES  
(San José, Costa Rica)

Consolidated Statement of Changes in Equity  
*(in millions of colones)*

For the year ended December 31,

Note	Reserves										Retained earnings			Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity
	Paid-in capital	Legal reserve	Project development reserve	Accrual gain/(loss)	Valuation of equity investments at FVOCI	Valuation of non-derivative financial instruments and hedges	Development reserve	Capital reserve	Restricted profit from the capitalization of investment in subsidiary	Total	Retained earnings on subsidiaries	Profit for the year	Total			
Balance at January 1, 2022	155	3,739	71	(17,033)	1,503	31,695	2,228,073	13,101	62,380	2,322,519	306,908	-	306,908	2,630,592	5,769	2,636,361
Comprehensive income for the year:																
Net profit	-	-	-	-	-	-	-	-	-	-	22,649	168,055	190,734	190,734	285	191,019
Other comprehensive income for the year:																
Effect of actuarial gains for the year	-	-	-	11,278	-	-	-	-	-	11,278	-	-	-	11,278	77	11,355
Valuation of investments in financial instruments at fair value	19	-	-	-	-	(32,945)	-	-	-	(32,945)	-	-	-	(32,945)	-	(32,945)
Valuation of equity investments at fair value	10	-	-	-	(2,070)	-	-	-	-	(2,070)	-	-	-	(2,070)	(2)	(2,072)
Total other comprehensive income for the year	-	-	-	11,278	(2,070)	(32,945)	-	-	-	(2,070)	-	-	-	(2,070)	(2)	(2,072)
Comprehensive income for the year	-	-	-	11,278	(2,070)	(32,945)	-	-	-	(2,070)	22,649	168,055	190,734	166,997	360	167,357
Appropriation to reserves	-	1,018	-	-	-	-	-	185	-	1,203	(1,203)	-	(1,203)	-	-	-
Allocation of impairment losses on the subsidiary's assets	-	-	-	-	-	-	-	-	-	-	(57)	-	(57)	(57)	1	(56)
Transfer to capital reserve	-	-	-	-	-	-	168,885	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	155	4,757	71	(5,755)	(967)	(1,250)	2,396,158	13,286	62,380	2,469,080	328,297	-	328,297	2,797,532	6,130	2,803,662
Comprehensive income for the year:																
Net profit	-	-	-	-	-	-	-	-	-	-	9,473	268,830	278,303	278,303	122	278,425
Other comprehensive income for the year:																
Effect of actuarial losses for the year	19	-	-	(16,615)	-	-	-	-	-	(16,615)	-	-	-	(16,615)	(48)	(16,663)
Valuation of investments in financial instruments at fair value	10	-	-	-	-	15,718	-	-	-	15,718	-	-	-	15,718	-	15,718
Valuation of equity investments at fair value	-	-	-	-	169	-	-	-	-	169	-	-	-	169	-	169
Total other comprehensive income for the year	-	-	-	(16,615)	169	15,718	-	-	-	(228)	-	-	-	(228)	(48)	(276)
Comprehensive income for the year	-	-	-	(16,615)	169	15,718	-	-	-	(228)	9,473	268,830	278,303	277,535	74	277,609
Appropriation to reserves	-	416	-	-	-	-	268,830	3	-	421	(421)	-	(421)	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	(8,400)	-	-	-	(268,830)	(268,830)	-	(268,830)	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,400)	-	(8,400)
Balance at December 31, 2023	155	5,173	71	(22,370)	(398)	14,468	2,656,586	13,291	62,380	2,729,203	337,249	-	337,249	3,066,187	6,264	3,072,451

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

  
Harold Eduardo Vilalobos  
General Manager

  
Keiner Arce Guerrero  
Financial Manager

  
Lideth Hernández Castillo  
Accounting Director




INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES  
(San José, Costa Rica)


Consolidated Statement of Cash Flows  
(In millions of colones)


For the year ended December 31,

	Note	2023	2022
Cash flows from operating activities			
<b>Profit for the year</b>		<b>¢ 278,425</b>	<b>191,019</b>
Adjustments for:			
Depreciation	8	301,409	320,155
Amortization	9 - 26	20,760	24,540
Amortization of contract liabilities	25(c)	(7,182)	(5,667)
Net realizable value of inventories	13	2,728	2,017
Net finance costs	28	174,144	204,869
Loss on impairment of balances receivable	26 - 30	8,413	10,266
Share of profit of equity-accounted investees, net of tax	10	70	49
Loss on disposal of assets	8 - 9	16,325	19,744
Obligations for employee benefits	19	3,775	(2,367)
Government grants		(16,485)	-
Income tax	29	(2,227)	(4,389)
Foreign exchange differences	28	(154,316)	(71,977)
		<u>625,839</u>	<u>688,259</u>
Changes in:			
Notes and other accounts receivable		3,156	(9,393)
Trade receivables		(48,629)	(10,899)
Inventories		(30,445)	(13,411)
Accounts payable		(8,442)	(7,932)
Contract liabilities		16,027	1,441
Employee benefits and other provisions		(55,846)	(208)
Other liabilities		(792)	(16,365)
Cash flows from operating activities		<u>500,868</u>	<u>631,492</u>
Income taxes paid		(853)	(3,165)
<b>Net cash from operating activities</b>		<b><u>500,015</u></b>	<b><u>628,327</u></b>
<b>Cash flows from investing activities</b>			
Interest received		33,403	21,141
Investments in financial instruments		5,498	(175,948)
Additions to property, plant and equipment		(84,844)	(106,396)
Gains on the sale of property, plant and equipment	8 - 9	300	335
Additions to intangible assets		(23,027)	(14,340)
Government grants received		16,763	4,264
Other assets		(61)	4,980
<b>Net cash used in investing activities</b>		<b><u>(51,968)</u></b>	<b><u>(265,964)</u></b>
<b>Cash flows from financing activities:</b>			
Amortization of bonds payable	17 (d)	(85,184)	(95,182)
Increase in loans payable	17 (d)	41,885	102,492
Amortization of loans payable	17 (d)	(77,089)	(171,509)
Amortization of lease liabilities	17 (d)	(65,238)	(53,345)
Interest paid	17 (d)	(210,860)	(218,981)
<b>Net cash used in financing activities</b>		<b><u>(396,486)</u></b>	<b><u>(436,525)</u></b>
Net increase (decrease) in cash and cash equivalents		51,561	(74,162)
Cash and cash equivalents at beginning of year		338,778	429,632
Effect of movements in exchange rates on cash held	28	(11,795)	(16,692)
<b>Cash and cash equivalents at end of year</b>	16	<b><u>¢ 378,544</u></b>	<b><u>338,778</u></b>

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

  
Harold Cordero Villalobos  
General Manager

  
Keiner Arco Guerrero  
Financial Manager

  
Lizbeth Hernández Castillo  
Accounting Director

C.G. 49984212902  
INSTITUTO COSTARRICENSE DE ELECTRICIDAD  
APROBADO POR EL INSTITUTO COSTARRICENSE DE ELECTRICIDAD  
Resolución Presidencial: 13227  
Comisario: HELENA ROSA CASTILLO  
LIZBETH HERNÁNDEZ CASTILLO  
LÍNEA DE FIANZA DE EXERCICIO  
010463-19-12/01/21-0489



TIMBRE 300.0 COLONES

VERIFICACIÓN: k1Codepup  
<https://timbre.comcastor.co.cr>

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(In millions of colones)

December 31, 2023

### **Note 1. Reporting entity**

Instituto Costarricense de Electricidad and Subsidiaries (Grupo ICE) [Costa Rican Electricity Institute] is an autonomous Costa Rican entity organized under the laws of the Republic of Costa Rica, through Decree Law No. 449 of April 8, 1949 and Law No. 3226 of October 28, 1963. Its main address is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

Grupo ICE is a group of State-owned companies, composed of Instituto Costarricense de Electricidad (ICE, parent company and ultimate controlling entity) and its subsidiaries Compañía Nacional de Fuerza y Luz, S.A. (CNFL), Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA), Cable Visión de Costa Rica, S.A. (CVCR) and Gestión Cobro Grupo ICE, S.A., all organized under the laws of the Republic of Costa Rica.

ICE's primary activity is the development of energy producing sources, including the supply of electricity and telecom services. For electricity services, ICE has the exclusive right to generate, transmit and distribute electricity in Costa Rica, with limited exceptions to private companies, municipal entities and rural cooperatives. For telecom services, ICE holds a concession to develop and promote telecommunications services in Costa Rica, offering a wide range of services for sectors related to individuals, homes and companies, including fixed and mobile telephone services, both for voice and data. Fixed services include traditional landline services, public phones, internet access and television. Mobile services include prepaid and postpaid voice and data services.

Mobile telephone services (prepaid and postpaid voice and data), fixed telephone services (including dedicated lines), internet access and public and international telephone services are regulated by Superintendencia de Telecomunicaciones (SUTEL) [Office of the Superintendent of Telecommunications]. Electricity services are regulated directly by Autoridad Reguladora de los Servicios Públicos (ARESEP) [Costa Rican Public Utilities Regulatory Authority].

The main activities of the subsidiaries are as follows:

- Compañía Nacional de Fuerza y Luz, S.A.

Compañía Nacional de Fuerza y Luz, S.A. (CNFL) was organized through Law No. 21 of April 8, 1941. Its main activity is the distribution of electricity in the metropolitan area of San José and some adjoining cantons in Alajuela, Heredia and Cartago provinces. All of these services are regulated by ARESEP. CNFL has issued debt securities and is subject to the regulations established by Consejo Nacional de Supervisión del Sistema Financiero (CONASSIF) [National Financial System Oversight Board] and Superintendencia General de Valores (SUGEVAL) [Office of the Superintendent General of Securities].

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- Radiográfica Costarricense, S.A.

Radiográfica Costarricense, S.A. (RACSA) was organized on July 27, 1964. Its main objectives are the development of telecommunications services in Costa Rica, national connectivity and the internet, international connectivity for data and video transmission, and other.

- Compañía Radiográfica Internacional Costarricense, S.A.

Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA) was organized through Law No. 47 of July 25, 1921. Its main objective is the development of the wireless communication concession. CRICSA currently does not have employees because Grupo ICE provides its accounting and administrative services.

- Cable Visión de Costa Rica, S.A.

Cable Visión de Costa Rica (CVCR) was organized on January 19, 2001 and acquired on December 5, 2013. Its main activity was providing cable television services; subsequently, the subsidiary added internet and digital signal services to the services offered.

As established in the agreement reached by Grupo ICE's board of directors in the ordinary meeting of January 14, 2019, CVCR assigned its rights and obligations to ICE in order to guarantee continuity and the quality of telecom and internet services provided by the cable company and to strengthen its offer, which entered into effect on September 1, 2019. Consequently, as of that date, the rights and obligations were transferred to ICE (the parent company).

As of December 31, 2023, Cable Visión de Costa Rica has no commercial activities.

- Gestión Cobro Grupo ICE, S.A.

Gestión Cobro Grupo ICE, S.A. was organized through board of director's agreement No. 6198 dated October 31, 2016; it began operations in October 2017. Its main activity is providing administrative collection and legal collection management services in connection with balances receivable from the commercial activities of the entities of Grupo ICE.

The activities of ICE and its subsidiaries are also regulated by Contraloría General de la República (CGR) [Comptroller General of the Republic], SUGIVAL, Bolsa Nacional de Valores de Costa Rica, S.A. [Costa Rican National Stock Exchange], the General Directorate of National Accounting of the Ministry of Finance, and the Ministry of Environment and Energy (MINAE).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**Note 2. Basis of accounting**

The consolidated financial statements of Grupo ICE have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the board of directors on April 23, 2024.

Grupo ICE's accounting policies are detailed in Note 6.

**Note 3. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis:

<i>Item</i>	<i>Measurement basis</i>
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Debt and equity instruments at fair value through other comprehensive income	Fair value
Net defined benefit liability	Present value of the defined benefit obligation

**Note 4. Functional and presentation currency**

These consolidated financial statements are expressed in Costa Rican colones (¢), which is the monetary unit of the Republic of Costa Rica and Grupo ICE's functional currency.

All financial information contained herein is presented in millions of colones and has been rounded to the nearest unit, unless otherwise indicated.

**Note 5. Use of judgments and estimates**

In preparing these consolidated financial statements, management has made judgments, estimates or assumptions that affect the application of Grupo ICE's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 8 – Establishment of useful lives of property, plant and equipment.
- Note 18 – Lease term: whether Grupo ICE is reasonably certain to exercise extension options.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as of December 31, 2023, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 30 – Measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate.
- Note 19 – Measurement of defined benefit obligations: key actuarial assumptions.
- Note 31 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of economic resources.

(iii) Measurement of fair values

A number of Grupo ICE's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Grupo ICE has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Finance Manager.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to Grupo ICE's audit committee.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

When measuring the fair value of an asset or a liability, Grupo ICE uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Grupo ICE recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

Note 30 – Financial risk management includes additional information on the assumptions made when measuring fair values.

**Note 6. Material accounting policies**

Grupo ICE has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by all the entities of Grupo ICE.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of material, rather than significant, accounting policies. The amendments did not result in any changes to the accounting policies themselves.

**(a) Consolidation policies****(i) Subsidiaries**

Subsidiaries are entities controlled by Grupo ICE. Grupo ICE ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The consolidated financial statements include the financial statements of ICE and its subsidiaries, as follows:

<b>Subsidiaries</b>	<b>Country</b>	<b>Ownership interest</b>	
		<b>As of December 31,</b>	
		<b>2023</b>	<b>2022</b>
Compañía Nacional de Fuerza y Luz S.A. (CNFL)	Costa Rica	98.6%	98.6%
Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA)	Costa Rica	100.0%	100.0%
Radiográfica Costarricense, S.A. (RACSA)	Costa Rica	100.0%	100.0%
Cable Visión de Costa Rica, S.A. (CVCR)	Costa Rica	100.0%	100.0%
Gestión Cobro Grupo ICE, S.A.	Costa Rica	100.0%	100.0%

The subsidiaries are entities controlled by ICE (parent company). The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies of those subsidiaries have been changed when necessary to align them with Grupo ICE's accounting policies, including the application of the corresponding accounting adjustments.

The financial statements of Instituto Costarricense de Electricidad (ICE) also include five structured entities, four of which are trusts in which it does not hold ownership interest (Fideicomiso Centro Empresarial Sabana, Fideicomiso Red Avanzada de Nueva Generación, Fideicomiso PT Garabito (finished in 2022) and Fideicomiso PH Reventazón) and one joint operation in which it has 50% ownership interest (Fideicomiso PH Toro III). These entities perform activities related to the lease of assets that were constructed solely for use in ICE's operations. All of the entities are domiciled in the Republic of Costa Rica.

(ii) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in Grupo ICE's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When Grupo ICE loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained by Grupo ICE in the former subsidiary is measured at fair value when control is lost.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of Grupo ICE's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(v) Interests in equity-accounted investees

Grupo ICE recognizes as investments in associates those investments where it has significant influence but not control, when it holds, directly or indirectly through one of its subsidiaries, 20% or more of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist.

(vi) Joint operation (Fideicomiso PH Toro III)

Fideicomiso PH Toro III derives from an investment in the Toro III Hydroelectric Project made jointly by Grupo ICE and Junta Administrativa del Servicio Eléctrico Municipal de Cartago (Administrative Board of the Municipal Electricity Service of Cartago, JASEC). On March 9, 2006, ICE and JASEC subscribed a business partnership agreement for the design, financing, construction and joint operation of the Toro III Hydroelectric Project, whereby both entities hold equal participation (50% each) in respect of rights and obligations. To execute the project, in January 2008, ICE and JASEC subscribed a trust agreement with Banco de Costa Rica, whereby ICE and JASEC act as trustors and beneficiaries and Banco de Costa Rica as the trustee. One of the responsibilities of the trustee was obtaining financing and managing the funds for the development of the infrastructure necessary to generate electricity and which will be subsequently leased to ICE and JASEC. The project will be constructed under the engineering and construction agreement subscribed by ICE. The trust agreement is for a term of 30 years. Pursuant to the terms and conditions of the partnership agreement, a number of responsibilities managed by mutual agreement are defined.

On January 26, 2012, ICE and JASEC subscribed an addendum to the trust agreement, whereby they commit to provide at least 20% of the funds necessary to finance the Toro III Hydroelectric Project, so that the trust obtains the funds necessary to finance the remaining portion. Accordingly, ICE made a contribution in kind (construction materials and labor) equivalent to ¢11,203. This contribution represents 10% of the funds necessary to finance the Toro III Hydroelectric Project. The remaining 10% was provided by JASEC.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

When part of a joint venture (joint ventures or joint operation), Grupo ICE will assess whether the arrangement grants joint control of the arrangement to all parties or a group of parties. Joint control exists when the parties sharing control must act jointly to direct the activities that significantly affect the returns of the arrangement (i.e. the relevant activities).

When all parties or a group of parties are determined to control the arrangement collectively, joint control exists provided that decisions about the relevant activities require the unanimous consent of the parties sharing control.

Grupo ICE records investments classified as investments in associates and joint ventures, under the equity method. The initial recognition of the investment in an associate or joint venture is recognized at cost and the carrying amount is increased or decreased (as a consolidation adjustment in Grupo ICE's financial statements) to recognize Grupo ICE's share in the investee's profit or loss after the date of acquisition. Grupo ICE's share in the investee's profit or loss is recognized in Grupo ICE's profit or loss for the year. Distributions received from the investee reduce the carrying amount of the investment.

In its consolidated financial statements, Grupo ICE will interrupt its use of the equity method from the date when its investment is no longer an associate or a joint venture and it shall apply the corresponding policies.

If an associate or joint venture applies accounting policies other than the policies adopted by Grupo ICE, to transactions and other similar and relevant events occurring in similar circumstances, adjustments will be applied to the financial statements of the associate or joint venture remitted to Grupo ICE, which it uses to apply the equity method in its consolidated financial statements, so as to align the accounting policies of the associate or joint venture with its own.

(b) **Foreign currency**

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of Grupo ICE at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

(c) **Financial instruments**

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Grupo ICE becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without no component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

*Financial assets - Classification*

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI; including FVOCI – debt investment and FVOCI – equity investment); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless Grupo ICE changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

On initial recognition of an equity investment that is not held for trading, Grupo ICE may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (if any). On initial recognition, Grupo ICE may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets – Business model assessment*

Grupo ICE makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to Grupo ICE's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the continuing recognition of the group of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

In assessing whether the contractual cash flows are solely payments of principal and interest, Grupo ICE considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, Grupo ICE considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit Grupo ICE’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets – Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see Note 6 (v) for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

See Note 6 (v) for financial liabilities designated as hedging instruments.

*(iii) Derecognition**Financial assets*

Grupo ICE derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - Grupo ICE neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

*Financial liabilities*

Grupo ICE derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Grupo ICE also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

*(iv) Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, Grupo ICE currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(v) Derivative financial instruments

Grupo ICE holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivative financial instruments are measured at fair value through profit or loss, not through hedge accounting.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognized in profit or loss.

Grupo ICE designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, Grupo ICE documents the risk management objective and strategy for undertaking the hedge. Grupo ICE also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Grupo ICE books derivative financial instruments using hedge accounting, for which the requirements detailed by the policy must be met; otherwise, hedge accounting cannot be applied, even if the derivative instrument was obtained for hedging purposes.

Fair value hedges:

If a fair value hedge meets the criteria for recognition as such during the period, it will be booked as follows:

- Changes in the fair value of the hedging derivative, measured at a specific date, according to the agreed conditions and market conditions, are recognized in profit or loss for the year.
- Changes in the fair value of the hedged item that are attributable to the hedged risk are booked as an adjustment to the carrying amount of the hedged item and recognized in profit or loss for the year. This will apply even if the hedged item is measured at cost.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued prospectively. However, the substitution or successive renewal of a hedging instrument by another is not considered an expiry or termination if it is part of the documented hedging strategy and the risk management goal of the hedging does not change; thus, hedge accounting is not discontinued. The policies specified in designing and documenting the hedge relationship will be in agreement with the objectives and procedures followed by Grupo ICE to manage risk and will not be changed arbitrarily. Changes will otherwise be justified on the basis of fluctuations in market conditions and other factors and will be based on, and in agreement with, the objectives and procedures followed by Grupo ICE in managing risk.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Cash flow hedges:

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss for the period.

Grupo ICE will discontinue cash flow hedge accounting prospectively in any of the following circumstances:

- If the hedging derivative expires or is sold, terminated or exercised (the substitution or successive renewal of a hedging instrument by another is not considered an expiry or termination if it is part of the documented hedging strategy and the risk management goal of the hedging does not change). In this case, the accumulated gains or losses of the hedging instrument recognized in equity, from the period when the hedging became effective, will continue in equity separately until the expected transaction takes place.
- If the hedge no longer meets the criteria for hedge accounting. In this case, the accumulated gains or losses of the hedging instrument recognized in equity, from the period when the hedging became effective, will continue in equity separately until the expected transaction takes place.
- The transaction is not expected to occur, in which case any accumulated gains or losses of the hedging instrument recognized in equity, from the period when the hedging became effective, are reclassified from equity to the consolidated statement of profit or loss and other comprehensive income as a reclassification adjustment; the derivative will be also liquidated, affecting the corresponding accounts for valuation of the financial instrument, banks and gains or losses in the statement of profit or loss due to disposal of the instrument.

**(d) Asset policies**

**Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at historical cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Property, plant and equipment include the following asset classifications:

*Operating assets and other operating assets*

Fixed and controlled assets that are used mainly in the production and supply of electricity and telecom services that are not intended for sale are recognized as “Operating assets and other operating assets.” Assets used in administrative and operating activities and expected to be used for more than one accounting period are booked as “Other operating assets”.

*Right-of-use assets*

Right-of-use assets are assets related to a contract that is, or contains, a lease.

The right-of-use asset is initially measured at cost, which comprises:

- a) the amount of initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by Grupo ICE; and
- d) an estimate of costs to be incurred by Grupo ICE in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Grupo ICE may incur the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Grupo ICE has elected to not recognize right-of-use assets and lease liabilities for low-value leases and short-term leases. Grupo ICE recognizes lease payments for those leases as an expense on a straight-line basis over the lease term.

Right-of-use assets are presented in property, plant and equipment according to their use and nature.

*Construction work in progress*

Assets under construction that are expected to be incorporated into operating assets and used in administrative activities or to support the production and delivery of electricity and telecommunications services are booked by Grupo ICE as “Construction work in progress.”

“Construction work in progress” is booked at construction cost (cost of purchase of materials, parts, etc.), plus any other costs related to their development, provided that they can be identified and reliably measured.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Borrowing costs directly attributable to the acquisition and construction of assets are capitalized as long as it is probable that future economic benefits will arise. The commencement date for capitalization is the date when Grupo ICE first meets all of the following conditions: a) it incurs expenditures for the asset, b) it incurs borrowing costs and c) it undertakes activities that are necessary to prepare the asset for its intended use. The capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Borrowing costs are no longer capitalized and are expensed to the period when construction work is interrupted, if this interruption extends significantly.

Foreign exchange differences arising from bank loans and accounts due to suppliers, acquired for construction work in progress are not capitalized during the execution of the works.

Costs incurred by the support and technical support areas of the entity's segments that are directly related to construction and can be reliably measured, but are not directly allocated to the works, are identified with the cost center "Production management costs for construction work in progress". These costs are allocated on a monthly basis to construction work in progress, as appropriate.

In the development or construction of works for the Electricity or Telecommunication Segments, obligations may arise related to restoration, disposal and similar costs. These costs are estimated based on a formal closing plan and are subject to annual reviews by the responsible areas. Grupo ICE may consider any other actions performed by management, which have created a valid expectation of making an investment, before third parties to whom it must comply with its commitments or responsibilities.

If a decision is made to suspend a construction project, the costs recognized as assets as of that date should be expensed to the period, provided that they are not expected to generate future economic benefits.

*Inventory for investment*

The cost of physical goods in stock that will be used in the construction of productive assets, as well as in-transit inventory for investment, according to Incoterms, when all the risks and rewards arising from such assets have been transferred to Grupo ICE for use in activities inherent to productive assets, is booked as "Inventory for investment."

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory for investment is measured at cost.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to Grupo ICE. Additions, improvements or reconstruction are considered subsequent expenditure, which should be valued by the corresponding technical areas of Grupo ICE in order to determine whether they increase the asset's useful life with the purpose of revising the depreciation calculation.

(iii) Depreciation

Components of operating assets, except land, are depreciated using the straight-line method when they are brought to the location and condition necessary for use, based on their estimated useful life and that of each significant part, where applicable. Other operating assets such as construction equipment, transport equipment, machinery and maintenance equipment used for provision of services and for project execution, whose depreciation does not correspond to a regular and uniform amount but to a variable cost based on use (hours, kilometers, or days), categorized as "machinery, equipment and vehicles depreciated by use", are depreciated using the units of production method, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The selected method is applied consistently in all periods, unless there is a change in the expected pattern of consumption of the future economic benefits.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to Grupo ICE by the end of the lease term or the cost of the right-of-use asset reflects that Grupo ICE will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

To determine the useful life of each asset or group of depreciable assets, the technical areas defined by the segments must document the process performed to determine the useful life of each asset, taking into account the following:

- the estimated period during which the depreciable asset will be used in production;
- specifications provided by the engineer or specialized technical personnel of the useful life of the depreciable asset, if it was acquired recently;
- expectations of the engineer or specialized technical personnel, regarding the future use of the depreciable asset and its remaining expected useful life;
- expected natural impairment;
- technical or commercial obsolescence derived from changes or improvements in production, or a change in the demand of the products generated by the asset;
- legal limits or restrictions on the use of the asset, and

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- any other event or development that has an effect on the future use of the asset, such as changes in regulations that may reduce or make obsolete the plant and existing equipment in the foreseeable future.

Useful lives are reviewed at each reporting date to identify possible differences with the useful lives established at the review date. If a change in the useful lives is required in accordance with the analysis performed, a change must be made in the estimate, with a prospective effect, from the date on which the difference was identified.

Operating assets and other operating assets that completed their assigned useful lives and are still in use in the normal operations of Grupo ICE should be kept in the asset system database for control purposes. However, depreciation calculations should be suspended.

Each part of an item of property, plant and equipment will be separately depreciated when:

- It has a cost that is significant in relation to the total cost of the item.
- It has different patterns of consumption of future economic benefits or different useful lives.
- It has regular, significant, capitalizable inspections. Each time a new inspection is carried out, the former component must be derecognized and the current component recognized (if it has an accounting balance).
- It corresponds to the purchase of land and a building together since these assets are separate assets, where, with some exceptions, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets.
- It corresponds to land, the cost of which includes the cost of dismantling, removal and restoration. The value of restoration will be depreciated over the period during which benefits were obtained by incurring those costs.

Additions, improvements, or reconstructions must be valued by the competent technical areas of Grupo ICE to determine whether they increase the useful life of the asset and to reassess the depreciation calculation or depreciate them over the remaining life of the asset under consideration.

Depreciation of the operating assets begins on the acquisition or installment date when the assets are available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Grupo ICE.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle unless the asset is fully depreciated or its depreciation method depends on the asset's use.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Significant spare parts and replacement equipment are depreciated from the date that they are in the location and condition necessary for immediate use, i.e. in the location and condition necessary to operate in the manner intended by Grupo ICE. To the extent that they are installed as part of operating assets, the lower of the useful life of the equipment or the useful life of the main asset shall be used, assuming that the asset cannot be disposed and used in another asset. If the asset to which it is related will be replaced at the end of its useful life and the asset can be used for the replacement equipment, a longer depreciation period may be used.

**Intangible assets***(i) Recognition and measurement*

Assets without a physical substance that are expected to be used for more than one accounting period, or indefinitely, for administrative activities or activities other than normal operations are booked as “Intangible assets”.

According to this policy, intangible assets are as follows:

- Licenses, systems and applications.
- Rights of way or easements on land.
- Rights of use or rights of traffic related to submarine cable (submarine fiber optic infrastructure).

Intangible assets acquired from third parties with finite useful lives are valued at cost of purchase, plus any costs directly attributable to preparation of the asset for its intended use, less accumulated amortization and any accumulated impairment losses.

Rights of way or easements and rights of use of submarine cable are recorded from the date the agreement is signed, at the amount agreed by Grupo ICE and the landowner, the submarine cable owner and the submarine fiber optic infrastructure owner.

In the case of internally developed intangible assets, Grupo ICE classifies production of the asset into the following:

- research phase; and
- development phase.

Expenditure on research activities is recognized in profit or loss when it is incurred.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Grupo ICE intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditure is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generate goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Grupo ICE amortizes intangible assets for software licenses, applications and systems, and rights of use of submarine cable according to the term established in the agreement or the legal right with respect to those assets, on a straight-line basis. This term may be shorter, as defined by Grupo ICE regarding the expected use of the assets, or longer, if the rights are transferred for a limited term that may be renewed. Therefore, the useful life may include the renewal period(s), provided that there is evidence that the renewal has no significant cost for Grupo ICE. Grupo ICE assigns a useful life of three years to intangible assets for software licenses, applications and systems, for which no evidence exists of contractual or legal rights for their use and, also, when the responsible area has no supporting information on the assets' useful lives.

The systematic allocation of the amortization of such assets is booked by Grupo ICE as "Amortization-intangible assets" over the established term, starting on the date that the asset is available for use, using the straight-line method.

Rights of way or easements on land acquired with an indefinite useful life, i.e. when a defined term is not distinguishable but rather a permanent use in which the asset generates benefits to Grupo ICE, are not amortized.

The rights of way or easement on land agreements that are acquired for a definite term must be amortized over the term of the agreements in which they generate benefits to Grupo ICE. In the event that such agreements are renewable, that fact must be taken into account when determining the useful life of the right of way or easement.

Intangible assets that have reached their assigned useful lives and are still in use should be kept in the asset system database for control purposes. Amortization calculations should be suspended.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Equity investments (investments in subsidiaries, joint operations and others)**

The cost of financial instruments acquired to obtain ownership interest, significant influence or control in related parties such as subsidiaries, joint ventures, associates, joint operations and other investments, is booked as “Equity investments”.

Investments in subsidiaries are consolidated in the financial statements of Grupo ICE.

Investments in associates and joint ventures are measured under the equity method and presented in Grupo ICE’s consolidated financial statements.

Investments in joint operations are consolidated proportionally, recognizing Grupo ICE’s share, as investor, of the assets, liabilities, revenues and expenses of the investee.

Other equity investments are recorded at fair value through other comprehensive income.

**Notes and other accounts receivable**

Notes receivable are booked at the value of the note receivable, which is the amount due from the debtor at maturity according to the agreed terms and is maintained for the entire term and until notes receivable are recovered.

Notes and other accounts receivable are derecognized when the rights are extinguished or transferred.

Loans that exceed one accounting period are presented as non-current assets, while the portion of notes and other accounts receivable expected to be recovered within the following year is booked under current assets.

**Investments in financial instruments**

Investments in debt instruments such as term certificates of deposit, foreign debt bonds, among others, are classified as “Investments in financial instruments”.

Investments in financial instruments are initially measured at fair value. Subsequently, they are measured at fair value or amortized cost, depending on the business model under which they have been classified.

Premiums or discounts and transaction costs are booked as part of financial instrument assets and liabilities. They are subsequently recognized in the consolidated statement of profit or loss using the effective interest method, during the time that economic benefits are expected to be received from the assets or during the term of the liabilities.

Investments in financial instruments are derecognized when the rights are extinguished.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Inventories**

“Inventories” include the cost of the physical assets warehoused by Grupo ICE and inventory in-transit for operations, in accordance with Incoterms, when the risks and rewards of the assets are transferred to Grupo ICE, for use in activities inherent to the operation and maintenance of productive assets and for administrative or management purposes, or the cost of assets that are held for sale.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average and includes disbursements made to purchase inventories and other costs incurred in bringing the inventories to their present location and condition. Inventories in transit are measured at the specific invoiced cost, plus the estimated import costs (freight, insurance and taxes).

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined, or if the estimated costs of completion or sale have increased, considering the formula for determining the net realizable value. The practice of writing down inventories below cost to net realizable value is consistent with the view that assets should not be carried in excess of amounts expected to be realized from their sale or use.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made as to the amount of inventories expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

A new assessment is made of net realizable value in each subsequent period. When the circumstances which previously caused inventories to be written down below cost no longer exist, or when clear evidence of an increase in the net realizable value exists arising from a change in the economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The balance of the allowance is periodically reviewed to ensure coverage of potential obsolescence or impairment.

**Non-trade receivables**

The right to demand payment from third parties for transactions other than the regular provision of Grupo ICE’s services are booked as “Non-trade receivables.”

These accounts receivable are initially measured at fair value, which is the amount due from the debtor to Grupo ICE at maturity and under the agreed terms. Subsequently, they are measured at amortized cost.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

“Non-trade receivables” are derecognized when the right to demand payment is exercised or when the accounts are written off against the allowance for loan losses due to non-payment.

**Advance payments to creditors**

The payments made to suppliers or creditors for materials or assets, for which the risks and rewards have not been transferred to Grupo ICE and have thus not been recognized as assets by Grupo ICE, are booked as “Advance payments.”

**Trade receivables**

The rights to demand payment from customers for electricity and telecom services are booked as “Trade receivables” and are measured at amortized cost less any impairment losses.

“Trade receivables” are booked at the amount receivable of the document underlying the transaction, which indicates the amount payable by the customer, due date and agreed terms, depending on the type of service.

Receivables for services rendered are derecognized when the right to demand payment is exercised, when the contractual rights to the cash flows from the asset are transferred, when the contractual rights to the cash flows from the asset expire, or when the accounts are written off against the allowance for impairment losses due to non-payment.

**Prepaid expenses**

The cost of expenditures for the future receipt of goods and services under agreements subscribed is booked as “Prepaid expenses”.

“Prepaid expenses” are booked at cost and amortized as the future economic benefits are consumed, which are derived from the use or consumption of fees paid.

**Cash and cash equivalents**

“Cash and cash equivalents” include:

- **Banks**: Cash deposited in checking accounts in both public and private, national or foreign financial entities and that will be used in ICE’s operations are booked as “Banks.”
- **Cash equivalents**: An investment is considered to be a cash equivalent if it is readily convertible into a specific cash amount and is subject to an insignificant risk of changes in its value; its maturity is three months or less from the acquisition date, provided there is no legal or constructive obligation to use those resources.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**Impairment**

(i) *Non-derivative financial assets:*

*Financial instruments and contract assets*

Grupo ICE recognizes loss allowances for ECL on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

Grupo ICE measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, Grupo ICE considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Grupo ICE's historical experience and informed credit assessment that includes forward-looking information.

Grupo ICE assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Grupo ICE considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to Grupo ICE in full, without recourse by Grupo ICE to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Grupo ICE considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. Grupo ICE considers this to be BBB or higher per Rating Agency Fitch Ratings or Baa or higher per Rating Agency Moody's Investors Service or its equivalent to any other risk rating agency.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which Grupo ICE is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted average of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Grupo ICE expects to receive).

ECL are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, Grupo ICE assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by Grupo ICE on terms that it would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for the financial asset because of financial difficulties.

*Presentation of the allowance for ECL in the consolidated statement of financial position*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)*Write-off*

The gross carrying amount of a financial asset is written off when Grupo ICE has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, Grupo ICE follows the policy of writing off the gross carrying amount when the financial asset is declared uncollectible, according to Grupo ICE's bad debt policy, based on historical experience of recoveries of similar assets. Grupo ICE expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Grupo ICE's procedures for recovery of amounts due.

*(ii) Impairment of non-financial assets*

Grupo ICE reviews at each reporting date the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets with indefinite useful lives are not amortized; they are annually tested for impairment, either individually or by CGU.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

(e) **Equity policies**

**Composition of capital**

According to Article 16 of the *Law Organizing the Entity*, ICE's capital comprises the following:

- National revenue that the law allocates and earmarks for ICE.
- Fees that the State acquired from the Municipality of San José under the local streetcar agreement.
- Any other government-owned asset transferred to ICE.
- The country's water resources that have been or will be declared national reserves and any retained earnings resulting therefrom.

**Retained earnings**

Grupo ICE's retained earnings are as follows:

(i) **Retained earnings of subsidiaries**

Profit or loss of the subsidiaries of ICE at each accounting year-end is booked as "Retained earnings from subsidiaries." Retained earnings are adjusted for the effects of changes in accounting policies, corrections of prior period errors and for adjustment of equity items.

**Reserves**

Grupo ICE's reserves include:

(i) **Legal reserve**

Pursuant to current regulations, the subsidiary CNFL must appropriate 5% of each year's net earnings to a legal reserve, up to 20% of outstanding ordinary share capital.

(ii) **Project development reserve**

At Ordinary Shareholders Meeting No. 97 held on April 30, 2001, the subsidiary CNFL established a "Reserve for project development." During that meeting, shareholders agreed to transfer retained earnings as of December 31, 2000, and dividends declared but not paid as of December 31, 1999 in the amount of ¢1,000, for purposes of maintaining an equity fund to finance working capital for projects under development.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(iii) Actuarial gains (losses)

Changes in assumptions used in the calculation of the present value of the obligations arising from post-employment benefits, such as demographic assumptions (mortality, turnover rates, disability and early retirements) and financial assumptions (discount rate), are recorded as “Actuarial gains and losses”.

(iv) Valuation of equity investments at FVOCI

Changes in fair value of equity investments that are designated as such on initial recognition are booked as “Valuation of equity investments at FVOCI”.

(v) Valuation of non-derivative financial instruments and hedges

This account reflects the results of the valuations of financial instruments acquired by Grupo ICE, including cash flow hedges, as investments measured at fair value through other comprehensive income.

Such valuations are recognized in equity or profit or loss, depending on the business model under which each instrument is classified.

For hedges, the value of positive or negative discounted cash flows of financial instruments determined as effective hedges is recorded as “Valuation of financial instruments”.

The “Valuation of financial instruments” account is derecognized when the instrument matures, is traded or sold.

(vi) Equity reserve

The subsidiary RACSA has an equity reserve equivalent to 25% of its pre-tax income, in conformity with Law No. 3293 of June 18, 1964.

(vii) Development reserve

Profit or loss obtained at the end of each accounting period, which pursuant to Law No. 449 must be earmarked for development of electricity and telecom services, is recorded as “Development reserve”.

The development reserve is adjusted for the effects of changes in accounting policies, corrections of prior-period errors and for adjustment of equity items.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**(f) Liability policies****Bonds payable**

Obligations with third parties arising from the issue of debt securities (bonds) are booked under “Bonds payable”. These obligations are recognized at amortized cost based on the contracted debt.

The amortized cost of financial assets and liabilities includes premiums or discounts and transaction costs, which are realized in the consolidated statement of profit or loss using the effective interest method over the period in which economic benefits are expected to be obtained from such items or during the maturity term of the liabilities.

A partial or full decrease in bonds payable is recognized when Grupo ICE amortizes or settles any amount owed.

The portion of long-term securities expected to be settled within one year or less is booked as “Short-term bonds payable”.

**Loans payable**

Obligations with banking entities or financial institutions are recognized as “Loans payable”.

Loans payable are booked and measured at amortized cost, considering transaction costs, which are amortized using the effective interest method.

Grupo ICE reclassifies as current the portion of loans payable expected to be settled within one year or less and non-current debts enforceable in the short term due to noncompliance with covenants in accordance with the accounting policies for presentation of consolidated financial statements and events occurring after the reporting period. Therefore, the following is applicable:

- a) If Grupo ICE does not comply with a covenant and it has not received a waiver before the closing date of the financial statements and the waiver is not for at least the following 12 months, the total balance of the corresponding debt must be reclassified as short-term.
- b) If Grupo ICE obtains a waiver on that noncompliance on a date subsequent to the closing date of the financial statements, it must be disclosed as it is considered significant for the financial statements as a whole. However, this subsequent event does not exempt Grupo ICE from classifying the total debt as a short-term (enforceable) debt.

A partial or full decrease in loans payable is applied when the amount owed is amortized or settled.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Grupo ICE's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a. fixed payments, including in-substance fixed payments;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c. amounts expected to be payable under a residual value guarantee; and
- d. the exercise price under a purchase option that Grupo ICE is reasonably certain to exercise, lease payments in an optional renewal period if Grupo ICE is reasonably certain to exercise an extension option and penalties for early termination of a lease unless Grupo ICE is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method, considering transaction costs, if any. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Grupo ICE's estimate of the amount expected to be payable under a residual value guarantee, if Grupo ICE changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Grupo ICE remeasures the lease liability (and makes the corresponding adjustment to the right-of-use asset) if and when:

- a. The lease term is modified or there is a significant event or change in the circumstances of the lease that results in a change in the assessment of the buy option, in which case the lease liability is measured by discounting the lease payments made using a revised discount rate.
- b. There is a change in future lease payments resulting from a change in an index, a rate or a change in the amounts expected to be payable under a residual value guarantee. In that case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used).
- c. A lease agreement is modified and the modification in the lease is not booked as a separate lease, in which case the lease liability is remeasured based on the modified lease term, discounting revised lease payments using a revised discount rate at the date when the modification becomes effective.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and right-of-use asset. Related payments are expensed in the period in which the event or condition that originate them occurs.

Obligations with lessors for the acquisition of assets (as right-of-use assets) for more than one accounting period are recognized as “Lease liabilities” in the non-current liabilities section. The portion of these obligations that is paid within one year or less is presented under current liabilities.

The decrease in lease liabilities is made partially or in full when Grupo ICE amortizes or settles the amount owed.

Grupo ICE has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Grupo ICE recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Employee benefits***(i) Defined benefit plans – severance benefits:*

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for Grupo ICE, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Grupo ICE determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Grupo ICE recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

For permanent employees:

The estimated amount that Grupo ICE's management will require to pay severance benefits to its employees, whose existence is confirmed only by the occurrence of one or more uncertain events in the future, which are not entirely under Grupo ICE's control, is recorded as "Employee benefits."

The estimated amount required to pay severance benefits to employees, within one year or less, based on the result of an actuarial study of such a benefit, is recorded as a current provision for severance benefits.

The rules that Grupo ICE (except CNFL) applies to pay benefits due to the termination of the employment agreement (severance benefits) are based on the *Law to Strengthen Public Finances* (Law No. 9635). A pronouncement from Grupo ICE established that once the law entered into effect on December 4, 2018, employees with at least 12 years of service would have the right to receive up to a maximum of 12-year severance benefits. All other employees would have the right to receive up to a maximum of eight-year severance benefits. For the subsidiary CNFL, the severance benefit is 20 years, in conformity with the Board of Labor Relations Meeting No. 2149 of February 17, 2021.

For personnel hired under payroll modality established in Grupo ICE's Autonomous Labor Regulations (RAL), in no event shall such severance benefits be paid beyond the last eight years of employment.

The payment of severance benefits is calculated based on the date of incorporation into the public sector, provided that the following conditions are met:

- Employment continuity, i.e. when the date of incorporation into Grupo ICE is continuous (in working days) with the date of incorporation into the public sector.
- No dismissal occurred from the public institution where the employee worked before joining Grupo ICE.
- No severance benefits were paid by the public institution where the employee worked previously.

For project employees:

Project employees are hired to execute projects developed by Grupo ICE and are terminated once the work is completed. To cover the employees' severance benefits, an accrual of 9% of the employees' monthly gross salary is recorded in profit or loss.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if Grupo ICE has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Short-term benefits include:

Statutory Christmas bonus

Costa Rican legislation requires payment of one-twelfth of an employee's monthly salary for each month of service. The bonus is paid in December, even in the case of employee dismissal. Grupo ICE records a monthly provision to cover future disbursements related therewith.

Back-to-school bonus

ICE, RACSA and CNFL follow the policy of recording an accrual for payment of the back-to-school bonus. The bonus corresponds to a percentage calculated on the monthly salary of each employee and paid on an accrual basis in January of each year. The obligation related to this benefit is calculated based on 8.19% of pretax employee compensation and is paid to all employees regardless of whether they have children or school-age children.

The back-to-school bonus is an adjustment additional to the cost-of-living salary increase, to cover the costs of any school-related expenses.

Vacations

Grupo ICE grants vacations to all employees pursuant to the provisions of the *Labor Code* and Chapter XXVII of ICE's *Personnel Statute*, in accordance with the modality of their employment contracts. The number of days to be granted is defined based on the time of service at ICE or other public sector entities where the employee has previously worked. This benefit is considered a short-term benefit.

Grupo ICE books a vacation accrual based on the employee's years of service with ICE, as follows:

- between 1 and 5 years of service, an accrual of 4.17% of pretax compensation
- between 5 and 10 years of service, an accrual of 6.11% of pretax compensation
- over 10 years of service, an accrual of 8.33% of pretax compensation.

For project employees, the vacation accrual is calculated as 7.5% of each employee's pretax compensation.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Occupational hazard

Grupo ICE follows the policy of recording an accrual for the payment of occupational hazard insurance expenses. This obligation is calculated based on the percentage established by the insurance company on the total employee salary.

Obligations arising from occupational hazards are liquidated through the payment made to the insurance company.

Accrued employer obligations are liquidated on an ongoing basis as the obligation is extinguished as a result of use or payment of benefits.

Accounts payable

Accounts payable are measured at the total amount payable under contractual obligations, which is equivalent to their amortized cost.

Prepaid income

Obligations arising from payments made in advance by customers for the rendering of services are recognized as "Prepaid income". Prepaid income decreases as the services are rendered and the corresponding income is recognized.

Government grants

Government grants related to assets are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received and that Grupo ICE will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Within the framework of the Japanese initiative known as Cool Earth Partnership, the Government of Japan donated US\$10.5 million to Grupo ICE to build the Photovoltaic System located in Sabana Norte, with a power output of 3kW, which is expected to generate 3.5 kWh, and the Miravalles Solar Park, located in La Fortuna de Bagaces, with a power output of 1 MW, which is expected to generate 1.2 GWh. Grupo ICE recognizes local and international government grants in the consolidated statement of financial position at the moment when they are granted, and they are then transferred to the consolidated statement of profit or loss according to the useful life of the asset related to the grant. In addition, funds from the Project and Program Management Trust of Fondo Nacional de Telecomunicaciones (FONATEL) are recorded. This trust directly subsidizes the rendering of voice and internet bandwidth services to public service centers in the defined service area.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Provisions**

Grupo ICE recognizes provisions when the following conditions are met:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision must be the best estimate of the consideration required to pay the present obligation at the close of the reporting period, taking into account the corresponding risks and uncertainties.

Provisions are reviewed at each reporting date and adjusted to reflect the best estimate available.

(i) Litigation

A litigation provision is booked if the probability of existence of an obligation is greater than or equal to 50%. Additionally, Grupo ICE should consider if, due to a past event, it has no realistic alternative but to pay the obligation, taking into account all available evidence and professional judgment.

The best estimate must be made of the obligation amount according to professional judgment and knowledge of events and circumstances related to the case being analyzed. For extremely exceptional cases in which no reliable estimate can be made, such limitation must be justified.

(ii) Provision for mobile terminal warranties

The “Provision for mobile terminal warranties” includes the expected cost of obligations, under local regulations on the sale of assets, according to the best estimate made by the corresponding technical and financial areas of the outflows required to settle Grupo ICE’s obligations with its customers.

When warranties are supported by a third party (i.e. the supplier) that will be responsible for the total or a portion of the outflow required to settle the claim, the asset related to that right will be recorded only when the asset’s receipt is virtually certain. In such event, the asset must be recorded separately from the provision liability.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Other liabilities**

Other liabilities include:

(i) Security deposits

Obligations arising from cash received by Grupo ICE from its customers to provide electricity and telecom services are booked as “Security deposits”. This liability is aimed at ensuring partial or full recovery of billings not paid by customers. Security deposits are recognized at amortized cost.

Security deposits are charged against the related account receivable when the service is cancelled at the request of the customer, or when Grupo ICE cancels the service as a result of non-payment by the customer.

(ii) Deposits from private individuals or companies

Obligations arising from cash paid by individuals or companies to fully or partially defray the cost of works and to ensure fulfillment of services that are yet to be provided to Grupo ICE are booked as “Deposits from private individuals or companies”.

“Deposits from private individuals or companies” are derecognized when the service is provided, the contract extinguishes, deposits are reimbursed to the guarantors, or the customer violates the terms and conditions of the contract.

(iii) Valuation of derivative financial instruments

Changes in the fair value of cash flow hedges are booked as “Valuation of derivative financial instruments” under liabilities. Their fair value changes in response to variations in the price of the underlying asset.

For instruments designated as hedges, the effect of changes in their fair value is classified either in other comprehensive income or in profit or loss for the year depending on the assessment of the hedge’s effectiveness. The effect of the valuation of derivative financial instruments not classified as hedges is booked as finance costs in profit or loss for the year.

The “Valuation of derivative financial instruments” account is derecognized at a future date according to the contractual terms.

In the accounting for hedges of the foreign currency risk on fixed-rate debt as cash flow hedges, the net interest paid on the hedging instrument is recognized (cash flow swap).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

In the accounting for hedges of the foreign currency risk on fixed-rate debt as cash flow hedges, Grupo ICE reverses the effect of foreign exchange differences arising from the measurement of the debt in a currency other than colones, with net interest earned on the hedge instrument, to recognize the reclassification of the derivative's effective portion from profit or loss to equity.

The valuation of the instrument will be recognized in equity or in profit or loss for the year depending on the instrument's effectiveness.

**(g) Operating income policies**

Income earned on the sale of goods, electricity and telecom services and other income, both locally and abroad, are recorded as "Operating income".

Grupo ICE books a contract with a customer only when the following criteria are met:

- a) the parties to the contract have approved the contract and are committed to perform their respective obligations;
- b) Grupo ICE can identify each party's rights regarding the goods or services to be transferred;
- c) Grupo ICE can identify the payment terms for the goods or services to be transferred;
- d) the contract has commercial substance; and
- e) it is probable that Grupo ICE will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from contracts with customers are recognized by Grupo ICE when (or as) a performance obligation is satisfied through the transfer of control of a good or service. At inception of each contract, Grupo ICE determines whether the performance obligations are satisfied over time or at a point in time.

Grupo ICE considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Grupo ICE applies the practical expedient of not adjusting the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less. Therefore:

- a) For contracts for the sale of goods or services with terms of 12 months or less, the financing component is recognized as part of operating income or other income, as applicable.
- b) For contracts for the sale of goods or services with terms of more than 12 months, Grupo ICE separates the financing component and recognizes it as finance income.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The amount of revenue from contracts with customers derived from a transaction is normally agreed between Grupo ICE and the customer. The consideration received or receivable will be measured at fair value, considering any discounts, bonuses or rebates granted by Grupo ICE.

Income from electricity and telecom services is recorded through billing cycles, supported by the receipt issued for these services, which includes the billing cycle that covers the period invoiced to the customer. Grupo ICE books income for the aforementioned services according to the date specified on the receipt.

Income from telecom services is booked separately according to each type of service included in the plan or package sold.

Income from post-paid telecom services is booked by Grupo ICE according to the date of invoice or receipt issued to the customer after the service is rendered (billing cycle).

Income from prepaid services is booked separately as income in each type and classification until services are rendered to the end customer. Traffic of fixed and mobile telephony is booked as income as calls are made. For prepaid services, the amount corresponding to traffic paid and pending consumption generates deferred income, which is booked under "Prepaid income" in the liability section of the consolidated statement of financial position. The sale of terminals individually sold or sold in plans or packages offered by ICE is recognized as income. Income from the sale of terminals is recognized at the amount established in the offered plans or packages when control of the terminal is transferred to the purchaser.

Revenue and expenses that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenues and expenses.

Grupo ICE is generally able to make reliable estimates after it has agreed to the following with the other parties to the transaction:

- each party's enforceable rights regarding the service to be provided and received by the parties;
- the consideration to be exchanged; and
- the manner and terms of payment.

The stage of completion of revenue may be determined through different methods. Grupo ICE uses the method that measures reliably the services performed.

Depending on the nature of the transaction, the methods may include:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; or

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

When revenue cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

Income from services to third parties other than Grupo ICE's ordinary course of business is recorded as other income.

**(h) Operating cost policies**

The items of operating costs and operating expenses are presented by function in the consolidated statement of profit or loss and other comprehensive income. However, for accounting purposes, the nature of the cost or expense is considered, so they are identified by function based on the type of cost center.

**Operation and maintenance**

The cost of operating productive assets and keeping them in optimal working condition is booked as "Operation and maintenance".

Operation and maintenance costs are presented at historical cost.

**Operation and maintenance of leased assets**

The depreciation of right-of-use assets and the operating and maintenance expenses of assets owned by third parties, used to provide electricity and telecom services, is booked as "Operation and maintenance of leased assets."

Lease payments of low-value or short-term leases are recognized in profit or loss over the lease term in accordance with the contractual terms and conditions.

**Supplemental services and purchases**

Costs incurred by Grupo ICE to acquire electricity and telecom services from third parties are recognized as "Supplemental services and purchases".

"Supplemental services and purchases" are booked at the cost incurred.

**Selling expenses**

The costs of mobile terminals and other devices sold are presented as "Selling expenses" and are booked at historical cost.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Production management**

Costs incurred by the supporting areas of Grupo ICE's segments for the normal development of their technical and administrative management activities are recorded as "Production management."

Production management costs are booked at historical cost.

**(i) Operating expense policies****Administrative**

Expenses incurred by the Corporate Sector to promote and ensure efficient management and compliance with Grupo ICE's objectives and targets, as well as the normal development of administrative activities, are booked as "Administrative expenses".

"Administrative expenses" are booked at historical cost.

**Selling expenses**

Expenses incurred by Grupo ICE to sell electricity and telecom services and other technical services provided to customers are presented as "Selling expenses." This includes activities such as design of services, customer service and collection.

"Selling expenses" are booked at historical cost.

**Preliminary studies**

Expenses incurred in the preliminary phases of projects for which execution is under analysis are presented as "Preliminary studies." This includes identification and prefeasibility studies for projects or works to be built.

Expenses for "Preliminary studies" are booked at historical cost.

**Supplemental expenses**

"*Supplemental expenses*" include:

- Other expenses incurred by Grupo ICE to ensure the quality of the construction and operation of works owned by third parties. This account does not include preliminary or pre-investment studies or transactions that, based on their nature, are not considered to be part of other items of operating expenses and costs.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- Subsequent mitigation and social compensation costs that exceed the amounts established in the environmental management plan and were not included in the “Baseline”<sup>1</sup> planned and controlled by Grupo ICE.

Supplemental operating expenses are measured at historical cost.

**Other expenses**

Expenses incurred in the rendering of operation services different from Grupo ICE’s ordinary course of business are booked as “Other expenses.”

“Other expenses” are measured at historical cost.

**(j) Finance income and finance cost policies**

Finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI; and
- impairment losses (and reversals) on investments in debt securities carried at amortized cost or FVOCI.

Interest income or expense is recognized using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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<sup>1</sup> Term used in the Environmental Management Plan that defines the current conditions that have an impact on the construction of works and where mitigation and social compensation measures and the corresponding budget and schedule are established.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Interest expense is recognized in the period unless it is directly attributable to the acquisition or construction of productive assets of Grupo ICE, in which case it is capitalized as part of the cost of the asset.

**(k) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

**(i) Current tax**

Current tax comprises the expected tax payable on the taxable income for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

**(ii) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that Grupo ICE is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the business plans for individual subsidiaries in Grupo ICE and the reversal of temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in Grupo ICE. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(l) Operating profit**

Operating profit is the result generated from the continuing principal revenue-producing activities of Grupo ICE as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

**(m) Fair value measurement**

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 in the principal or, in its absence, the most advantageous market to which Grupo ICE has access at that date. The fair value of a liability reflects its non-performance risk.

A number of Grupo ICE's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, Grupo ICE measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to providing pricing information on an ongoing basis.

If there is no quoted price in an active market, then Grupo ICE uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then Grupo ICE measures assets and long positions at a bid price and liabilities and short positions at an ask price.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If Grupo ICE determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**Note 7. Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after January 1, 2023, however, the following new or amended standards have not significant impact in the Grupo ICE's consolidated financial statements.

Standard	Description	Type	Apply for Grupo ICE		Impacts the Financial Statements of 2023	
			Yes	No	Yes	No
IFRS 17	Insurance contracts	Amendment IFRS 17		X		X
IAS 1	Presentation of financial statements	Amendment - Disclosure of Accounting Policies	X			X
IAS 8	Accounting policies, changes in accounting estimates and errors	Amendment - Definition of Accounting Estimates	X			X
IAS 12	Income taxes	Amendment – Deferred Tax related to Asset and Liabilities arising from a single transaction		X		X
		Amendment – Global minimum complementary tax		X		X

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)A. *Other standards*

As of the date of issue of these financial statements, Grupo ICE has not applied the following amendments to standards since they are effective after that date, and it considers that they will not have a significant effect on its financial statements:

Standard	Description	Type	Effective for the following periods
Amendments to IFRS 16	Leases	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Presentation of financial statements	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.	January 1, 2024
Amendments to IAS 7 and IFRS 7	Financial Instruments	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates	Lack of Exchangeability	January 1, 2025

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 8. Property, plant and equipment, net**

Property, plant and equipment, net, comprises the following general asset categories:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Cost:</u>		
Operating assets	¢ 9,769,932	9,701,611
Other operating assets	<u>363,400</u>	<u>368,676</u>
Total operating assets - cost	<u>10,133,332</u>	<u>10,070,287</u>
<u>Accumulated depreciation:</u>		
Operating assets	5,239,513	4,995,147
Other operating assets	<u>314,499</u>	<u>311,883</u>
Total accumulated depreciation of operating assets - cost	<u>5,554,012</u>	<u>5,307,030</u>
Operating assets, net	<u>4,579,320</u>	<u>4,763,257</u>
<u>Other assets</u>		
Construction work in progress	161,892	126,543
Inventories – inventory for investment projects/operating inventory	<u>130,145</u>	<u>117,462</u>
Total other assets	<u>292,037</u>	<u>244,005</u>
	<u>¢ 4,871,357</u>	<u>5,007,262</u>

As of December 31, 2023, assets with a carrying amount of ¢782,639 (2022: ¢808,567) secure bank loans (see Note 17(b)).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(i) Cost

The cost of property, plant and equipment is as follows:

	As of January 1, 2022	Additions and capitalizations	Disposals	Transfers	As of December 31, 2022	Additions and capitalizations	Disposals	Transfers	As of December 31, 2023
Land	211,603	35	(151)	-	211,487	635	(4)	606	212,724
Buildings	434,668	5,588	(511)	-	439,745	4,787	(1,251)	-	443,281
Hydroelectric power generation	3,487,458	7,294	(2,804)	(8)	3,491,940	3,788	(1,211)	6	3,494,523
Thermal power generation	316,657	-	(12,284)	1	304,374	6,991	-	-	311,365
Geothermal power generation	788,500	74	-	-	788,574	-	(13,512)	-	775,062
Wind power generation	163,743	-	-	(1)	163,742	116	(1,910)	-	161,948
Solar power generation	13,125	46	-	(1)	13,170	-	-	-	13,170
Substations	524,744	18,459	(1,563)	2	541,642	992	(1,074)	-	541,560
Transmission lines	393,793	3,420	-	-	397,213	26	-	-	397,239
Distribution circuits	1,015,857	18,297	(2,845)	-	1,031,309	11,476	(5,965)	(1,249)	1,035,571
Public lighting	34,269	1,740	(1,101)	-	34,908	5,119	(2,010)	1,283	39,300
Control, communications and infrastructure equipment	290,664	3,999	(2,346)	(21)	292,296	3,838	(2,350)	-	293,784
Transport	762,565	4,704	(9,052)	(1)	758,216	3,028	(2,150)	44	759,138
Access	654,774	53,340	(2,998)	-	705,116	33,285	(5,729)	(50)	732,622
Civil and electromechanical Platforms	219,233	6,166	(4)	-	225,395	2,235	(3)	5	227,632
Furniture and equipment	260,164	13,196	(319)	(1)	273,040	14,441	(18,468)	-	269,013
Tower sites and land	2,266	1,214	(30)	(156)	3,294	204	(32)	(170)	3,296
Subtotal operating assets	9,593,355	144,450	(36,008)	(186)	9,701,611	124,339	(56,493)	475	9,769,932
Other operating assets	400,640	7,633	(39,783)	186	368,676	5,025	(10,453)	152	363,400
	9,993,995	152,083	(75,791)	-	10,070,287	129,364	(66,946)	627	10,133,332

For hydroelectric, thermal, geothermal, wind and solar power generation, substations and distribution lines, the machinery and equipment used in power plants for generation and distribution are included.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

*(In millions of colones)**(ii) Accumulated depreciation:*

The accumulated depreciation of property, plant and equipment is as follows:

	As of January 1, 2022	Depreciation	Disposals	Transfers	As of December 31, 2022	Depreciation	Disposals	Transfers	As of December 31, 2023
Buildings	168,292	13,151	(1,083)	(1)	180,359	8,372	(616)	(23)	188,092
Hydroelectric power generation	1,321,442	58,779	(1,110)	2	1,379,113	56,965	(504)	28	1,435,602
Thermal power generation	140,737	9,620	(6,133)	-	144,224	8,760	-	-	152,984
Geothermal power generation	416,296	25,786	-	(2)	442,080	25,193	(9,920)	-	457,353
Wind power generation	95,651	9,631	-	-	105,282	10,165	(1,876)	-	113,571
Solar power generation	7,991	411	-	-	8,402	394	-	-	8,796
Substations	292,533	18,569	(1,180)	-	309,922	17,760	(757)	-	326,925
Transmission lines	152,720	11,093	-	-	163,813	11,164	-	-	174,977
Distribution circuits	435,943	34,164	(1,348)	1	468,760	36,365	(4,742)	(258)	500,125
Public lighting	18,566	2,164	(676)	-	20,054	2,319	(1,668)	274	20,979
Control, communications and infrastructure equipment	128,688	7,325	(2,086)	(11)	133,916	7,088	(2,234)	-	138,770
Transport	556,834	24,011	(8,999)	1	571,847	22,644	(2,143)	11	592,359
Access	545,072	54,027	(2,985)	1	596,115	54,187	(5,144)	(11)	645,147
Civil and electromechanical	221,950	10,575	(4)	(1)	232,520	9,398	(3)	-	241,915
Platforms	205,045	16,555	(148)	1	221,453	14,161	(14,623)	-	220,991
Furniture and equipment	2,106	277	(30)	-	2,353	167	(32)	-	2,488
Tower sites and land	10,126	4,808	-	-	14,934	3,588	(83)	-	18,439
Subtotal operating assets	4,719,992	300,946	(25,782)	(9)	4,995,147	288,690	(44,345)	21	5,239,513
Other operating assets	324,013	19,209	(31,348)	9	311,883	12,719	(10,115)	12	314,499
¢	5,044,005	320,155	(57,130)	-	5,307,030	301,409	(54,460)	33	5,554,012

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

For 2023 and 2022, assets are depreciated using the following useful lives:

Asset group	Useful life in years
Buildings	50 to 70
Hydraulic power generation	15 to 60
Thermal power generation	15 to 60
Geothermal power generation	5 to 60
Wind power generation	5 to 50
Solar power generation	3 to 50
Substations	10 to 40
Transmission lines	20 to 40
Distribution circuits	8 to 30
Public lighting	10 to 30
Control, communication and infrastructure equipment	5 to 50
Transport	2 to 25
Access	2 to 20
Civil and electromechanical	5 to 70
Platforms	3 to 20
Furniture and equipment	4 to 20
Transport equipment	5 to 25
Tower sites	3 to 26
Other operating assets	4 to 20

During the year ended December 31, 2023, as a result of the review of useful lives and depreciation methods performed annually by the business segments, the useful lives of the following groups of assets were modified: Buildings 50 to 70 years (2022: 40 to 50 years), Civil and electromechanical 5 to 70 years (2022: 5 to 50 years), Platforms 3 to 20 years (2022: 2 to 20 years) and other operating assets 4 to 20 years (2022: 3 to 25 years).

The effect of this change during 2023 for the Electricity and Telecom segments amounts to ¢992 and ¢97, respectively.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(iii) Other assets

Other assets in property, plant and equipment are as follows:

	Construction work in progress	Inventory for investment projects / operating inventory	Total
As of January 1, 2022	¢ 142,442	130,840	273,282
Additions	91,426	31,970	123,396
Disposals	(1,418)	-	(1,418)
Adjustments and transfers	-	(11,870)	(11,869)
Capitalizations and consumption	(106,476)	(33,479)	(139,955)
Interest and commissions (Note 17(d))	569	-	569
As of December 31, 2022	126,543	117,462	244,005
Additions	103,358	47,744	151,102
Disposals	(1,326)	-	(1,326)
Adjustments and transfers	-	11,439	11,439
Capitalizations and consumption	(67,411)	(46,500)	(113,911)
Interest and commissions (Note 17(d))	728	-	728
As of December 31, 2023	¢ 161,892	130,145	292,037

The capitalization rate used to determine the amount of capitalizable loan costs was 0.33% (2022: 0.24%).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

A description of the main construction works in progress as of December 31, 2023 and 2022 is provided below:

(a) Borinquen Geothermal Project

This project includes costs in the amount of ¢84,192 (2022: ¢69,430) incurred in the development of the geothermal project known as Borinquen 1, located on the Guanacaste mountain range, on the pacific slope of Rincón de la Vieja Volcano. It will have an estimated power output of 52 MW, with an estimated cost of US\$375 million.

(b) Expansion and renewal of technological platforms

This project includes the development of the technological ecosystem of Grupo ICE. This project enables Grupo ICE to provide the technological capabilities of information systems, both for administrative and commercial purposes, of the Telecom and Electricity segments. As of December 31, 2023, the balance is ¢8,271 (2022: ¢9,045).

(c) FONATEL

It considers the implementation of infrastructure and the provision of voice and internet services according to the existing contracts between the GPP SUTEL-BNCR Trust and ICE. As of December 31, 2023, the balance is ¢7,595 (2022: ¢6,159).

(d) Garita Hydroelectric Project

Initiated in 2023, this project includes the replacement of the plant's diversion channel, with the geometric and structural features necessary to guide the water from the end of the tunnel to the reservoir and then through penstock to the generators, thus creating suitable operating and working conditions of the conduction and emergency channels, respectively. As of December 31, 2023, the balance is ¢5,270.

(e) Voice over LTE (VoLTE) project

Corresponds to the implementation of the Voice over LTE network service to facilitate continuity across all mobile networks, including 5G technology. This will allow greater spectrum efficiency. As of December 31, 2023, the balance is ¢4,616 (2022: ¢2).

(f) Expansion of CORE data in the EPC data domain

Entails the expansion and modernization of the CORE elements of ICE's 2G, 3G and 4G mobile networks. As of December 31, 2023, the balance is ¢4,088 (2022: ¢23).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(g) RANGE – Stages II and III

Full replacement of the copper network with new access infrastructure in different areas of the country, using fiber optic with Passive Optical Network (PON) technology. As of December 31, 2023, the balance is ¢3,534 (2022: ¢1,248).

(h) Improvements to the network

This is a permanent execution project at the telecom systems level that allows the entity to ensure, by means of improvements, the adequate functioning and access to all components of that system, in order to provide continuous and top-quality communication services, within the parameters set by the regulating entity. As of December 31, 2023, the balance is ¢3,300 (2022: ¢2,356).

(i) Moín Transmission Substation Expansion 1

This project is related to the modernization of the Moín Transmission Substation, consisting of the reconversion of the reserve module of 230 kW to a transformation module of 230 kW and assembly of a power and control shelter, including related civil and electromechanical works. As of December 31, 2023, the balance is ¢3,233 (2022: ¢1,340).

(j) DCT Ruta Nacional 1 Cañas-Barranca

This project includes planning, design, procurement of materials, execution (installation and dismantling of infrastructure during the expansion works) and the start-up of operations of the new infrastructure. As of December 31, 2023, the balance is ¢3,203 (2022: ¢2,701).

(k) Installation of residential services

This is a permanently executed project. It is used to book all costs incurred by technical personnel in the installation of new residential services in the whole country. These costs are capitalized as the work is individually completed. The main goal of these solutions is to satisfy the needs of residential customers, who demand the latest generation services. As of December 31, 2023, the balance is ¢3,146 (2022: ¢11,699).

(l) Continuous quality improvement

Global program of multiple works including the reconstruction of lines, addition of phases and construction of new feeders related to exits to substations or backups of existing networks. As of December 31, 2023, the balance is ¢2,270 (2022: ¢3,837).

(m) Expansion of the LTE network

Its goal is to provide more bandwidth and data transmission speeds, matching the demand and the needs of end users. As of December 31, 2023, the balance is ¢847 (2022: ¢1,969), and the project has a total budget of US\$47.6 million.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(n) Temporarily inactive property, plant and equipment

As of December 31, 2023, there are 666 depreciable assets, of which 46 assets with a carrying amount of ¢1,168 have not reported usage during 2023 (2022: 39 assets with a carrying amount of ¢917 did not report usage during 2022).

During 2022, the annual review of useful lives and depreciation method of fixed assets determined that it was necessary to change the depreciation method for some assets from a usage-based depreciation to depreciation on a straight-line basis. As of the date of the change, the depreciation on a straight-line basis would better reflect the pattern in which the future economic benefits of those assets are expected to be consumed. The effect of the adjustment due to the change in the depreciation method amounted to ¢6,411, which was booked as an expense in profit or loss. Since it was not feasible to estimate the expense for depreciation by usage of the assets subject to the change, it was considered impractical to disclose the effect of that change in future periods. In addition, assets were disposed when it was estimated that due to their condition, they would not generate future benefits for the entity. This resulted in an expense of ¢9,155 booked in profit or loss.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 9. Intangible assets, net**

Intangible assets, net are as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<i><u>Intangible assets with a definite useful life:</u></i>		
<i><u>Cost</u></i>		
Licenses, systems and applications (1)	¢ 177,877	164,006
Submarine cable rights (2)	78,008	70,451
Total cost	<u>255,885</u>	<u>234,457</u>
<i><u>Accumulated amortization:</u></i>		
Licenses, systems and applications (1)	(139,692)	(121,254)
Submarine cable rights (2)	<u>(63,158)</u>	<u>(59,369)</u>
Total accumulated amortization	<u>(202,850)</u>	<u>(180,623)</u>
Intangible assets with a definite useful life, net	<u>53,035</u>	<u>53,834</u>
<i><u>Intangible assets with an indefinite useful life:</u></i>		
Rights of way and easements (3)	38,158	36,919
Other	-	2,813
Intangible assets with an indefinite useful life, net	<u>38,158</u>	<u>39,732</u>
	<u>¢ 91,193</u>	<u>93,566</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Intangible assets are as follows:

	<u>Licenses, systems and applications (1)</u>		<u>Submarine cable rights (2)</u>		<u>Rights of way and easements (3)</u>		<u>Other</u>		<u>Totals</u>	
	<u>As of December 31,</u>		<u>As of December 31,</u>		<u>As of December 31,</u>		<u>As of December 31,</u>		<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<i>Cost:</i>										
Opening balance	€ 164,006	145,738	70,451	70,451	36,919	34,933	2,813	2,813	274,189	253,935
Additions and capitalizations	14,407	18,779	7,557	-	1,201	1,986	-	-	23,165	20,765
Transfers	(229)	(105)	-	-	38	-	-	-	(191)	(105)
Disposals	(307)	(406)	-	-	-	-	(2,813)	-	(3,120)	(406)
Closing balance	<u>177,877</u>	<u>164,006</u>	<u>78,008</u>	<u>70,451</u>	<u>38,158</u>	<u>36,919</u>	<u>-</u>	<u>2,813</u>	<u>294,043</u>	<u>274,189</u>
<i>Accumulated amortization</i>										
Opening balance	121,254	102,088	59,369	54,401	-	-	-	-	180,623	156,489
Amortization - expense	16,971	19,572	3,789	4,968	-	-	-	-	20,760	24,540
Amortization - investment	1,806	-	-	-	-	-	-	-	1,806	-
Transfers	(32)	-	-	-	-	-	-	-	(32)	-
Disposals	(307)	(406)	-	-	-	-	-	-	(307)	(406)
Closing balance	<u>139,692</u>	<u>121,254</u>	<u>63,158</u>	<u>59,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,850</u>	<u>180,623</u>
	€ <u>38,185</u>	<u>42,752</u>	<u>14,850</u>	<u>11,082</u>	<u>38,158</u>	<u>36,919</u>	<u>-</u>	<u>2,813</u>	<u>91,193</u>	<u>93,566</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(1) Licenses, systems and applications

As of December 31, 2023, this balance mainly includes the ERP Integrated Planning and Management System, which as of that date has the main operating modules of the ERP integrated solution, with a carrying amount of ¢22,178 (2022: ¢25,660). This software is amortized over a 10-year term, ending in 2029 (the remaining useful life is 5 years). Other licenses and applications are amortized over a 3-year term.

(2) Submarine cable rights

The data traffic bandwidth requirement has had an upward trend, which caused the submarine capacity links currently used by ICE to cross the established nominal operation thresholds (even above 95%). Due to this increase and the saturation of submarine capacity, it was necessary to increase that capacity by 130 gigabytes per second (Gbps) through right-of-use of submarine cable. Therefore, as of December 31, 2023, additions were recognized in the amount of ¢7,557.

The terms of the submarine cable IRU establish average terms of 15 years, which may be extended for the lower of a similar term or the useful life of the cable.

(3) Rights of way and easements

Rights of way and easements correspond to *in rem* rights acquired by ICE on land owned by third parties, in order to obtain access to develop its projects and to provide electricity and telecommunications services. However, those rights are mainly for transmission lines.

In accordance with the terms and conditions of the agreements, ICE has rights of way and easements that do not entail the purchase of land or assignment of property to ICE. Furthermore, the agreements do not establish a specific term in years for the exercise of that right, thus establishing a permanent easement.

Consequently, management considers that those intangible assets meet the requirement of having an indefinite useful life, insofar as it is not expressed or indicated in the agreement that there is a definite term for the asset to continue generating cash flows to the entity.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 10. Equity investments**

Equity investments are as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<i><u>Joint venture measured using the equity method:</u></i>		
Tecomunica, S.A. - Nicaragua; 500 ordinary shares with a par value of C\$101,000; 50% ownership interest (1)	¢ <u>812</u>	<u>1,070</u>
<i><u>Other investments:</u></i>		
	<u>54</u>	<u>54</u>
<i><u>Equity investments measured at FVOCI:</u></i>		
Empresa Propietaria de la Red, S.A.; 6,061 shares with a par value of US\$1,000; 10.36% ownership interest (2)	<u>4,772</u>	<u>4,603</u>
	¢ <u><u>5,638</u></u>	<u><u>5,727</u></u>

(1) Tecomunica, S.A. – Nicaragua

Tecomunica, S.A. is composed of ICE and ENATREL (joint venture) and is domiciled in Managua, Nicaragua, with the purpose of selling and marketing telecommunication services.

Grupo ICE applied the equity method to measure the joint venture with ENATREL. A summary of the financial information of Tecmunica, S.A. is provided below:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Percentage ownership interest	<u>50%</u>	<u>50%</u>
Non-current assets	¢ 1,177	1,633
Current assets (including cash and cash equivalents – 2023: ¢110, 2022: ¢99)	907	1,160
Non-current liabilities	(267)	(105)
Current liabilities	<u>(194)</u>	<u>(548)</u>
Net assets (100%)	<u>1,623</u>	<u>2,140</u>
Grupo ICE's share of net assets (50%)	<u>812</u>	<u>1,070</u>
Carrying amount of interest in joint venture	¢ <u><u>812</u></u>	<u><u>1,070</u></u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current liabilities (excluding trade and other payables – 2023: ¢173, 2022: ¢174)	¢ <u>22</u>	<u>29</u>
	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	¢ 1,563	1,930
Depreciation expense	(245)	(294)
Interest income	3	9
Interest expense	(3)	(1)
Income tax expense	(44)	(11)
Profit and total comprehensive income (100%)	<u>(139)</u>	<u>(97)</u>
Profit and total comprehensive income (50%)	<u>(70)</u>	<u>(49)</u>
Grupo ICE's share of other comprehensive income	¢ <u>(70)</u>	<u>(49)</u>

(2) Empresa Propietaria de la Red, S.A. (EPR)

Grupo ICE holds ownership interest in Empresa Propietaria de la Red, S.A. (EPR), which was selected to execute the Sistema de Interconexión Eléctrica para los Países de América Central (SIEPAC, Electric Interconnection System for the Central American countries) Project. This investment is made by Grupo ICE along with the entities responsible for the management of electricity in the six Central American countries and three additional entities located in Spain, Colombia and Mexico. Each of the nine countries holds 11.11% ownership interest in EPR and shall not hold more than 15%.

As of December 31, 2023, due to the measurement of this investment at fair value, increase is recognized in other comprehensive income in the amount of ¢169 (2022: decrease of ¢2,070).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 11. Notes and other accounts receivable, net**

Notes and other accounts receivable, net are as follows:

	As of December 31,					
	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
<u>Notes receivable</u>						
Loan to Empresa Propietaria de la Red, S.A. (1)	¢ 1,210	127	1,337	1,527	145	1,672
Loans due from employees (2)	179,749	1,682	181,431	176,675	1,662	178,337
Payment arrangements	711	2,341	3,052	348	2,590	2,938
Allowance for loan losses - Notes receivable (Note 30)	(1,696)	(2,507)	(4,203)	(1,592)	(3,167)	(4,759)
	<u>179,974</u>	<u>1,643</u>	<u>181,617</u>	<u>176,958</u>	<u>1,230</u>	<u>178,188</u>
<u>Non-trade receivables</u>						
Customers in general	-	18,350	18,350	-	20,138	20,138
Government	-	1,567	1,567	-	2,418	2,418
Other accounts receivable	64	213	277	272	451	723
Allowance for impairment - non-trade receivables (Note 30)	-	(1,133)	(1,133)	-	(1,503)	(1,503)
	<u>64</u>	<u>18,997</u>	<u>19,061</u>	<u>272</u>	<u>21,504</u>	<u>21,776</u>
<u>Interest receivable</u>	-	9,471	9,471	-	9,949	9,949
<u>Tax credits and/or withholdings</u>	-	24,752	24,752	-	19,107	19,107
<u>Advances granted to suppliers</u>						
Customers in general	-	5,860	5,860	-	2,169	2,169
Government	-	2,207	2,207	-	11,028	11,028
Employees	-	66	66	-	43	43
	-	8,133	8,133	-	13,240	13,240
¢	<u>180,038</u>	<u>62,996</u>	<u>243,034</u>	<u>177,230</u>	<u>65,030</u>	<u>242,260</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(1) Loan to Empresa Propietaria de la Red, S.A. (EPR)

This balance corresponds mainly to a loan agreement subscribed by ICE and EPR to repay IDB loan No. 1908, which as of December 31, 2023, amounts to ¢1,337. Of this amount, the current portion is ¢127 and the non-current portion is ¢1,210 (2022: balance of ¢1,672, with a current portion of ¢145 and the non-current portion is ¢1,527). The total term of the loan is 25 years starting December 8, 2009, with a five-year grace period, payable half-yearly, bearing an annual variable interest rate equivalent to 3-month LIBOR + 0.25% funding margin + 0.80% IDB's lending spread, for a total of 3.52% for the period 2022, unsecured. For 2023, an addendum to agreement EPR-07/CR was subscribed to replace the 3-month LIBOR with SOFR, applying the IDB methodology to the current loans; therefore, the rate is equivalent to 6.52%.

(2) Loans due from employees

Loans due from employees are loans granted through ICE's Employee Guarantee and Savings Fund. This fund was created by Law No. 3262 of February 16, 1965. Mortgage loans, personal loans and secured loans are granted to employees for housing, purchase of vehicles and other.

As of December 31, the portfolio of loans to employees, current and in legal collection, by type of guarantee, is as follows:

	2023		
	Loans to employees	Loans in legal collection	Total
Mortgage	¢ 98,078	1,857	99,935
Fiduciary	76,106	1,013	77,119
Chattel mortgage	4,377	-	4,377
	¢ <u>178,561</u>	<u>2,870</u>	<u>181,431</u>
	2022		
	Loans to employees	Loans in legal collection	Total
Mortgage	¢ 101,302	1,711	103,013
Fiduciary	71,675	1,038	72,713
Chattel mortgage	2,611	-	2,611
	¢ <u>175,588</u>	<u>2,749</u>	<u>178,337</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
*(In millions of colones)*

Collateral guarantees: The Fund accepts collateral guarantees (usually mortgages) to secure its loans. The value of collateral is determined by an appraisal performed by an independent appraiser who determines the estimated fair value of land and buildings based on comparable market offerings and prior appraisals made by the appraiser.

Chattel mortgage guarantees: The Fund also accepts chattel mortgage to secure loans on new vehicles. These are established based on the amount included in the pro forma invoice; 80% of the vehicle's value is financed.

The Fund also accepts fiduciary guarantees.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

As of December 31, the terms of the portfolio of loans to employees is as follows:

	2023					
<u>Maturity in years:</u>	<u>0-1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>More than 4 years</u>	<u>Total</u>
<u>Personal portfolio (fiduciary guarantee)</u>						
Balance	¢ 1,472	1,400	2,555	3,117	68,575	77,119
Number of operations	4,570	2,072	2,618	2,098	33,544	44,902
Average annual interest rate	12%	12%	11%	11%	12%	
<u>Mortgage portfolio</u>						
Balance	¢ 170	272	1,176	2,945	95,372	99,935
Number of operations	444	132	241	386	4,004	5,207
Average annual interest rate	9%	9%	8%	8%	8%	
<u>Chattel mortgage portfolio</u>						
Balance	¢ 40	41	245	325	3,726	4,377
Number of operations	20	13	70	62	449	614
Average annual interest rate	8%	8%	8%	8%	7%	
<u>Total portfolio by maturity</u>	¢ <u>1,682</u>	<u>1,713</u>	<u>3,976</u>	<u>6,387</u>	<u>167,673</u>	<u>181,431</u>
<u>Total number of operations</u>	<u>5,034</u>	<u>2,217</u>	<u>2,929</u>	<u>2,546</u>	<u>37,997</u>	<u>50,723</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

	2022					Total
	<u>0-1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>More than 4 years</u>	
<u>Maturity in years:</u>						
<u>Personal portfolio (fiduciary guarantee)</u>						
Balance	¢ 1,209	1,757	2,558	3,834	63,355	72,713
Number of operations	4,548	2,828	2,728	3,249	29,779	43,132
Average annual interest rate	12%	12%	12%	12%	12%	
<u>Mortgage portfolio</u>						
Balance	¢ 407	308	54	1,813	100,431	103,013
Number of operations	396	125	160	294	4,497	5,472
Average annual interest rate	9%	9%	9%	8%	8%	
<u>Chattel mortgage portfolio</u>						
Balance	¢ 46	16	96	389	2,064	2,611
Number of operations	9	4	23	85	269	390
Average annual interest rate	9%	8%	8%	8%	8%	
<u>Total portfolio by maturity</u>	¢ <u>1,662</u>	<u>2,081</u>	<u>2,708</u>	<u>6,036</u>	<u>165,850</u>	<u>178,337</u>
<u>Total number of operations</u>	<u>4,953</u>	<u>2,957</u>	<u>2,911</u>	<u>3,628</u>	<u>34,545</u>	<u>48,994</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**Note 12. Investments in financial instruments**

Long-term investments in financial instruments are as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
At amortized cost	¢ 18,905	42,856
At FVOCI	362,107	303,109
At FVTPL	11,543	13,799
	<u>¢ 392,555</u>	<u>359,764</u>

Note 30 includes information on the risk ratings of investments in financial instruments and Note 14 on short-term investments.

Investments in financial instruments in the amount of ¢373,401 (2022: ¢316,639) are destined specifically for the operation of ICE's Guarantee and Savings Fund.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Investments in financial instruments are as follows:

Issuer	Type of financial instrument	Currency	As of December 31, 2023		
			Balance	Interest rate	Maturity
<b><u>At amortized cost</u></b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	US dollars	¢ 18,878	5.95%	2024 to 2025
<b>Public financial entities</b>					
Term certificate of deposit	Fixed-rate instruments	US dollars	27	3.30% to 3.75%	2024 to 2027
			<u>18,905</u>		
<b><u>At fair value through other comprehensive income</u></b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	Colones	184,680	5.94% to 10.24%	2025 to 2036
Bonds	Variable-rate instruments	Colones	56,428	6.56% to 8.19%	2026 to 2044
Bonds	Fixed-rate instruments	US dollars	37,091	5.41% to 7.18%	2025 to 2034
Bonds	Fixed-rate instruments	DU	25,844	3.39% to 6.36%	2026 to 2043
<b>Private financial entities</b>					
Bonds	Fixed-rate instruments	Colones	47,625	4.57% to 10.14%	2025 to 2033
Bonds	Fixed-rate instruments	US dollars	3,447	4.83% to 6.23%	2025 to 2026
<b>Public financial entities</b>					
Bonds	Fixed-rate instruments	Colones	4,106	5.48% to 10.23%	2025 to 2027
<b>Public non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	1,128	5.85% to 6.48%	2028 to 2029
Bonds	Variable-rate instruments	Colones	855	7.51% to 7.88%	2027 to 2033
<b>Private non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	903	6.52%	2027
			<u>362,107</u>		
<b><u>At fair value through profit or loss</u></b>					
<b>Private financial entities</b>					
Bonds	Closed fund - dividends	US dollars	9,564	1.11% to 3.84%	-
<b>Public financial entities</b>					
Bonds	Closed fund - dividends	US dollars	1,979	2.21% to 7.01%	-
			<u>11,543</u>		
			¢ <u>392,555</u>		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Issuer	Type of financial instrument	Currency	As of December 31, 2022			
			Balance	Interest rate	Maturity	
<b><u>At amortized cost</u></b>						
<b>Government</b>						
Bonds	Fixed-rate instruments	US dollars	¢ 35,239	5.75% to 9.20%	2024 to 2025	
<b>Public financial entities</b>						
Bonds	Fixed-rate instruments	US dollars	5,925	3.90%	2024	
Term certificate of deposit	Fixed-rate instruments	US dollars	1,659	3.30% to 4.75%	2025 to 2027	
Term certificate of deposit	Fixed-rate instruments	Colones	33	7.90% to 8.25%	2024	
			<u>42,856</u>			
<b><u>At fair value through other comprehensive income</u></b>						
<b>Government</b>						
Bonds	Fixed-rate instruments	Colones	153,555	5.94% to 10.75%	2024 to 2036	
Bonds	Variable-rate instruments	Colones	56,819	5.47% to 8.69%	2026 to 2044	
Bonds	Fixed-rate instruments	US dollars	48,286	5.41% to 7.90%	2024 to 2034	
Bonds	Fixed-rate instruments	DU	25,584	3.39% to 6.36%	2026 to 2043	
<b>Private financial entities</b>						
Bonds	Fixed-rate instruments	Colones	10,636	4.26% to 10.14%	2024 to 2027	
Bonds	Fixed-rate instruments	US dollars	308	3.77% to 5.74%	2024 to 2025	
<b>Public financial entities</b>						
Bonds	Fixed-rate instruments	Colones	5,066	5.46% to 8.79%	2024 to 2025	
<b>Public non-financial entities</b>						
Bonds	Fixed-rate instruments	US dollars	1,249	5.85% to 6.48%	2028 to 2029	
Bonds	Variable-rate instruments	Colones	347	7.80% to 8.12%	2027 to 2033	
<b><u>Private non-financial entities</u></b>						
Bonds	Fixed-rate instruments	US dollars	1,259	6.52%	2027	
			<u>303,109</u>			
<b><u>At fair value through profit or loss</u></b>						
<b>Private financial entities</b>						
Bonds	Closed fund - dividends	US dollars	11,842	1.23% to 5.00%	-	
<b>Public financial entities</b>						
Bonds	Closed fund - dividends	US dollars	1,957	1.60% to 7.83%	-	
			<u>13,799</u>			
			<u>¢ 359,764</u>			

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 13. Inventories**

Inventories are as follows:

	As of December 31,	
	2023	2022
Materials, spare parts and supplies	¢ 26,813	26,953
Fuels and lubricants	20,156	9,392
Assets for sale	18,953	15,786
Tools	917	1,076
Inventory of materials in transit	92	827
Other	870	1,345
	¢ <u>67,801</u>	<u>55,379</u>

As of December 31, 2023 and 2022, inventories include decreases in the net realizable value in the amount of ¢11,341 and ¢10,457, respectively. The impairment of inventories recognized as expenses amounted to ¢2,728 (2022: ¢2,017).

During 2023, inventories in the amount of ¢141,308 (2022: ¢89,723) were recognized as operating costs and expenses for the period, depending on the use of those inventories.

**Note 14. Investments in financial instruments**

Short-term investments in financial instruments are as follows:

	As of December 31,	
	2023	2022
At amortized cost	¢ 84,218	134,868
At FVOCI	28,182	47,981
At FVTPL	18,258	8,580
	¢ <u>130,658</u>	<u>191,429</u>

Note 30 includes information on the risk rating of investments in financial instruments and Note 12 on long-term investments.

Investments in financial instruments measured at amortized cost include a restricted amount of ¢22,278 (2022: ¢24,703), which is earmarked as part of a provision for the quarterly payment of interest and principal on the series closest to maturity of bonds payable. Similarly, investments in financial instruments in the amount of ¢45,628 (2022: ¢53,455) are destined for the specific operation of ICE's Guarantee and Savings Fund.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Investments in financial instruments are as follows:

Issuer	Type of financial instrument	Currency	As of December 31, 2023		
			Balance	Interest rate	Maturity
<b><u>At amortized cost</u></b>					
<b>Public financial entities</b>					
Term certificate of deposit	Fixed-rate instruments	Colones	¢ 39,578	3.46% to 9.24%	2024
Mortgage participation certificate	Fixed-rate instruments	Colones	10,984	7.00% to 8.75%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	5,407	1.16% to 4.75%	2024
<b>Private financial entities</b>					
Term certificate of deposit	Fixed-rate instruments	Colones	8,895	4.50% to 6.00%	2024
Investment certificate	Fixed-rate instruments	Colones	3,996	8.40%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	3,827	2.50% to 3.50%	2024
<b>Government</b>					
Bonds	Fixed-rate instruments	US dollars	11,531	5.75% to 9.20%	2024
			<u>84,218</u>		
<b><u>At fair value through other comprehensive income</u></b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	Colones	9,366	7.25% to 10.75%	2024
Bonds	Fixed-rate instruments	US dollars	8,556	5.66% to 7.90%	2024
<b>Private financial entities</b>					
Bonds	Variable-rate instruments	Colones	5,081	4.97% to 9.96%	2024
Bonds	Fixed-rate instruments	US dollars	1,665	3.77% to 6.11%	2024
<b>Public financial</b>					
Bonds	Fixed-rate instruments	Colones	3,514	5.46% to 10.90%	2024
			<u>28,182</u>		
<b><u>At fair value through profit or loss</u></b>					
<b>Public financial entities</b>					
Bonds	Investment fund	Colones	17,141	2.15% to 3.41%	2024
Investment fund	Fixed-rate instruments	US dollars	711	3.71% to 4.13%	2024
Investment fund	Investment fund	US dollars	102	1.00%	2024
Bonds	Investment fund	Colones	304	3.21% to 3.43%	2024
			<u>18,258</u>		
			¢ <u>130,658</u>		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Issuer	Type of financial instrument	Currency	As of December 31, 2022		
			Balance	Interest rate	Maturity
<b><u>At amortized cost</u></b>					
<b>Public financial entities</b>					
Term certificate of deposit	Fixed-rate instruments	Colones	¢ 101,066	4.65% to 8.82%	2023
Mortgage participation certificate	Fixed-rate instruments	Colones	7,985	8.75% to 9.35%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	117	0.09% to 1.02%	2023
<b>Private financial entities</b>					
Term certificate of deposit	Fixed-rate instruments	Colones	20,561	7.00% to 9.35%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	5,139	1.75% to 3.00%	2023
			<u>134,868</u>		
<b><u>At fair value through other comprehensive income</u></b>					
<b>Public financial entities</b>					
Bonds	Fixed-rate instruments	Colones	24,648	3.17% to 10.92%	2023
Bonds	Variable-rate instruments	Colones	2,392	7.47%	2023
<b>Private financial entities</b>					
Bonds	Fixed-rate instruments	Colones	9,077	5.95% to 10.71%	2023
Bonds	Fixed-rate instruments	US dollars	1,773	4.74%	2023
<b>Government</b>					
Bonds	Variable-rate instruments	Colones	3,002	9.13%	2023
Bonds	Fixed-rate instruments	US dollars	2,837	6.53%	2023
Bonds	Fixed-rate instruments	Colones	1,497	8.86% to 9.10%	2023
<b>Private non-financial entities</b>					
Bonds	Variable-rate instruments	Colones	1,825	7.54%	2023
Bonds	Fixed-rate instruments	Colones	719	8.62% to 8.85%	2023
<b>Public non-financial</b>					
Bonds	Variable-rate instruments	Colones	211	8.08%	2023
			<u>47,981</u>		
<b><u>At fair value through profit or loss</u></b>					
<b>Public financial entities</b>					
Bonds	Investment fund	Colones	5,707	2.92% to 4.06%	2023
Investment fund	Fixed-rate instruments	US dollars	2,581	1.64% to 2.73%	2023
Bonds	Investment fund	US dollars	168	1.52%	2023
Investment fund	Investment fund	Colones	124	1.00%	2023
			<u>8,580</u>		
			¢ <u>191,429</u>		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**Note 15. Trade receivables, net**

Trade receivables, net, are as follows:

	As of December 31,	
	2023	2022
Customers in general	¢ 218,093	194,378
Government	61,381	40,958
Private banks	177	297
	<u>279,651</u>	<u>235,633</u>
Allowance for impairment of trade receivables (Note 30)	(64,900)	(60,605)
	<u>¢ 214,751</u>	<u>175,028</u>

Note 30 includes information on Grupo ICE's exposure to credit risk, market and impairment losses.

**Note 16. Cash and cash equivalents**

Cash and cash equivalents are as follows:

	As of December 31,	
	2023	2022
Cash on hand and in banks	¢ 339,737	302,123
Restricted cash	20,677	19,728
Cash equivalents	18,130	16,927
	<u>¢ 378,544</u>	<u>338,778</u>

Restricted cash includes ¢2,840 (2022: ¢1,830) destined for the specific operation of ICE's Guarantee and Savings Fund.

Cash equivalents mainly include demand and term certificates of deposit bearing interest at rates ranging from 3.79% to 5.57% per annum in colones and 2.69% per annum in US dollars (2022: from 1.05% to 5.50% per annum in colones and from 0.69% to 0.84% per annum in US dollars).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 17. Financial debt****a. Bonds payable**

Bonds payable issued by Grupo ICE are as follows:

	Currency	Annual interest rate	Maturity	As of December 31,						
				2023			2022			
				Non-current	Current	Total	Non-current	Current	Total	
<b><u>Internal debt:</u></b>										
Bonds issue	¢	Variable rate between 7.20% and 10.12% (2022: variable rate between 5.30% and 7.85%) and fixed rate between 7.33% and 8.63% in 2023 and 2022	2024-2035	¢	105,402	46,694	152,096	150,411	74,457	224,868
Bonds issue	US\$	Fixed rate 7.61% in 2023 and 2022	2024-2027		89,403	62,047	151,450	175,857	-	175,857
<b><u>External debt:</u></b>										
Bonds issue	US\$	Fixed rate between 6.38% and 6.75% in 2023 and 2022	2031-2043		414,789	-	414,789	472,973	-	472,973
				¢	<u>609,594</u>	<u>108,741</u>	<u>718,335</u>	<u>799,241</u>	<u>74,457</u>	<u>873,698</u>

The debt balance includes the deduction of an amount of US\$2.5 million (equivalent to ¢1,319) (2022: US\$2.7 million, equivalent to ¢1,614) corresponding to the transactions costs of a bond issue performed during the year ended December 31, 2021, which are amortized over the debt term using the interest rate method.

Note 30 includes information on Grupo ICE's exposure to interest rate, currency and liquidity risks.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**b. Loans payable**

Loans payable by currency and maturity are as follows:

	As of December 31,	
	2023	2022
<u>Internal debt:</u>		
Colones	¢ 744,785	777,471
<u>External debt:</u>		
Colones	190,128	205,851
US dollars	312,894	370,680
Yen	77,746	94,466
	¢ <u>1,325,553</u>	<u>1,448,468</u>
Non-current	¢ 1,242,181	1,356,137
Current	83,372	92,331
	¢ <u>1,325,553</u>	<u>1,448,468</u>

Loans payable in US dollars and in yen amount to US\$597 (millions of dollars) and ¥21,047 (millions of yens) (2022: US\$620 -millions of dollars- and ¥20,841 -millions of yens-, respectively).

Note 30 includes information about Grupo ICE's exposure to interest rate, currency and liquidity risks.

Loans payable by creditor are as follows:

	As of December 31,	
	2023	2022
<u>Internal debt:</u>		
State-owned banks	¢ 744,785	777,471
<u>External debt:</u>		
Private banks	580,490	670,655
Other creditors	278	342
	¢ <u>1,325,553</u>	<u>1,448,468</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The characteristics of loans payable are as follows:

	Interest rate	Currency	Term
Internal debt	Variable rate from 7.36% to 9.38% (2022: variable rate from 5.55% to 9.70%)	¢	Maturing between August 31, 2025 and December 13, 2048 in 2023 and 2022.
	Variable rate 6.00% in 2023 Variable rate from 2.80% to 7.75% (2022: variable rate from 2.85% to 7.80%)	US\$ ¢	Maturing on June 30, 2023 Maturing between April 15, 2026 and January 15, 2031
External debt	Variable rate from 2.52% to 10.47% (2022: variable rate from 1.60% to 10.31%) and fixed rate at 6.40% in 2023 (2022: fixed rate ranging from 0.70% to 6.40%)	US\$	Maturing between October 26, 2026 and March 15, 2044 (2022: between February 15, 2023 and March 15, 2044)
	Fixed rate ranging from 0.60% to 2.20% in 2023 and 2022	JPY	Maturing between April 20, 2026 and June 20, 2057 in 2023 and 2022

Loans payable for a total of ¢1,325,553 (2022: ¢1,448,468) include loans secured by promissory notes subscribed by ICE (no collateral) in the amount of ¢742,868 (2022: ¢828,323) and loans endorsed by the Government in the amount of ¢153,533 (2022: ¢159,098).

In addition, bank loans in the amount of ¢429,152 (2022: ¢461,047) are secured by land, buildings, machinery and equipment with a carrying amount of ¢782,639 (2022: ¢808,567) (see Note 8).

Generally, loan agreements establish a number of commitments regarding environmental, legal, financial, operational and business matters, among others, which the debtor must comply with. Those commitments are typically known as “covenants.” In the case of Grupo ICE, several of the agreements subscribed to date include “positive covenants” and “negative covenants”, which establish commitments that Grupo ICE must meet and restrictions or limitations on certain actions, usually requiring prior approval from the creditor. Financial covenants are usually related to financial ratios based on EBITDA (in some cases including lease payments), such as EBITDA coverage ratio, net debt to total assets, etc.

Some of the loan agreements include the following clauses:

- a) *Cross Default*: these clauses establish that upon execution of a loan agreement, Grupo ICE expressly and irrevocably accepts that noncompliance with payment obligations, with other terms and conditions of the loan agreement, or with loan agreements subscribed by Grupo ICE and other creditors will result in early termination of the corresponding loan and all other loan agreements in effect with the same creditor.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- b) *Pari Passu*: according to this clause, Grupo ICE recognizes that the obligations and guarantees under the corresponding agreements will have equal claim on payment rights (pari passu) with respect to other present or future obligations derived from Grupo ICE's debt (except for debt commitments given preference by law).

As of December 31, 2023, financial covenants related to debt agreements meet the established limits.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)***c. Lease liabilities***

Lease liabilities are as follows:

	Currency	Interest rate	Maturity	December 31,					
				2023			2022		
				Non-current	Current	Total	Non-current	Current	Total
Lease liabilities	Colones	Variable rate between 9.89% and 12.55% (variable rate between 11.14% and 11.21% in 2021) and fixed rate between 9.90% and 12.94%	2024-2038 (2022: 2023-2024)	¢ 1,119	496	1,615	200	400	600
Lease liabilities	US dollars	Variable rate between 5.01% and 15.92% (variable rate between 5.88% and 23.14% in 2022) and fixed rate between 7.85% and 9.26%. (fixed rate between 4.90% and 7.46% in 2022)	2024-2041 (2022: 2023-2041)	252,894	18,524	271,418	270,142	62,432	332,574
				¢ <u>254,013</u>	<u>19,020</u>	<u>273,033</u>	<u>270,342</u>	<u>62,832</u>	<u>333,174</u>

Note 30 includes information on Grupo ICE's exposure to interest rate, currency and liquidity risks.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**d. Reconciliation of changes in liabilities and cash flows from financing activities**

	Bonds payable	Loans payable	Lease liabilities	Total
Balance as of December 31, 2022	¢ 873,698	1,448,468	333,174	2,655,340
<u>Changes due to cash flows from financing activities</u>				
New loans	-	41,885	7,126	49,011
Amortization	(85,184)	(77,090)	(65,238)	(227,512)
Total changes due to cash flows from financing activities	(85,184)	(35,205)	(58,112)	(178,501)
Effect of exchange rate fluctuations	(70,179)	(87,710)	(41,941)	(199,830)
Remeasurement of lease liabilities (see note 18)	-	-	39,912	39,912
Balance as of December 31, 2023	¢ <u>718,335</u>	<u>1,325,553</u>	<u>273,033</u>	<u>2,316,921</u>
<u>Other changes</u>				
Cost of capitalized loans (see note 8)	¢ -	728	-	728
Interest expense (see note 28)	60,920	76,869	68,857	206,646
Interest paid	(62,604)	(79,375)	(68,881)	(210,860)
Total other changes related to liabilities	¢ <u>(1,684)</u>	<u>(1,778)</u>	<u>(24)</u>	<u>(3,486)</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

	Bonds payable	Loans payable	Lease liabilities	Total
Balance as of December 31, 2021	¢ 1,012,230	1,575,292	397,249	2,984,771
<i>Changes due to cash flows from financing activities</i>				
New loans	-	102,492	10,803	113,295
Amortization	(95,182)	(171,509)	(53,345)	(320,036)
Total changes due to cash flows from financing activities	(95,182)	(69,017)	(42,542)	(206,741)
Effect of exchange rate fluctuations	(43,350)	(57,807)	(21,533)	(122,690)
Balance as of December 31, 2022	¢ <u>873,698</u>	<u>1,448,468</u>	<u>333,174</u>	<u>2,655,340</u>
<i>Other changes</i>				
Cost of capitalized loans (Note 8)	-	569	-	569
Interest expense (Note 28)	71,466	59,102	94,090	224,658
Interest paid	(70,941)	(55,758)	(92,282)	(218,981)
Total other changes related to liabilities	¢ <u>525</u>	<u>3,913</u>	<u>1,808</u>	<u>6,246</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 18. Leases**

Grupo ICE leases power plants, commercial spaces, tower spaces, telecom equipment and other assets. Power plant leases include the payment of fixed installments with no variation until the end of the contract and payments based on the use of the underlying asset (variable payments due to purchase of energy- Build-Own-Operate (BOO)). In conformity with IFRS 16, Grupo ICE did not recognize the BOO contracts with variable payments in the measurement of lease liabilities and right-of-use assets. Power plant leases have terms of 15 to 19 years (2022: 12 to 19 years). Leases bear interest at rates ranging from 11.83% to 15.92% per annum (2022: from 5.88% to 23.14% per annum). Grupo ICE is exposed to variations in lease payments that are based on the use of the underlying asset, which vary according to the water or wind available to generate energy.

The terms of minor leases of buildings are usually 3 years, or more in some cases, and payments increase every 12 months as agreed by the parties when the lease agreement is subscribed. The terms of leases of spaces in towers and physical spaces, which are used for the installment of telecommunications equipment, are generally 10 years, with the option to extend up to three times, for five years each, and payments increase each year. The percentage increase is established in the conditions agreed with the lessor. Grupo ICE also leases warehouses, computer equipment, machinery and construction equipment. These lease agreements are short-term and/or low-value agreements. Grupo ICE has elected not to recognize right-of-use assets or the corresponding liabilities related to these leases.

On June 30, 2022, the lease agreement with Fideicomiso PT Garabito concluded, so the thermal power plant became property of Grupo ICE.

As of December 31, 2022, ICE updated the right-of-use asset in the amount of ¢4,095 and the corresponding lease liability by ¢3,992, related to the lease agreement signed with Huawei (STB terminal equipment and licenses). On September 30, 2023, the Commercial Agreement with Huawei concluded, therefore, the STB (Set-Top-Boxes) became property of Grupo ICE. The asset has a carrying amount of ¢2,435.

On July 12, 2023, the La Joya Hydroelectric Power Plant was received, which is located in Tucurrique district, Jiménez canton, Cartago province, which was built under the BOT model (Build - Operate - Transfer), under Law No. 7508. The power plant has an installed capacity of 50 mW and has a carrying amount of ¢23,217.

On July 29, 2023, El General Hydroelectric Power Plant, which is located in Sarapiquí district, Heredia province, and was also built under the BOT model. The power plant has an installed capacity of 40 mW and has a carrying amount of ¢23,797.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

As a result of the end of the contracts described above, the lease liabilities related to those contracts were written off the consolidated financial statements.

On the other hand, on October 31, 2023, the option to buy Pailas I was exercised, which operated as a lease. The final settlement of the debt with BCIE was performed. The carrying amount of this asset is ¢38,782.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)1. *Right-of-use assets*

Right-of-use assets are as follows:

	As of January 1, 2022	Additions and capitalizations	Depreciation	Disposals	Adjustments and transfers	As of December 31, 2022	Additions and capitalizations	Depreciation	Disposals	Adjustments and transfers	As of December 31, 2023
<u>Right-of-use assets</u>											
Lands	¢ 15,487	-	-	-	-	15,487	-	-	-	(2,872)	12,615
Buildings and facilities	1,872	2,557	(2,202)	805	114	3,146	4,162	(1,528)	(188)	(54)	5,538
Hydroelectric power generation	156,214	-	(3,706)	-	-	152,508	-	(3,503)	-	(44,160)	104,845
Geothermal power generation	44,232	-	(3,012)	-	-	41,220	-	(2,511)	-	(38,709)	-
Wind power generation	67,647	-	(9,592)	-	-	58,055	-	(10,002)	-	-	48,053
Substations	4,516	670	(287)	-	-	4,899	4	(292)	-	-	4,611
Transmission lines	4,341	-	(207)	-	487	4,621	-	(207)	-	-	4,414
Transport	-	10	(1)	-	-	9	157	-	-	9	175
Access	3,427	3,311	(1,882)	-	(182)	4,674	507	(2,130)	(29)	(2,442)	580
Platforms	1,860	783	(1,116)	-	-	1,527	5,386	(2,255)	-	-	4,658
Furniture and equipment	149	-	(128)	-	-	21	-	(16)	-	-	5
Tower sites and lands	9,146	4,878	(2,808)	-	-	11,216	33,378	(3,896)	(741)	-	39,957
¢	308,891	12,209	(24,941)	805	419	297,383	43,594	(26,340)	(958)	(88,228)	225,451

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

## 2. Amounts recognized in profit or loss

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest on lease liabilities (Notes 17d and 28)	¢ 68,857	94,090
Short-term leases and leases of low-value assets (Note 26)	7,212	4,041
Variable lease payments based on the use of the underlying asset (Note 26)	<u>43,802</u>	<u>49,092</u>
	<u>¢ 119,871</u>	<u>147,223</u>

## 3. Amounts recognized in the statement of cash flows

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflows for leases	¢ <u>134,119</u>	<u>145,627</u>

## 4. Extension options

For minor leases (commercial spaces and tower sites), although there are extension options (renewal), the probability of executing those options is conditioned by contractual, commercial and financial matters that Grupo ICE assesses before renewal.

For spaces in towers, there is reasonable certainty of exercising renewal options at least for the next 15 years (until 2039), considering the strategic objectives of Grupo ICE and the need to give continuity to the existing telecom services and maintaining the infrastructure to implement 5G technology. This does not limit the annual review performed by the Telecom Segment to ensure the reasonableness of the estimated term of those leases.

Where applicable, terms are set up for 36 months, automatically renewable for equal terms upon maturity, unless the lessor or lessee gives a notice three months prior to maturity that it wishes to terminate the lease. This means that extensions are optional and there is uncertainty as to whether they will be exercised and as to the term of the extension.

For major lease agreements (such as power plants), there is reasonable certainty that the purchase option will be exercised and for some leases the transfer of the asset at the end of the agreement is contractually established. Consequently, for all major leases, the depreciation of right-of-use assets derived from these contracts is calculated based on the useful lives set by Grupo ICE.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 19. Employee benefits**

Employee benefits are as follows:

	As of December 31,					
	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Severance benefits (a)	¢ 63,603	1,841	65,444	60,661	7,485	68,146
ICE Guarantee and Savings Fund (b):						
Employer contribution	402,708	46,720	449,428	390,205	46,630	436,835
ICE Employer obligations (c):						
Vacations	-	20,097	20,097	-	22,130	22,130
Back-to-school bonus	-	18,522	18,522	-	19,487	19,487
Statutory Christmas bonus	-	1,150	1,150	-	1,561	1,561
Third and fifth biweekly salary	-	384	384	-	812	812
Occupational hazard insurance	-	835	835	-	465	465
	¢ <u>466,311</u>	<u>89,549</u>	<u>555,860</u>	<u>450,866</u>	<u>98,570</u>	<u>549,436</u>

**Defined benefit plans**

As of December 31, 2023, of the total obligation for severance benefits, the amount of ¢61,146 correspond to permanent employees (2022: ¢64,927); ¢4,298 to project employees (2022: ¢3,219) for a total of ¢65,444 (2022: ¢68,146).

**a. Grupo ICE severance benefits**

Starting December 2018, the *Law to Strengthen Public Finances* (Law No. 9635) entered into effect. Transition provision XXVII, Chapter I, Section V of this law set forth that for employees with a right to severance benefits acquired through legal instruments other than collective agreements, once the law entered into effect on December 4, 2018, those with at least 12 years of service would have the right to receive up to a maximum of 12 years of severance benefits. All other employees would have the right to receive up to a maximum of eight years of severance benefits. Previously, ICE followed the “*Personnel Statute*”, which established in Chapter XXXVII the rules in effect for the payment of severance benefits for termination of the employment contract (with employer liability), according to the years of service and as established in said regulations. In May 2023, through resolution No. 2023-12086, the Constitutional Chamber declared partly unconstitutional Articles 100 and 101 of the Collective Bargaining Agreement and limited for a maximum of 12 years. Consequently, as of the publication of that resolution in the Official Gazette on June 26, 2023, CNFL made the severance payment calculations with the established maximum limit.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Regarding personnel to whom the scope of Articles 100 and 101 of the Collective Bargaining Agreement does not apply, the benefit will continue to be calculated based on Article 29 of the Labor Code and Article 99 of the Collective Bargaining Agreement, as applicable.

Article 99 of the Collective Bargaining Agreement will continue to be applied with the modifications made according to judgment 2020-0320 of the Constitutional Chamber, with a limit of a maximum of 12 years and eliminating resignation from the application criteria.

Until December 31, 2017, the sum of years recognized before and after the *Employee Protection Law* became effective could not exceed 24 years of severance benefits, corresponding to a period of 40 years of continuous service at ICE. Starting in 2018, the cap was modified when the aforementioned Law No. 9365 became effective.

In January 2022, the board of directors of CCSS approved an amendment to the Regulations for Disability, Old Age and Death (RIVM), which eliminates early retirement for men, who can retire only once they reach 65 years old. Women will have the early retirement option at 63 years old, not at 60. This amendment to the Costa Rican pension regime will enter into effect on January 11, 2024.

The provisions set forth in the Staff Regulations include the following:

- i. An employee whose employment contract is terminated with the recognition of severance benefits will have the right to the payment of such benefits based on seniority.
- ii. The payment of severance benefits is a compound calculation that considers whether the employees were hired before or after the *Employee Protection Law* as of March 2001, pursuant to the following criteria:
  - a. The time of service before the *Employee Protection Law* will be recognized in the proportion of one-month salary for six months to one year of service. When the time of service exceeds eight years, one-month salary will be recognized for every two years of service after the first eight years.
  - b. The time of service after the *Employee Protection Law* will be paid with the amount for salary days included in amended Article 29 of the Labor Code and according to a scale established therein. In no event shall such severance benefits be paid beyond the last eight years of employment. This applies to personnel hired under payroll modality 08 established in ICE's Autonomous Labor Regulations (RAL). Until December 31, 2017, for the rest of the employees, severance benefits are paid up to a maximum of 24 years, corresponding to 40 years of service, in accordance with the statute. Severance benefits shall be paid even if the worker immediately starts working for another employer.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

ICE's net obligation related to employee benefit plans (severance) is calculated separately for each plan, estimating the amount of the future benefit which employees have accrued in the current and prior periods, discounting this amount and deducting the fair value of the plan assets (advance severance payments, if any).

The calculation of employee benefits is performed annually by a qualified actuary, using the projected unit credit method, also known as the accumulated benefits in proportion to the services rendered method or the benefits for years of service method. When the calculation results in a possible asset for ICE, the recognized asset is limited to the present value of economic benefits available as future plan reimbursements or decreases in future contributions to the plan. To calculate the present value of economic benefits, any minimum financing requirement must be taken into consideration.

The new measurements of the net defined benefit obligation (employee benefits), which includes actuarial gains and losses, returns on plan assets, if any (excluding interest), and the effect of the asset ceiling, if any (excluding interest), are recognized immediately in other comprehensive income. ICE determines the interest expense of the net employee benefit liability for the period by applying the discount rate used to measure the employee benefit liability at the beginning of the year to the net employee benefit liability, considering any change in the employee benefit liability during the period as a result of contributions made and payment of benefits. The interest expense and other expenses related to employee benefit plans are recognized in profit or loss.

When there is a modification or decrease in plan benefits, the resulting modification related to past service or the gain or loss due to the decrease is immediately recognized in profit or loss. ICE recognizes gains or losses on the payment of employee benefits when it occurs.

The amount estimated for the payment of severance to employees within one year or less is booked as a current provision for employee benefits (severance), according to the results of the actuarial studies of such benefit.

The calculation of the severance benefit obligations for ICE and its subsidiaries CNFL and RACSA are as follows:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Instituto Costarricense de Electricidad (ICE)Movement in the defined benefit obligation (severance)

The reconciliation of the opening and closing balances of the defined benefit obligation (severance) and its components, as defined by an actuarial study, with respect to permanent employees (excluding project employees) is as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Reconciliation of the defined benefit obligation</u>		
Balance as of January 1	¢ 60,063	76,988
<i>Expense (income) recognized in profit or loss:</i>		
Current service cost	2,030	1,581
Prior-services cost	-	(8,464)
Net interest on the defined benefit obligation	<u>4,685</u>	<u>4,790</u>
	<u>6,715</u>	<u>(2,093)</u>
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	<u>12,720</u>	<u>(5,587)</u>
Severance benefits paid by ICE	<u>(19,171)</u>	<u>(9,245)</u>
Balance at end of year	¢ <u><u>60,327</u></u>	<u><u>60,063</u></u>

ICE's obligation for severance benefits is calculated annually using the projected unit credit method, also known as the "accumulated benefits in proportion to the services rendered method" or the "benefits for years of service method."

(i) As of and for the year ended December 31, actuarial losses (gains) are as follows:

	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Loss (gain) on demographic assumptions	¢ (14)	-
Loss (gain) on financial assumptions	8,230	(12,595)
Loss (gain) on experience adjustments	<u>4,504</u>	<u>7,008</u>
	¢ <u><u>12,720</u></u>	<u><u>(5,587)</u></u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(ii) Actuarial assumptions

The main actuarial assumptions as of the reporting date are as follows:

	As of December 31,	
	2023	2022
Nominal discount rate	7.35%	9.28%
Expected salary increase rate	1.41%	1.76%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	3.0%	3.5%

Sensitivity analysis

Actuarial assumptions related to life expectancy have been established based on published statistics and mortality rates. The calculation of the severance benefits provision is particularly sensitive to changes in key actuarial assumptions. The following tables show the effects of changes in the discount rate and salary increase percentages on the calculation of the severance benefits provision. The sensitivity analysis presented below has been determined based on possible and reasonable changes in the corresponding assumptions, occurring at the end of the reporting period, while all other variables remain constant. The following sensitivity analysis shows the impact of a 0.5% variation (positive or negative) in the obligation amount. The intermediate value is what ICE's management selected to perform the calculations.

		As of December 31, 2023		
		Discount rate variation		
		6.85%	7.35%	7.85%
	0.91%	¢ 59,854	56,958	<b>54,268</b>
Variation in salary increase rate	1.41%	¢ 63,463	<b>60,327</b>	57,419
	1.91%	¢ <b>67,348</b>	63,951	60,802

The minimum amount of the obligation (¢54,268) occurs if the salary increase rate is the lowest in the sensitivity range (0.91%) and the discount rate is the highest (7.85%). The maximum amount of the obligation (¢67,348) occurs in the opposite case. The calculated amount (¢60,327) falls in the mid-range of this sensitivity analysis.

		As of December 31, 2022		
		Discount rate variation		
		8.78%	9.28%	9.78%
	1.26%	¢ 59,573	57,041	<b>54,680</b>
Variation in salary increase rate	1.76%	¢ 62,796	<b>60,063</b>	57,517
	2.26%	¢ <b>66,254</b>	63,301	60,554

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The minimum amount of the obligation (¢54,680) occurs if the salary increase rate is the lowest in the sensitivity range (1.26%) and the discount rate is the highest (9.78%). The maximum amount of the obligation (¢66,254) occurs in the opposite case. The calculated amount (¢60,063) falls in the mid-range of this sensitivity analysis.

As of December 31, 2023, the average retirement period was 14.87 years (2022: 17.08 years), and the average employee seniority was 19.4 years (2022: 19.6 years), with an average age of 46.7 years (2022: 46.8 years).

CNFLMovement in the defined benefit obligation (severance)

The reconciliation of the opening and closing balances of the defined benefit obligation (severance benefits) and its components, as defined by an actuarial study, is as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Reconciliation of the defined benefit obligation</u>		
Balance at beginning of year	¢ 4,632	13,242
<i>Expense (income) recognized in the statement of profit or loss:</i>		
Current service cost	242	1,567
Prior-services cost	(3,613)	(2,771)
Net interest on the defined benefit obligation	228	790
	<u>(3,143)</u>	<u>(414)</u>
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	3,441	(5,588)
Severance benefits paid by CNFL	(4,354)	(2,608)
Balance at end of year	¢ <u><u>576</u></u>	<u><u>4,632</u></u>

CNFL's obligation for severance benefits is calculated annually using the projected unit credit method, also known as the "accumulated benefits in proportion to the services rendered method" or the "benefits for years of service method".

(i) As of and for the year ended December 31, actuarial losses (gains) are as follows:

	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Gain on demographic assumptions	¢ (8)	(34)
Loss (gain) on financial assumptions	258	(3,572)
Loss (gain) on experience adjustments	3,191	(1,982)
	<u><u>3,441</u></u>	<u><u>(5,588)</u></u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(ii) Actuarial assumptions

The main actuarial assumptions as of the reporting date are as follows:

	As of December 31,	
	2023	2022
Nominal discount rate	7.37%	9.28%
Expected salary increase rate	3.95%	3.15%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	2.20%	3%

Sensitivity analysis

Actuarial assumptions related to life expectancy have been established based on published statistics and mortality rates. The calculation of the severance benefits provision is particularly sensitive to changes in key actuarial assumptions. The following tables show the effects of changes in the discount rate and salary increase percentages on the calculation of the severance benefits provision. The sensitivity analysis presented below has been determined based on possible and reasonable changes in the corresponding assumptions, occurring at the end of the reporting period, while all other variables remain constant. The following sensitivity analysis shows the impact of a 0.5% variation (positive or negative) in the obligation amount. The midrange value was chosen by the CNFL's management to perform the calculations.

		As of December 31, 2023		
		Discount rate variation		
		6.85%	7.35%	7.85%
Variation in salary increase rate	3.45% ¢	574	508	<b>454</b>
	3.95% ¢	654	<b>576</b>	511
	4.45% ¢	<b>747</b>	656	578

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The minimum amount of the obligation (¢454) occurs if the salary increase rate is the lowest in the sensitivity range (3.45%) and the discount rate is the highest (7.85%). The maximum amount (¢747) occurs in the opposite case. The calculated amount (¢576) falls in the mid-range of this sensitivity analysis.

		As of December 31, 2022		
		Discount rate variation		
		8.78%	9.28%	9.78%
Variation in salary increase rate	2.65% ¢	4,603	4,166	<b>3,734</b>
	3.15% ¢	5,134	<b>4,632</b>	4,164
	3.65% ¢	<b>5,741</b>	5,164	4,650

The minimum amount of the obligation (¢3,734) occurs if the salary increase rate is the lowest in the sensitivity range (2.65%) and the discount rate is the highest (9.78%). The maximum amount (¢5,741) occurs in the opposite case. The calculated amount (¢4,632) falls in the mid-range of this sensitivity analysis.

As of December 31, 2023, the average retirement period was 18.54 years (2022: 17.11 years) and the average employee seniority was 16.64 years (2022: 18.03 years), with an average age of 42.95 years (2022: 44.44 years).

RACSAMovement in the defined benefit obligation (severance)

The reconciliation of the opening and closing balances of the defined benefit liability (severance benefits) and its components, as defined by an actuarial study, is as follows:

	As of December 31,	
	2023	2022
<u>Reconciliation of the defined benefit obligation</u>		
Balance at beginning of year	¢ 233	342
<i>Expense (income) recognized in profit or loss for the year:</i>		
Current service cost	196	170
Prior-services cost	-	(48)
Net interest on the defined benefit obligation	7	18
	<u>203</u>	<u>140</u>
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	309	(103)
Severance benefits paid by RACSA	<u>(502)</u>	<u>(146)</u>
Balance at end of year	¢ <u><u>243</u></u>	<u><u>233</u></u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

RACSA's severance benefits obligation is calculated annually using the projected unit credit method, also known as the "accumulated benefits in proportion to the services rendered method" or the "benefits for years of service method".

(i) As of and for the year ended December 31, actuarial losses (gains) are as follows:

	For the year ended December 31,	
	2023	2022
Loss (gain) on demographic assumptions	¢ (5)	12
Loss (gain) on financial assumptions	34	(213)
Loss (gain) on experience adjustments	280	98
	¢ <u>309</u>	<u>(103)</u>

(ii) Actuarial assumptions

The main actuarial assumptions as of the reporting date are as follows:

	As of December 31,	
	2023	2022
Nominal discount rate	7.19%	9.26%
Expected salary increase rate	2.43%	3.56%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	2.20%	5.06%

Sensitivity analysis

Actuarial assumptions related to life expectancy have been established based on published statistics and mortality rates. The calculation of the severance benefits provision is particularly sensitive to changes in key actuarial assumptions. The following tables show the effects of changes in the discount rate and salary increase percentages on the calculation of the severance benefits provision. The sensitivity analysis presented below has been determined based on possible and reasonable changes in the corresponding assumptions, occurring at the end of the reporting period, while all other variables remain constant. The following sensitivity analysis shows the impact of a 0.5% variation (positive or negative) in the obligation amount. The intermediate value is what RACSA's management selected to perform the calculations.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

		As of December 31, 2023		
		Discount rate variation		
		6.69%	7.19%	7.69%
Variation in salary increase rate	1.93% ¢	244	225	<b>210</b>
	2.43% ¢	264	<b>243</b>	224
	2.93% ¢	<b>288</b>	263	242

The minimum amount of the obligation (¢210) occurs if the salary increase rate is the lowest in the sensitivity range (1.93%) and the discount rate is the highest (7.69%). The maximum amount (¢288) occurs in the opposite case. The calculated amount of (¢243) is at the mid-range of this sensitivity analysis.

		As of December 31, 2022		
		Discount rate variation		
		8.76%	9.26%	9.76%
Variation in salary increase rate	3.63% ¢	234	218	<b>204</b>
	4.13% ¢	251	<b>233</b>	217
	4.63% ¢	<b>270</b>	250	231

As of December 31, 2023, the average retirement period was 10.74 years (2022: 12 years), and the average employee seniority was 7.01 years (2022: 8.7 years), with an average age of 35.41 years (2022: 37 years).

**Defined contribution plans****b. Guarantee and Savings Fund**

The Guarantee and Savings Fund was created through Law No. 3625 of December 16, 1965, which adds Article 17 to Law No. 449 dated April 8, 1949, whereby ICE was created. In conformity with this law, such reserves must be used for severance payments and for the guarantee and savings fund for permanent employees. Furthermore, ICE shall continue to make contributions at an amount no less than that contributed by employees to the fund. Funds contributed by ICE are of its property and shall be used for the proposed objectives, in conformity with the regulations issued by the board of directors for this purpose.

In 1988, the ICE Supplemental Pension Fund was added through an arbitration award issued by the Superior Court on Labor Matters. It began operating in 1990 and was given a legal basis in February 2000 by the *Employee Protection Law* (Law No. 7983). In 2008, the *Law on Strengthening and Modernization of Public Entities in Telecommunication Sector* (Law No. 8660) entered into effect.

The Guarantee and Savings Fund includes the following employee benefits:

- Guarantee and Savings Fund
- Supplemental Pension Fund

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Benefit – Guarantee and Savings Fund

The Guarantee and Savings Fund was created to provide support to employees. It is funded by both employer and employee contributions. ICE makes a monthly contribution equivalent to 5% of the employees' gross salary (6% until June 2016) and employees make a monthly contribution of 5% of their gross salary.

These contributions are managed by the Guarantee and Savings Fund. After 20 years of service at ICE, employees who retire have the right to the balance reflected in their individual account and ICE's contributions.

Benefit – Supplemental Pension Fund

The main goal of the Supplemental Pension Fund is to contribute to employee welfare by providing an additional amount to any pension fund of the public sector. Every month, ICE transfers an amount equivalent to 3.5% of the employees' monthly gross salary. The returns derived from the management of the contribution amount are capitalized to the supplemental pension system (2.5% of the returns) and to the severance benefits obligation fund for strengthening purposes (the remaining 1% of the returns).

Personal and institutional contributions

As indicated above, the Guarantee and Savings Fund comprises two contributions, one made by the employee, equivalent to 5% of the monthly salary earned, and another one made by ICE (employer contribution), equivalent to 5% of the employees' monthly salary. These contributions may be used by employees as retirements savings, to pay off debt, to secure loans or to be withdrawn in the event of termination of employment with ICE.

The Supplemental Pension Fund is in turn composed of two contributions, one made by the employee, equivalent to 1% of the monthly salary, and another one made by ICE (employer contribution), equivalent to 4.5% of the employees' monthly salary. In the event of early separation of employment with ICE, accrued amounts will be managed in conformity with that set forth in Law No. 7983.

Since both plans are defined contribution plans, ICE's obligation is limited solely to the contribution that it agreed to make. Funds are managed by the Guarantee and Savings Fund, so that the final employee benefit amount is determined by the amount of the contributions paid by ICE plus the returns therefrom.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**c. Employee benefits expense:**

The employee benefits expense is as follows:

	As of December 31,	
	2023	2022
Salaries	¢ 222,793	203,828
Social security contributions	11,751	18,706
Defined contribution plans	20,867	20,883
Post-employment benefit expenses	10,637	8,814
	¢ <u>266,048</u>	<u>252,231</u>

**Note 20. Accounts payable**

Accounts payable are as follows:

	As of December 31,					
	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Government	¢ 935	7,921	8,856	929	6,006	6,935
Value-added tax and withholdings payable	-	13,564	13,564	-	11,979	11,979
Accounts due to employees	145,670	34,027	179,697	152,697	37,483	190,180
Commercial vendors	1,627	34,043	35,670	-	28,735	28,735
	¢ <u>148,232</u>	<u>89,555</u>	<u>237,787</u>	<u>153,626</u>	<u>84,203</u>	<u>237,829</u>

Accounts due to employees correspond to employee contributions to the Guarantee and Savings Fund (regime) and to the Supplemental Pension Fund (5% and 1%, respectively) of their monthly salary. Those contributions are managed and custodied by ICE through the Guarantee and Savings Fund (see Note 19).

Note 30 includes information about Grupo ICE's exposure to foreign currency and liquidity risks.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 21. Contract liabilities**

Contract liabilities are as follows:

	As of December 31,					
	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Prepaid mobile services						
(1)	¢ -	2,156	2,156	-	2,638	2,638
Postpaid services (2)	-	7,826	7,826	-	7,633	7,633
Security deposits (3)	70,903	-	70,903	61,769	-	61,769
	¢ <u>70,903</u>	<u>9,982</u>	<u>80,885</u>	<u>61,769</u>	<u>10,271</u>	<u>72,040</u>

The nature of the main liabilities derived from contracts with customers is as follows:

(1) Prepaid mobile services:

These services correspond to prepaid income related to the sale of prepaid mobile services that have not been used up by customers as of the cut-off date. Income from prepaid mobile services is recognized in the consolidated statement of financial position when the money is received by Grupo ICE from customers and wholesalers and it is recognized in the consolidated statement of profit or loss as the end users use up the services.

(2) Postpaid services:

Postpaid services correspond to prepaid income related to fixed and mobile services, the recognition of customer claims for invoices already paid, or customers that make advance payments which are settled in subsequent months. This also includes real estate services (construction work contracts related to telecom infrastructure) and exchanges (mainly recognition of sponsorships). Income from prepaid mobile services is recognized in the consolidated statement of financial position when the money is received by Grupo ICE from customers and wholesalers, and it is recognized in the consolidated statement of profit or loss as the end users use up the services.

(3) Security deposits:

The balance of security deposits in the amount of ¢70,903 (2022: ¢61,769) corresponds mainly to ¢46,108 (2022: ¢42,387) from the Electricity Segment related to the charge made to customers, equivalent to one month's electricity billing, to guarantee payment of the service and ¢24,795 (2022: ¢19,382) from the Telecom Segment, corresponding to deposits requested from customers to guarantee the rendering of services, for mobile telephony, fixed telephony and roaming.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 22. Provisions**

Provisions are as follows:

	As of December 31,	
	2023	2022
Litigation provision (Note 31) (1)	¢ 13,418	25,296
Provision for mobile terminal warranties (2)	1,832	1,761
Other	454	510
	15,704	27,567
Less – reclassification of non-current portion	(3,234)	(3,799)
	¢ <u>12,470</u>	<u>23,768</u>

Movement in provisions is as follows:

	As of December 31, 2023			
	Litigation provision	Provision for mobile terminal warranties	Other provisions	Total
As of December 31, 2022	¢ 25,296	1,761	510	27,567
Increase for the year	473	614	5,538	6,625
Used during the year	(12,351)	(543)	(5,594)	(18,488)
As of December 31, 2023	¢ <u>13,418</u>	<u>1,832</u>	<u>454</u>	<u>15,704</u>

	As of December 31, 2022			
	Litigation provision	Provision for mobile terminal warranties	Other provisions	Total
As of December 31, 2021	¢ 3,379	1,006	2,408	6,793
Increase for the year	21,929	1,140	4,353	27,422
Used during the year	(12)	(385)	(6,251)	(6,648)
As of December 31, 2022	¢ <u>25,296</u>	<u>1,761</u>	<u>510</u>	<u>27,567</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

A description of the provision accounts is provided below:

(1) Litigation provision

The litigation provision corresponds to an estimate of the probability of an outflow, based on a professional judgement and on the facts and circumstances of the case at the time of analysis. A litigation provision is booked if the probability of existence of an obligation is greater than or equal to 50%. Additionally, Grupo ICE should consider if, due to a past event, it has no realistic alternative but to pay the obligation, taking into account all available evidence and professional judgment.

(2) Provision for mobile terminal warranties

The provision for mobile terminal warranties includes the expected cost of obligations, under local regulations on the sale of assets, according to the best estimate of the outflows required to settle the obligations with customers, made by the corresponding technical and financial areas. Grupo ICE expects to settle most of this provision during the following year.

**Note 23. Other liabilities**

Other liabilities are as follows:

	As of December 31,	
	2023	2022
Transfer of spare parts – materials (1)	¢ 222	202
Deposits from private individuals or companies	5,512	4,089
Other	3,323	5,627
	¢ 9,057	9,918

(1) Transfer of spare parts – materials:

Correspond to a transfer in favor of Grupo ICE of the costs related to spare parts, assets and tools required for maintenance of the Toro III Power Plant. This income is booked in the consolidated statement of profit or loss when the contractually established maintenance services are rendered and inventories assigned to Grupo ICE are used.

In 2022, lease agreements and trust agreements for the Garabito Thermal Power Plant were terminated. Consequently, the existing liability balance related to the reception of inventories property of ICE, when those contracts were in effect, led to its immediate realization as income in the statement of profit or loss.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 24. Guarantees received**

Guarantees received in the amount of ¢85,208 (2022: ¢83,771) correspond to performance bonds, guarantees provided by collection agents and bid bonds. A description is provided below:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Guarantees received:		
Performance bonds (1)	¢ 72,733	69,251
Collection agents (2)	10,736	10,035
Bid bonds (3)	1,503	3,741
Security deposits	236	744
	<u>¢ 85,208</u>	<u>83,771</u>

(1) Performance bonds

Performance bonds are received by Grupo ICE so that the goods and services offered by a supplier are delivered or rendered in accordance with the agreed terms and that, in the event of non-compliance by the supplier, Grupo ICE will be compensated by means of the performance bond provided.

(2) Collection agents

Collection agents correspond to guarantees that Grupo ICE receives from external collection agents to ensure the recovery of public funds held in custody by those agents for a specified period.

(3) Bid bonds

Bid bonds correspond to bonds that guarantee the good faith participation of bidders of goods and services in Grupo ICE's tender processes and, if awarded the contract, that the bidders will comply with the procedures established in the corresponding award.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 25. Revenue***a) Revenue streams*

Grupo ICE generates revenue primarily from the sale of electric energy and telecom services. Other sources of revenue include minor construction and engineering services.

The flow of revenue from contracts with customers is as follows:

	For the year ended December 31,	
	2023	2022
Electricity services	¢ 869,276	814,469
Telecom services	551,256	574,441
	<u>1,420,532</u>	<u>1,388,910</u>
Other income (Note 27):		
Construction services	12,542	4,618
Engineering services	6,265	8,062
Infrastructure operation and maintenance services	2,491	2,009
	<u>21,298</u>	<u>14,689</u>
	<u>¢ 1,441,830</u>	<u>1,403,599</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with Grupo ICE's reportable segments (see Note 33).

	Electricity Segment		Telecom Segment		Total	
	2023	2022	2023	2022	2023	2022
Geographical markets:						
Local	¢ 858,571	773,934	548,657	571,579	1,407,228	1,345,513
Foreign	10,705	40,535	2,599	2,862	13,304	43,397
	¢ <u>869,276</u>	<u>814,469</u>	<u>551,256</u>	<u>574,441</u>	<u>1,420,532</u>	<u>1,388,910</u>
Products/lines of service:						
Electricity	¢ 770,973	721,160	-	-	770,973	721,160
Transmission charges	62,963	62,009	-	-	62,963	62,009
Public lighting	21,337	18,764	-	-	21,337	18,764
Management and other services	14,003	12,536	-	-	14,003	12,536
Telecom	-	-	551,256	574,441	551,256	574,441
	¢ <u>869,276</u>	<u>814,469</u>	<u>551,256</u>	<u>574,441</u>	<u>1,420,532</u>	<u>1,388,910</u>
Timing of revenue recognition:						
Services transferred over time	¢ 869,276	814,469	493,859	482,933	1,363,135	1,297,402
Products transferred at a point in time	-	-	57,397	91,508	57,397	91,508
	<u>869,276</u>	<u>814,469</u>	<u>551,256</u>	<u>574,441</u>	<u>1,420,532</u>	<u>1,388,910</u>
Other income	21,298	14,689	-	-	21,298	14,689
	¢ <u>890,574</u>	<u>829,158</u>	<u>551,256</u>	<u>574,441</u>	<u>1,441,830</u>	<u>1,403,599</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)c) Contract balances

The following table provides information about accounts receivable and contract liabilities from contracts with customers:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Trade receivables (Note 15)	¢ 279,651	235,633
Contract liabilities (Note 21)	¢ (80,885)	(72,040)

An amount of ¢7,182 included in contractual obligations as of December 31, 2022, has been recognized as revenue in 2023 (2022: ¢5,667).

d) Transaction price assigned to remaining performance obligations

The following table includes revenue expected to be recognized in the future related to the performance of obligations not yet satisfied (or not satisfied at all) as of the reporting date for the Telecom Segment:

	<u>2024</u>	<u>2025</u>
Mobile telecom services	¢ <u>4,363</u>	<u>36,757</u>

All considerations included in the contracts are included in the aforementioned amounts.

Grupo ICE applies the practical expedient indicated in paragraph 121 of IFRS 15, and it does not disclose information on obligations pending performance with original maturities of one year or less.

e) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. Grupo ICE recognizes revenue when it transfers control over a good or service to a customer. At the date of inception of each contract, Grupo ICE determines whether it will satisfy the performance obligations over time or at a point in time.

The Electricity Segment generates income mainly from generation, transmission and distribution of electricity services. The Law on the Costa Rican Public Service Regulatory Authority (ARESEP) (Law No. 7593) of August 9, 1996 establishes that the Regulatory Authority will set prices and rates of public services, specifically with respect to the generation, transmission, distribution and sale of electricity.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The Telecom Segment generates income mainly from mobile services (prepaid and postpaid), data and IP services including internet and TV, sale of terminals and devices, fixed and universal telephone services and interconnection services. Mobiles services and goods may be sold separately (independently) or combined, in packages.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, both for the Electricity and Telecom Segments.

<u>Type of service</u>	<u>Nature and timing of satisfaction of performance obligations, including significant payment terms</u>	<u>Revenue recognition policy</u>
Sale of electricity services	Revenue from the sale of electricity services includes a single performance obligation (sale of electricity) since Grupo ICE has evaluated that contracts with customers do not include the supply of other goods or services. Control, including ownership and risk of loss related to electricity, is transferred to the customer upon delivery of electricity at a single point within the electricity network. Invoices are payable within 30 days and there is no significant financial component.	The performance obligation related to the delivery of electricity is satisfied over time, when the customer receives and simultaneously consumes the benefits related to the electricity service provided. Revenue is recognized as electricity services are rendered, based on monthly billing cycles.
Sale of Telecom services	Revenue from the sale of telecom services includes phone, voice, data and messaging services. Services are invoiced and paid on a monthly basis and there is no significant financial component. The performance obligations related to the delivery of these services are satisfied over time, when the customer receives and simultaneously consumes the benefits related to telecom services, which are identified in different obligations for the different types of services (mobile, fixed, data, messaging, access costs, etc.).	For bundled packages, Grupo ICE accounts for individual products and services separately if they are distinct; i.e. if a product or service can be identified separately from other products or services in the bundled package and if a customer can benefit from the good or service by itself. The consideration is allocated between the separate products and services in a bundled package based on their stand-alone selling prices. The stand-alone selling prices are determined based on a list of selling prices at which ICE sells the mobile phones, terminals and other telecom services. ICE recognizes this revenue as the services are rendered.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

<u>Type of service</u>	<u>Nature and timing of satisfaction of performance obligations, including significant payment terms</u>	<u>Revenue recognition policy</u>
Mobile terminals	<p>The performance obligation for mobile terminals is recognized as income at a specific point in time, when control of the asset is transferred to the client, which occurs when the customer signs the agreement and takes ownership of the product.</p> <p>For mobile devices sold separately, customers pay the full amount at the point of sale. For mobile devices sold as part of a combined package, customers usually pay the same amount per month, for a period of 12 to 24 months.</p> <p>A significant financing component is recognized as finance income for plans with terms more than one year (usually 24 months). Grupo ICE applies the practical expedient of not separating the financing component for terminals sold with a term of 12 months or less.</p> <p>Grupo ICE offers an additional extended guarantee (insurance and additional coverage), in which case the price includes both performance obligations and recognizes them as revenue as the performance obligation is satisfied.</p>	<p>ICE recognizes revenue from the sale of mobile terminals when control of the asset is transferred, which occurs when the customer signs the agreement and takes ownership of the product.</p>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 26. Operating costs and expenses**

Operating costs and expenses are as follows:

	Operating costs		Operating expenses	
	For the year ended December 31,			
	2023	2022	2023	2022
Depreciation	¢ 291,464	299,168	5,475	13,792
Services	149,268	143,729	61,322	63,366
Salaries and employee benefits	98,084	93,806	137,803	139,402
Service centers	90,680	91,240	21,826	22,225
Products, materials and spare parts	83,319	94,703	4,732	8,495
Fuels for thermal generation	66,334	8,266	-	-
Leases (Note 18)	49,456	50,001	1,558	3,132
Import of energy	36,266	5,198	-	-
Amortization of intangible assets	13,418	13,376	7,274	8,730
Loss on disposal of assets	15,331	10,363	356	9,381
Loss due to impairment of accounts receivable (Note 30)	-	-	8,413	10,266
Other	24,936	26,214	23,847	39,203
	¢ <u>918,556</u>	<u>836,064</u>	<u>272,606</u>	<u>317,992</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 27. Other income**

Other income is as follows:

	For the year ended December 31,	
	2023	2022
Construction services (1)	¢ 12,542	4,618
Engineering services (1)	6,265	8,062
Donations	3,427	2,316
Infrastructure operation and maintenance service	2,491	2,009
Communication services	1,637	1,824
Administrative sanctions (execution of guarantees)	1,112	2,223
Gain on transfer of assets (3)	1,014	19,517
Insurance claim income (2)	809	5,218
Application of security deposits	424	464
Other	25,210	21,774
	¢ <u>54,931</u>	<u>68,025</u>

- (1) Construction and engineering services include invoices for percentage of completion or completion of works, design or other specialized services provided by ICE to third parties and related to projects in the construction stage.
- (2) Income from insurance compensation of the period 2022 includes the payment of the claim under the Construction All-Risk Policy for the events of the Spillway and Unit 1 of the Reventazón Hydroelectric Power Plant in the amount of ¢4,591.
- (3) Gains on the transfer of assets of the period 2022 include the amount of ¢19,316, pursuant to the contracts for connection to the transmission network formalized by ICE with the companies Bridgestone Costa Rica, S.A. and APM Terminals Moín, S.A. For Bridgestone, assets correspond to the La Rivera transmission substation, expansion No. 5 of the San Miguel – La Caja Belén transmission line, and a lot of spare parts. For APM Terminals Moín, assets correspond to the Río Blanco Transmission Substation and Extension No. 2 of the Río Moín - Moín transmission line.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 28. Finance income and finance costs**

Finance income and finance costs are as follows:

	For the year ended December 31,	
	2023	2022
Finance income under the effective interest method	¢ 43,240	35,266
Finance costs (1)	(217,384)	(240,135)
Foreign exchange differences – net (2)	166,111	88,669
	<u>¢ (8,033)</u>	<u>(116,200)</u>

(1) Finance costs are as follows:

	For the year ended December 31,	
	2023	2022
Interest on leases (Note 17d and Note 18)	¢ 68,857	94,090
Interest on bonds payable (Note 17d)	60,920	71,466
Interest on loans payable (Note 17d)	76,869	59,102
Other finance costs	6,296	11,613
Loss on impairment of investments	4,442	3,864
	<u>¢ 217,384</u>	<u>240,135</u>

(2) As a result of transactions in foreign currency and the valuation of monetary assets and liabilities denominated in foreign currency, during the year ended December 31, 2023, foreign exchange gains and losses in the amount of ¢279,273 and ¢113,162, respectively, were recognized, for a net gain of ¢166,111 (2022: foreign exchange gains of ¢377,115 and losses of ¢288,446, for a net gain of ¢88,669). The exchange rate used in the valuation of monetary assets and liabilities in foreign currency as of the reporting date was ¢523.72 (2022: ¢597.64).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

**Note 29. Tax regulations**(a) Tax obligations

Grupo ICE is subject to tax obligations governed by the *Income Tax Law* (Law No. 7092) and amendments thereto, the Regulations to the Income Tax Law and amendments thereto, the *Value-added Tax Law* (Law No. 6826) and amendments thereto, the Regulations to Value-added Tax Law, the *General Customs Law* and regulations and amendments thereto, the Decree – *Law to Create ICE* (Law No. 449), the *Law on Strengthening and Modernization of Public Telecommunication Companies* (Law No. 8660), the *General Telecommunications Law* (Law No. 8642), the *Law to Strengthen Public Finances* (Law No. 9635) and the regulations to title IV of Law No. 9635, named Tax Responsibility of the Republic.

(b) Income tax

The Law of Government Institutions Subject to Payment of Income Tax (Law No. 7722) stipulates that: “surplus constitutes taxable income and shall be calculated as gross income less costs, operating expenses and investment reserves or development funds that are necessary and relevant to production of that income.”

ICE is subject to income tax payment to the extent that it obtains profit from its activities. Article 17 of Executive Order No. 449 to create ICE states that “ICE’s financial policy will be to capitalize its net profit arising from the sale of electricity (and from any other profit-generating source) to finance and execute electrification plans and to promote the electricity industry.” Article 13 of Law No. 8660 also sets forth that “in the case of the distribution of profits in favor of ICE or its companies, arising from the rendering of services or sale products related to electricity, telecommunications, infocommunications and information services, as well as the sale of other products and services developed and sold by ICE or its companies or through alliances with third parties, profits must be capitalized as development reserves to meet its ends.”

The Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8660), indicates that when ICE and its companies act as operators or vendors in competitive national markets of telecom and electricity services and products, they shall be subject to the payment of income tax and sales tax, excluding basic landline service from income tax payment, while in all other cases the exemptions granted in the decree of Law No. 449, dated April 8, 1949, shall remain in effect, in addition to any other granted by the law.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

ICE must capitalize the total net profit obtained each year to the development reserve and its profit is exempt from the payment of income tax; consequently, no income tax obligation is generated. However, in its normal transactions, the Tax Administration applies income tax withholdings that are subsequently applied as a credit to the value-added tax liability.

ICE's subsidiaries are subject to the payment of income tax.

Income tax is as follows:

	For the year ended December 31,	
	2023	2022
Current tax	¢ (853)	(3,165)
Deferred tax	3,080	7,554
	¢ 2,227	4,389

In conformity with the *Income Tax Law*, the subsidiaries file their income tax returns for the 12 months ending December 31 of each year.

Subsidiaries are subject to the payment of income tax on profit from their activities, at a rate of 30%. The current tax expense is determined according to the tax laws in effect in Costa Rica.

The income tax returns filed by the subsidiaries for the years ended December 31, 2023, 2022, 2021 and 2020 are open to review by the Tax Authorities.

The difference between income tax expense and the expense that would result from applying the corresponding rate (30%) to pre-tax income (expected tax) is reconciled as follows:

	For the year ended December 31,			
	2023	2022		
Net profit, before tax	¢ 276,198	186,630		
Less:				
ICE's non-taxable profit	(269,679)	(171,053)		
Profit before tax, adjusted and attributable to subsidiaries	6,519	15,577		
Expected income tax expense	1,956	4,673	30%	30%
Plus (less) tax effect on:				
- Non-taxable income	(4,114)	(7,447)		
- Difference between fiscal and financial periods	3,078	7,716		
- Non-deductible expenses	8,000	8,178		
- Other	(6,693)	(8,731)		
Income tax	¢ 2,227	4,389		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)*Deferred tax*

Deferred tax is as follows:

	December 31, 2023	Recognized in profit or loss for the year	December 31, 2022
<i>Deferred tax asset:</i>			
Employee benefits	780	(1,251)	2,031
Inventories	338	29	309
Accounts receivable	631	(18)	649
Provisions	19	-	19
Lease liabilities	57	-	57
Accounts payable	(60)	-	(60)
	<u>1,765</u>	<u>(1,240)</u>	<u>3,005</u>
<i>Deferred tax liability:</i>			
Property, plant and equipment, net	(80,177)	4,320	(84,497)
	<u>¢ (78,412)</u>	<u>3,080</u>	<u>(81,492)</u>
	December 31, 2022	Recognized in profit or loss for the year	December 31, 2021
<i>Deferred tax asset:</i>			
Employee benefits	2,031	1,875	170
Inventories	309	139	170
Accounts receivable	649	406	243
Provisions	19	(3)	22
Lease liabilities	57	(15)	72
Accounts payable	(60)	(60)	-
	<u>3,005</u>	<u>2,342</u>	<u>676</u>
<i>Deferred tax liability:</i>			
Property, plant and equipment, net	(84,497)	5,212	(89,709)
	<u>¢ (81,492)</u>	<u>7,554</u>	<u>(89,033)</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(c) Value-added tax

Grupo ICE also pays value added tax pursuant to the amendment to Law No. 6826, derived from Law No. 9635. This is a value-added tax on the sale of goods and rendering of services, with some exceptions. For the sale of energy for residential electricity consumption, the tax rate is 13% on amounts consumed in excess of 280 kW per month, as well as for commercial consumption and the rendering of telecommunications services, the tax rate is 13%.

Because it is a value-added tax, Grupo ICE pays this tax on the goods and services required to perform its economic activity. Pursuant to Article 16 and the following articles of Law No. 9635, sales tax paid on goods and inputs that are used in the production of electricity and telecom services can be applied as a credit to the value added tax liability for the period.

(d) Special quasi-fiscal tax paid by telecommunications operators and suppliers to FONATEL (General Telecommunications Law (Law No. 8642))

Article 39 of the *General Telecommunications Law* (Law No. 8642) creates a quasi-fiscal tax to finance FONATEL to ensure compliance with the principles of universal access, universal service and cooperation. Such quasi-fiscal tax is to be levied on gross income directly earned by operators of public telecommunications networks and suppliers of public telecommunications services; the taxable event is generated by performing the aforementioned activities and receiving the individual income from the State-authorized activity.

This tax is defined in a tax return issued for periods of one calendar year. The tax return must be filed by March 15 of each year and the tax is paid in four equal installments on the 15th of March, June, September and December of each year following the corresponding fiscal year-end.

The tax rate is set annually by SUTEL no later than November 30 of the corresponding fiscal year. The tax rate ranges from 1.5% to 3%; the final rate shall be based on SUTEL's estimates of the costs of the projects to be executed in the following budget year and the target estimated income. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period will be used.

(e) Quasi-fiscal tax on telephony services

Through the *Amendment to the Creation of the Quasi-fiscal Contribution to the Telecommunications Service destined to Finance the Costa Rican Red Cross Association* (Law. No. 9896) published on September 30, 2020, a quasi-fiscal contribution to the Costa Rican Red Cross Association was created.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

This contribution equals to 1% of the amounts paid by the end user (owners of a telecommunications service understood as mobile telephone services or any method of payment, traditional telephony, VoIP telephony, fixed and mobile internet and dedicated lines). The amounts collected must be paid on the 15th of each month, at the latest. This law amends Law No. 8690, which originated the Creation of the Quasi-fiscal Contribution to the Telecommunications Service to Finance the Costa Rican Red Cross Association.

(f) Tax in favor of the Firefighter Department of Costa Rica

The *Law of the Meritorious Firefighter Department of Costa Rica* (Law No. 8228), dated March 19, 2002 was amended through the *Law for the Economic Strengthening of the Meritorious Firefighter Department of Costa Rica* (Law No. 8992), published in the Official Gazette on September 22, 2011. The latter law amends Articles 28 and 33 and Article 40 - “Financing of the Firefighter Department” and creates, as an additional source of revenue for the operations and sustained growth of the Costa Rican Firefighter Department, a tax equivalent to 1.75% of the monthly billing for electricity consumption of subscribers.

(g) Customs taxes

According to customs legislation, the customs tax obligation consists of customs duties and internal charges and must be paid in full in order for goods to clear customs. The tariff on imports (known by the Spanish acronym “DAI”) constitutes an ad valorem tax, which is set based on the established customs classification and coding system. Internal charges include the excise tax (rate based on the merchandise), the tax corresponding to the *Tax Law* (Law No. 6946) (1%), value added tax (13%) and other specific taxes for the Agrarian Development Institute (IDA), the Institute for Municipal Development and Technical Assistance (IFAM) and the Golfito Duty Free Zone, among others. ICE must pay customs duties on imports based on the type of merchandise and specific exemptions in order for them to clear customs.

(h) Other obligations

ICE and its subsidiaries RACSA and CNFL are also an income tax withholding agent in accordance with the *Income Tax Law*. Among its responsibilities as a withholding agent, ICE and its subsidiaries RACSA and CNFL must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

- Wages, non-salary payments, compensation for personal services and per diem allowances.
- 2% tax withholding when income tax is paid to (or credited to) individuals or corporations domiciled in the country, as established in subsection g) of Article 23 of the *Income Tax Law*.
- Remittances or credits paid to non-domiciled individuals or entities for services such as transportation, communications, technical financial advisory services, personal services and other services, based on the rates and categories defined in Articles 55 and 59 of the *Income Tax Law*.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 30. Financial risk management**a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		December 31, 2023					Fair value				
		Carrying amount									
Note	Fair value - hedging instruments	FVOCI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
<i>Financial assets</i>											
Equity investments	10	¢	-	4,772	-	-	-	-	4,772	4,772	
Notes and other receivables, net	11	-	-	243,034	-	-	-	-	-	-	
Investments in financial instruments	12, 14	-	390,289	103,123	29,801	-	-	420,090	-	420,090	
Trade receivables, net	15	-	-	214,751	-	-	-	-	-	-	
Cash and cash equivalents	16	-	-	378,544	-	-	-	-	-	-	
	¢	-	395,061	939,452	29,801	-	-	420,090	4,772	424,862	
<i>Financial liabilities</i>											
Financial debt	17(a) 17(b)	¢	-	-	-	2,043,888	-	1,818,929	-	1,818,929	
Accounts payable	20	-	-	-	-	237,787	-	-	-	-	
Derivative financial instruments		2,831	-	-	-	-	-	2,831	-	2,831	
	¢	2,831	-	-	-	2,281,675	-	1,821,760	-	1,821,760	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

		December 31, 2022					Fair value				
		Carrying amount									
Note		Fair value - hedging instruments	FVOCI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>											
Equity investments	10	¢ -	4,603	-	-	-	4,603	-	-	4,603	4,603
Notes and other receivables, net	11	-	-	242,260	-	-	242,260	-	-	-	-
Investments in financial instruments	12, 14	-	351,090	177,724	22,379	-	551,193	-	373,469	-	373,469
Trade receivables, net	15	-	-	175,028	-	-	175,028	-	-	-	-
Cash and cash equivalents	16	-	-	338,778	-	-	338,778	-	-	-	-
	¢	-	355,693	933,790	22,379	-	1,311,862	-	373,469	4,603	378,072
<i>Financial liabilities</i>											
Financial debt	17(a) 17(b) ¢	-	-	-	-	2,322,166	2,322,166	-	2,014,934	-	2,014,934
Accounts payable	20	-	-	-	-	237,829	237,829	-	-	-	-
Derivative financial instruments		3,313	-	-	-	-	3,313	-	3,313	-	3,313
	¢	3,313	-	-	-	2,559,995	2,563,308	-	2,018,247	-	2,018,247

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Fair value of financial instruments

As of December 31, 2023, Grupo ICE has no transfers between levels in the fair value hierarchy.

A number of Grupo ICE's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below.

*i. Notes and other receivables, trade receivables, net and accounts payable*

The carrying amounts of notes and other receivables, trade receivables and accounts payable were not included in the table above. Their carrying amounts approximate fair value due to their short-term nature.

*ii. Equity investments*

Fair values have been determined in accordance with generally accepted valuation models based on a discounted cash flow analysis, using the most significant indicators such as the discount rate that reflects the credit risk of the counterparties. The estimated fair value would increase (decrease) if the discount rate is lower (greater) or if the cash flows are greater (lower) than projected.

*iii. Investments in financial instruments*

The fair value is estimated using a market comparison or discounted cash flows, considering 1) current or recent quoted prices for identical instruments in markets that are not active and 2) the net present value calculated using discount rates derived from quoted yields of instruments with a maturity and similar risk ratings.

*iv. Derivative financial instruments – cash flow hedges*

The fair value is calculated as the present value of the net estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflect the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rates swaps, as well as collateral granted or received.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)v. Debt

The fair value determined for disclosure purposes is calculated as the present value of future cash flows and of principal and interest, discounted at the market interest rate at the reporting date of instruments with maturities and identical risks.

To determine the fair value of the long-term debt as of December 31, 2023, a discount rate between 6.24% and 8.61% was used in colones and between 1.25% and 9.56% in US dollars (2022: between 5.01% and 11.73% was used in colones and between 0.70% and 10.14% in US dollars), which is the rate offered to Grupo ICE.

b) Financial risk management

Grupo ICE has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk.

i) Risk management framework

The Financial Risk Policy establishes the principles that define the framework for a structured and systematic management of financial risk, in conformity with ICE's strategic goals.

The Financial Risk Policy, the Financial Risk Management Framework and the Financial Risk Appetite Statement, approved by ICE's board of directors in June 2023, are reviewed annually, promoting from senior management Grupo ICE's financial risk management, as well as the control and periodic monitoring of financial risks.

One of the principles of the Financial Risk Policy is how to manage uncertainty, by identifying potential financial risks on which the Finance Management can apply tools (use of derivative financial instruments) for hedging or mitigation purposes in order to maximize the possibilities of success and minimize the probability of occurrence of losses.

Each year, the General Management, along with all other managements of Grupo ICE, develops a strategic or tactical risk map for Grupo ICE and follows-up on controls and action plans periodically.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The three financial risks, credit, liquidity and market risk, can affect the management of Grupo ICE; therefore, it seeks to minimize them. For credit risk, the Investment Committee monitors the risk ratings given to the issuers that are part of ICE's investment portfolio as well as credit risk indicators. The financial risk reports also monitor risk ratings and other indicators that are part of the Financial Risk Appetite Statement and the risk ratings of Grupo ICE and the Government of Costa Rica, which may have an impact on that rating. For liquidity risk, cash flows are controlled by segment, considering the correct liquidity management for Grupo ICE through the projection of commercial and non-commercial income and the outflows (payments) of each of the businesses for their continuity. Furthermore, liquidity risk is monitored through the liquidity risk indicator according to the Financial Risk Appetite Statement. For market risk, there is a possibility to perform financial hedges or contract financial derivatives, renegotiation of financial liabilities from US dollars into colones and other measures to mitigate market risk. The different economic environment or market risks are also monitored by means of periodical reports from the Direction of Economic and Financial Studies and the Financial Risk Direction. The financial risk report controls and monitors risks on financial assets, financial liabilities and cash flows in conformity with the specified Financial Risk Appetite Statement.

The Financial Risk Policy, the Manual for the Comprehensive Management of Financial Risks associated with the Portfolio of Institutional Investments and associated systems are part of the Financial Risk Management Framework. This framework provides a set of components that support and substantiate the financial risk management, so that ICE's Finance Management declares the way in which the institutional financial risks will be managed. Some of those components are the policies, processes, procedures, structure, information system, control elements, Financial Risk Appetite Statement or risk strategy, and risk matrices.

The Internal Audit department oversees compliance with Grupo ICE's risk management policies and procedures, and lines of defense are invoked as a preventive mechanism for risk management. The Audit Committee also controls and monitors compliance with the Financial Risk Appetite Statement.

The Investment Committee is responsible for monitoring and controlling the management of the temporary investments of Grupo ICE's Electricity and Telecom Segments. This is the body to which the Finance Management delegates responsibility for defining investment policies and procedures. Therefore, this committee establishes the guidelines (restrictions) on investment decisions, including investment limits by instrument, currency and sector and on risk levels for the portfolio composition.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The Investment Committee validates the rules on investment management, such as ICE's Financial Investment Strategy, ICE's Financial Investment Policy, ICE's Regulation for Investment Management and Investment Limits of ICE's Investment Portfolio, which are regulatory documents that are reviewed each year or as required by the circumstances or the environment. Those regulatory documents provide the guidelines to make investments, both in the national and international markets, aiming to a greater and better diversification of temporary investments. Additionally, based on the Financial Risk Appetite Statement, the risk level is monitored through Value at Risk (VaR) indicators, risk concentration and credit risk and through monthly reports, which control and monitor the duration, modified duration, liquidity risk, among others. Stress testing and back testing are also performed to measure the efficacy of the model used.

The risk management policies and the support systems are reviewed regularly to reflect changes in market conditions and Grupo ICE's activities. The Audit and Risk Committee oversees how the Finance Management monitors compliance with the Financial Risk Appetite Statement and, together with the Financial Risk Direction as a second line of defense and ICE's Investment Committee, investment governance is monitored.

ii) Credit risk

Credit risk is the risk of financial loss to Grupo ICE if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Grupo ICE's notes and receivables and investment instruments.

To mitigate this risk, the risk ratings assigned to investments by rating agencies are monitored and tracked. Investment limits have also been established for Grupo ICE's portfolio by market (local and international), sector (public, other public sector and private), instrument, issuer and issue. Grupo ICE does not receive collateral guarantees for this risk.

For the commercial credit risk with customers, the Corporate Policy on Receivables is in place, and through the Quarterly Risk Report, the Finance Management controls and monitors arrears in its different phases.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Exposure to credit risk

The balance of each financial asset represents the maximum exposure to credit risk as follows:

Carrying amount of financial assets	Note	As of December 31,	
		2023	2022
Notes and other accounts receivable, net	11	¢ 243,034	242,260
Investments in financial instruments	12 and 14	523,213	551,193
Trade receivables, net	15	214,751	175,028
Cash and cash equivalents	16	378,544	338,778
		¢ <u>1,359,542</u>	<u>1,307,259</u>

(i) Accounts receivable

Grupo ICE recognizes loss allowance over the remaining life of the operation for notes and trade receivables and contractual assets. ECL in these financial assets are estimated using a provision matrix based on the historical experience of Grupo ICE's credit losses, adjusted by factors specific to borrowers, general economic conditions and an evaluation of both the current condition and the forecast of the conditions at the reporting date, including the time value of money as appropriate.

For all other financial instruments, Grupo ICE recognizes lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the life of a financial instrument.

Accounts due from customers are characterized as being current assets (less than one year) and do not include a significant financing component; therefore, IFRS 9 allows to define an impairment allowance model with an expected loss simplified approach.

Accounts receivable are controlled directly by the Electricity and Telecom segments. The procedure performed by each segment for recovering receivables is summarized below:

- Collection management during the different stages using a variety of means, i.e. text messaging, calls and emails.
- Both mass collection and specific collection management, centralized in the Billing and Income Management Division, through three methods depending on the collection stage, with different strategies for each stage.
- Immediate suspension of electricity and telephone services after the bill's due date. The average collection periods for the Telecom and Electricity segments are 29 days and 31 days, respectively. Collection periods are determined by each segment (Collections Management Policy).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- Online collection process through contracts with external collection agents and banks, or internal collection through Grupo ICE's cashier windows.
- In the event that the outstanding balance is not recovered, the administrative collection process begins after 35 days for the Electricity Segment and after 90 days for the Telecom Segment. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protection agency so that the situation is included in the customer's credit history. For such purposes, Grupo ICE uses companies dedicated to collections or coordinating payment arrangements with customers to mitigate arrears.
- Residual past due accounts (representing less than 1%) are studied to determine the need to include them in legal collection, a process performed through the subsidiary Gestión Cobro Grupo ICE, S.A.

The accounting policy to book the allowance for expected credit losses is detailed below.

*Trade receivables*

Grupo ICE determines a collective impairment model for trade receivables segmented by service (Electricity and Telecom), which are in turn segmented by customer (General, Government, Subsidiaries, Private Banks and Foreign Customers). All operations classified under a segment have certain similar risk characteristics such as commercial conditions, term and business types.

For the allowance for collective impairment, a receivables matrix comprised of expected loss rates was defined for an arrears group in each segment. Grupo ICE uses historical trends of the portfolio's arrears and default to determine these loss rates.

Loss rates are obtained for each segment and in turn for each arrears group, for which each operation is assigned a loss rate depending on the arrears days at the time impairment is estimated. Grupo ICE defines the loss rates by calculating the portfolio's loss proportion in one year based on arrears level. For accounts in legal or administrative collection, a single loss rate is defined, applicable to all operations, as the proportion of the outstanding balance that was not recovered within one year.

For the Electricity and Telecom Segments' accounts with the government, a 0.1% loss rate was determined based on the nature of those accounts, which expectation of payment is high. Accounts with arrears more than 360 days were identified as well but, since they are due from State-owned entities, it was determined that receivables will be collected fully.

For the Electricity Segment's accounts with subsidiaries, a 0.01% loss rate was determined based on the nature of those accounts, since the entities' ability to pay is strong and, historically, they have not been in arrears as a result of their ability to pay. The entities involved are Compañía Nacional de Fuerza y Luz, S.A. and Radiográfica Costarricense, S.A.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

For the Electricity Segment's accounts with private banks, a 0.01% loss rate was determined based on the nature of those accounts since the entities' ability to pay is strong and, historically, they have not been in arrears as a result of their ability to pay.

The portfolio is comprised of products with terms of less than 12 months; therefore, expected loss parameters are calibrated each year and the recent creation of an expected loss model does not incorporate the application of macroeconomic scenarios. However, annual monitoring of the model will help to identify in future valuations the existence of a new factor that might affect the risk level and incorporate it to the calculation of loss rates.

As of December 31, 2023, the maximum exposure to credit risk for trade receivables (see Note 15) by geographic region is as follows:

Geographic region	As of December 31,	
	2023	2022
Local	¢ 277,782	235,336
Foreign	1,869	297
	279,651	235,633
Allowance for impairment losses	(64,900)	(60,605)
	¢ 214,751	175,028

Grupo ICE's exposure to credit risk is mainly affected by the individual characteristics of each customer. As of December 31, 2023, there is not a significant concentration of credit risk.

The aging of the trade receivables balance (see Note 15) and the allowance for expected credit losses are as follows:

December 31, 2023	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	5.18%	¢ 189,433	9,804	No
1 to 30 days	5.14%	18,877	970	No
31 to 60 days	8.46%	10,096	854	Yes
61 to 90 days	12.71%	3,839	488	Yes
More than 90 days	91.95%	57,406	52,784	Yes
		¢ 279,651	64,900	

December 31, 2022	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	5.33%	¢ 146,694	7,814	No
1 to 30 days	9.94%	12,691	1,262	No
31 to 60 days	8.59%	6,028	518	Yes
61 to 90 days	11.78%	2,811	331	Yes
More than 90 days	75.18%	67,409	50,680	Yes
		¢ 235,633	60,605	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

An analysis of the credit quality of trade receivables is as follows:

	As of December 31,	
	2023	2022
Current	¢ 244,465	215,571
In legal and administrative collection	35,186	20,062
	279,651	235,633
Allowance for impairment losses	(64,900)	(60,605)
	¢ 214,751	175,028

Movement in the allowance for impairment of trade receivables is as follows:

	As of December 31,	
	2023	2022
Opening balance	¢ 60,605	58,338
Amounts written off	(4,611)	(6,822)
Recognized	8,906	9,089
Closing balance	¢ 64,900	60,605

*Non-trade receivables*

Grupo ICE determines a collective impairment model for the other receivables that are classified as “Non-identified” and an individual model for accounts due from customers whose expectations of payment are known.

For non-identified, non-trade receivables, a loss rate of 100% is determined for accounts aged more than 720 days, under the assumption that the probability of collection of accounts aged more than two years is very low.

The aging of the balance of non-trade receivables (see Note 11) and the allowance for expected credit losses are as follows:

December 31, 2023	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.61%	¢ 3,451	21	No
1 to 30 days	0.84%	1,307	11	No
31 to 60 days	0.02%	4,561	1	No
61 to 90 days	0.65%	927	6	Yes
More than 90 days	11.00%	9,948	1,094	Yes
		¢ 20,194	1,133	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

December 31, 2022	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	3.72%	¢ 9,696	361	No
1 to 30 days	0.24%	2,092	5	No
31 to 60 days	0.04%	5,312	2	No
61 to 90 days	0.11%	888	1	Yes
More than 90 days	21.43%	5,291	1,134	Yes
		¢ <u>23,279</u>	<u>1,503</u>	

Movement in the allowance for impairment of non-trade receivables is as follows:

	As of December 31,	
	2023	2022
Opening balance	¢ 1,503	861
Amounts written off	(647)	(506)
Recognized	277	1,148
Closing balance	¢ <u>1,133</u>	<u>1,503</u>

*Notes receivable*

Grupo ICE determines a collective impairment model for the notes receivable derived from payment arrangements by service (electricity and telecom). All operations classified under a segment have certain risk characteristics such as commercial conditions, term and business types.

For the allowance for collective impairment, a matrix of expected loss rates was defined for a delinquency group in each segment. Grupo ICE uses historical trends of the portfolio's delinquency and default to determine these loss rates.

Loss rates are obtained for each segment and in turn for each delinquency group (for electricity), for which each operation is assigned a loss rate depending on the delinquency days at the time impairment is estimated. Grupo ICE defines the loss rates by calculating the portfolio's loss proportion in one year based on delinquency level.

This simplified-approach methodology, which estimates EL for the remainder of the operation, is applied based on the segment and arrears group to which it belongs.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The aging of the balance of notes receivable (general borrowers and loans to employees; see Note 11) and the allowance for expected credit losses are as follows:

December 31, 2023	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.14%	¢ 168,456	244	No
1 to 30 days	2.34%	8,859	207	No
31 to 60 days	12.42%	958	119	No
61 to 90 days	35.71%	42	15	No
More than 90 days	48.21%	7,505	3,618	Yes
		¢ <u>185,820</u>	<u>4,203</u>	

December 31, 2022	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.20%	¢ 168,073	335	No
1 to 30 days	9.42%	6,424	605	No
31 to 60 days	12.02%	965	116	No
61 to 90 days	35.71%	56	20	No
More than 90 days	49.58%	7,429	3,683	Yes
		¢ <u>182,947</u>	<u>4,759</u>	

Movement in the allowance for impairment of notes receivable is as follows:

	As of December 31,	
	2023	2022
Opening balance	¢ 4,759	4,711
Amounts written off	214	19
Recognized	(770)	29
Closing balance	¢ <u>4,203</u>	<u>4,759</u>

(ii) *Investments in financial instruments*

Grupo ICE determines a collective impairment model for investments in financial instruments segmented by the local rating which has been adjusted to the international rating of each instrument.

For private stock market investments, other than government investments under the collective model, the following criteria were defined to determine each stage within the model:

- Stage 1 – (i) Instruments with external rating as of the date of valuation within an investment grade rating (instruments with international rating B). A qualitative analysis is required to determine if significant changes within the investment grade rating occur in a downtrend in order to identify a significant increase. (ii) Instrument with external rating without an impairment in the rating from level 1 rating downwards from the commencement date.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- Stage 2 – (i) Instrument with movement of more than 1 level in the rating downwards from the commencement date of the instrument, when such criteria is supported by more than one rating agency. (ii) Instrument with arrears more than 30 days in the payment of principal or interest.
- Stage 3 – (i) Instrument whose credit rating as of the evaluation date is lower than a DDD rating and its initial credit rating was higher than this one and (ii) Instrument with arrears more than 90 days in the payment of principal and interest.

To establish qualitative elements of increase in risk, different elements are defined, which under the judgment of an expert could affect the operation's significant increase in risk.

The qualitative assessment is applicable in the event that an instrument has an external rating with investment grade rating, but that rating has decreased significantly with respect to the rating granted at the initial date of the financial asset.

For the current model, a recovery rate could not be identified because no default factor was observed; therefore, to assign a Loss Given Default (LGD) the percentage recommended by Basel, i.e. 45%, was used.

For the allowance for collective impairment, a probability of default was defined, obtained through the marginal default matrix issued by Fitch in its global annual default study and transition matrices for corporations. Fitch's matrix is considered to determine a weighted probability that is unbiased, as long as it considers diverse scenarios obtained by such rating agency, by comprising diverse and numerous institutions, with which past event information, current conditions and forecasts in future economic conditions are included, since they are part of the analysis of the rating agency, to grant a credit rating.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The credit ratings for investments in financial instruments (see Notes 12 and 14) are as follows:

		As of December 31,													
Credit rating	2023						2022								
	FVTPL	FVOCI	At amortized cost		FVTPL	FVOCI	At amortized cost		FVTPL	FVOCI	At amortized cost				
<i>In millions of colones</i>		12-month ECL	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired		12-month ECL	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired		12-month ECL	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired
Between BB- and BB+	¢	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Between B- and B+		29,801	390,289	103,123	-	-	22,379	351,090	177,724	-	-	-	-	-	-
Between C and CCC+		-	-	-	-	-	-	-	-	-	-	-	-	-	-
D		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	¢	<b>29,801</b>	<b>390,289</b>	<b>103,123</b>	<b>-</b>	<b>-</b>	<b>22,379</b>	<b>351,090</b>	<b>177,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The movement in the allowance for impairment of investments in financial instruments at amortized cost is as follows:

<i>In millions of colones</i>	As of December 31, 2023			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit impaired	Total
Opening balance	¢ 804	-	-	804
New net measurement of correlation of loss amount	(245)	-	-	(245)
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit- impaired	-	-	-	-
Financial assets paid	(417)	-	-	(417)
Financial assets acquired	63	-	-	63
Closing balance	¢ 205	-	-	205

<i>In millions of colones</i>	As of December 31, 2022			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit impaired	Total
Opening balance	¢ 89	-	-	89
New net measurement of correlation of loss amount	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit- impaired	-	-	-	-
Financial assets paid	-	-	-	-
Financial assets acquired	715	-	-	715
Opening balance	¢ 804	-	-	804

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The movement in the allowance for impairment of investments in financial instruments at FVOCI during the year is as follows:

<i>In millions of colones</i>	As of December 31, 2023			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit impaired	Total
Opening balance	¢ 2,639	3,991	-	6,630
New net measurement of correlation of loss amount	-	(9)	-	(9)
Transfer to lifetime ECL - not credit impaired	(1,273)	(3,952)	-	(5,225)
Transfer to lifetime ECL - credit- impaired	-	-	-	-
Financial assets paid	(29)	(13)	-	(42)
Financial assets acquired	403	-	-	403
Closing balance	¢ 1,740	17	-	1,757

<i>In millions of colones</i>	As of December 31, 2022			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit impaired	Total
Opening balance	¢ 2,315	1,272	-	3,587
New net measurement of correlation of loss amount	9	-	-	9
Transfer to lifetime ECL - not credit impaired	(75)	2,770	-	2,695
Transfer to lifetime ECL - credit- impaired	-	-	-	-
Financial assets paid	(79)	(51)	-	(130)
Financial assets acquired	469	-	-	469
Closing balance	¢ 2,639	3,991	-	6,630

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Cash and cash equivalents

As of December 31, 2023, Grupo ICE holds cash and cash equivalents in the amount of ¢378,544 (2022: ¢338,778). Cash and cash equivalents are held with banks and financial entities that are supported by guarantees of the local government; therefore, they were rated within the B range according to Fitch.

The impairment of cash and cash equivalents has not been measured on the basis of the 12-month ECL because, due to their nature, they are considered highly-liquid and very short-term instruments. Consequently, Grupo ICE considers that its cash and cash equivalents have a low credit risk.

iii) Liquidity risk:

Liquidity risk is the risk that Grupo ICE will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Grupo ICE's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Grupo ICE's reputation.

Actions have been taken in the Electricity and Telecom Segments to obtain greater assurance with respect to projected payment of liabilities and more precise projections of income in order to control treasury cash flows. Such measures in the projection of liabilities and expenses, as well as in the income of both segments, permit better monitoring and tracking cash flows and liquidity risk exposure, as well as an improved management of treasury operations related to the buying and selling of currency and access to short- and medium-term lines of credit, among others.

The Finance Management prepares the short-, medium- and long-term cash flow projections that are used to estimate the purchase of currency and short-term financing and anticipate liquidity needs and cover the liabilities acquired.

Treasury management includes preparation of the projected cash flows based on the company's budget information and a weekly schedule that details daily cash inflows and outflows to visualize cash flow behavior and determine daily liquidity needs. As part of this process, to obtain more accurate information on payments, especially those having a strong impact on cash flows, in compliance with Treasury's policies, segments and different areas of Grupo ICE must send the programming of payments for a 12-month period.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Additionally, there is coordination with business units regarding income behavior and with areas responsible for finance management to optimize treasury management and achieve a better matching between income and timely attention to payment obligations.

Grupo ICE's liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Furthermore, treasury policies define payments to providers to be made once a week, with payment terms of a maximum of 30 days, except for commitments with fixed, unavoidable settlement dates, from the time the event originating the payment takes place and the invoice is presented. Also, policies establish that payments must be made by bank transfer.

Lines of credit are part of the instruments used by management to finance needs for working capital, issue of bid and performance bonds and opening and refinancing of letters of credit. Over the years, lines of credit have become one of the most often used short-term financing options.

As of December 31, 2023, uncommitted, short-term lines of credit in US dollars are available for letters of credit, guarantees and working capital, with variable interest rates in the amount of US\$220 million (2022: US\$160 million).

Lines of credit are approved as follows: amounts greater than US\$20 million are approved by the board of directors and amounts equal to or of less than US\$20 million are approved by the General Management. Shortfalls are determined based on the schedule of cash inflows and outflows along with the required terms so as to obtain quotes and borrow funds from the lowest cost bank. Line of credit transactions are documented with a promissory note. The purpose of using lines of credit is covering mismatches between the date of receipt of income and the date of payment of obligations and other liabilities, typical of cash flow management.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities as of the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements (if any).

	As of December 31, 2023					
	Carrying amount	Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
<i>Non-current liabilities:</i>						
Bonds payable	¢ 609,594	1,015,157	-	139,647	204,272	671,238
Loans payable	1,242,181	1,904,229	-	318,589	417,083	1,168,557
Lease liabilities	254,013	391,649	-	110,652	136,139	144,858
Accounts payable	148,232	148,232	-	45,185	79,325	23,722
Total non-current liabilities	<u>2,254,020</u>	<u>3,459,267</u>	<u>-</u>	<u>614,073</u>	<u>836,819</u>	<u>2,008,375</u>
<i>Current liabilities:</i>						
Bonds payable	108,741	156,814	156,814	-	-	-
Loans payable	83,372	162,985	162,985	-	-	-
Lease liabilities	19,020	43,698	43,698	-	-	-
Accounts payable	89,555	89,555	89,555	-	-	-
Total current liabilities	<u>300,688</u>	<u>453,052</u>	<u>453,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
	¢ <u>2,554,708</u>	<u>3,912,319</u>	<u>453,052</u>	<u>614,073</u>	<u>836,819</u>	<u>2,008,375</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The following are the contractual maturities of financial liabilities for December 31, 2022, including interest:

	As of December 31, 2022					
	Carrying amount	Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
<i>Non-current liabilities:</i>						
Bonds payable	¢ 799,241	1,322,718	-	278,299	270,481	773,938
Loans payable	1,356,137	2,214,604	-	395,437	454,789	1,364,378
Lease liabilities	270,342	440,766	-	111,903	168,273	160,590
Accounts payable	153,626	153,626	-	-	-	153,626
Total non-current liabilities	<u>2,579,346</u>	<u>4,131,714</u>	<u>-</u>	<u>785,639</u>	<u>893,543</u>	<u>2,452,532</u>
<i>Current liabilities:</i>						
Bonds payable	74,457	134,431	134,431	-	-	-
Loans payable	92,331	190,485	190,485	-	-	-
Lease liabilities	62,832	99,332	99,332	-	-	-
Accounts payable	84,203	84,203	84,203	-	-	-
Total current liabilities	<u>313,823</u>	<u>508,451</u>	<u>508,451</u>	<u>-</u>	<u>-</u>	<u>-</u>
	¢ <u>2,893,169</u>	<u>4,640,165</u>	<u>508,451</u>	<u>785,639</u>	<u>893,543</u>	<u>2,452,532</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The inflows (outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to non-derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

As indicated in Note 17, Grupo ICE holds secured bank loans that contain debt restrictions. A future non-compliance with those restrictions may require Grupo ICE to settle the loan before the date indicated in the table above; therefore, loan conditions are monitored periodically by Finance Management to ensure compliance.

iv) Market risk:

Market risk is the risk that changes in market prices, e.g. foreign exchange rates and interest rates, will mainly affect Grupo ICE's income or the value of the financial instruments it holds. The objective of risk management is to manage and control exposures to keep this risk and others such as credit and liquidity risk, within reasonable parameters, in conformity with the Financial Risk Appetite Statement, while simultaneously optimizing return.

Grupo ICE uses derivative financial instruments and other measures, such as the renegotiation of liabilities into colones, to manage existing market risks, which are valued according to the market value provided by the issuer of the instrument. Hedge accounting is used for qualifying instruments that are formally designated in order to mitigate volatility in the market prices of the financial instruments that have an effect on profit or loss.

Derivative financial instruments are traded with first tier banks with which confidentiality agreements and other documentation to trade derivatives have been subscribed. Grupo ICE has elected to manage derivatives specifically to hedge risks derived from existing liabilities.

The following risks are hedged by acquired derivative financial operations: variations in local and foreign interest rates and foreign exchange rates, which affect cash flows, the value of instruments, etc. The entity currently holds two derivative financial instruments to hedge against the yen/US dollar fluctuations (Cross Currency Swap).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Management of the reform to the reference rate and related risks*Overview*

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some Interbank Offered Rates (IBOR) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In May 2021, the Alternative Reference Rates Committee (ARRC) stipulated that the London Interbank Offered Rate (LIBOR) in US dollars will continue to be published until June 30, 2023. Since LIBOR was ceased, within a subgroup of currencies and terms, with the guidance of the Financial Conduct Authority (FCA), IBA will continue the publication of the 1-, 3- and 6-month US dollar LIBOR settings, for an additional temporary period after July 3, 2023, under a modified methodology (also known as publication over a "synthetic" basis), with the purpose of ceasing these settings immediately after the publication on September 30, 2024.

Grupo ICE had exposures to IBOR, specifically to LIBOR, on its financial instruments that have been replaced or reformed as part of these international initiatives. The Finance Management monitored and managed the transition process to alternative rates.

The main risks to which Grupo ICE was exposed as a result of IBOR reform were operational, including the update of contractual terms and review of controls related to this change. Financial risk was predominantly limited to interest rate risk. According to the results of the initial exercise with the substitute SOFR rate, the financial flows of the loans granted to ICE that are subject to this reform show that not only is the financial balance kept, but the replacement of the rate – due to the market conditions that make LIBOR disappear – reflects that the new benchmark is not abusive and is not against ICE's interests.

*Derivatives*

Grupo ICE's derivative instruments are ruled by agreements based on the framework agreements of the International Swaps Derivatives Association (ISDA).

Grupo ICE currently plans to adhere to the LIBOR fallback protocol, in the event it is necessary with a counterparty, because today there are no coverage indexed to LIBOR; and in the event of subscribing new operations, they will be made using an amended SOFR-related language, or another benchmark if necessary.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Currency risk

Grupo ICE is exposed to currency risk to the extent that its income is denominated in a functional currency while its purchases and loans are denominated in other currencies. The largest exposure held by Grupo ICE is in US dollars.

As part of the Financial Risk Policy, based on the uncertainty principle, hedge instruments and derivative financial instruments may be used, or any instrument as the renegotiation of liabilities into colones, the creation of liabilities in the functional currency, to mitigate currency risks. These instruments must be designated as hedging instruments; instruments for speculation are not accepted. Consequently, these instruments will be booked applying “hedge accounting” provided that accounting standards requirements are met.

Some of the instruments that may be used are forward, plain vanilla, interest rate swap, currency swap, Non-deliverable forward, Cross-currency swap, and other instruments with similar structures. Management shall decide whether to use such instruments to comply with the Financial Risk Policy and the Financial Risk Appetite Statement (Financial Risk Strategy). The use of futures and options is not contemplated. The risk strategy shall mitigate exposure to variability in cash flows due to fluctuations in foreign exchange rates arising from debt positions in currencies other than the functional currency, attempting to offset those potential risks according to market conditions.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Exposure to currency risk

As of December 31, 2023 and 2022, Grupo ICE's exposure to currency risk is as follows:

(Amounts in millions of colones)	US Dollars		Yen	
	December 31,		December 31,	
	2023	2022	2023	2022
<u>Assets:</u>				
Investments in financial instruments	¢ 201	201	-	-
Notes and other accounts receivable, net	24	22	-	-
Cash and cash equivalents	163	240	-	-
Trade receivables, net	1	1	-	-
	<u>389</u>	<u>464</u>	<u>-</u>	<u>-</u>
<u>Liabilities:</u>				
Bonds payable	1,081	1,086	-	-
Loans payable	597	620	21,047	20,841
Lease liabilities	518	557	-	-
Accounts payable	26	66	578	579
Accrued interest payable	2	19	-	82
Other liabilities	1	-	-	-
Security deposits	4	-	-	-
Litigation provision	6	6	-	-
	<u>2,235</u>	<u>2,354</u>	<u>21,625</u>	<u>21,502</u>
Excess liabilities over assets	¢ <u>1,846</u>	<u>1,890</u>	<u>21,625</u>	<u>21,502</u>

The main exchange rates used are as follows:

	Exchange rate - US dollar	
	As of December 31,	
	2023	2022
Colones	523.72	597.64
Japanese yen	141.78	131.85

In the case of currency operations, Grupo ICE adheres to the provisions of the *Internal Regulations of the Central Bank of Costa Rica* (Law No. 7558), dated November 27, 1995. Article 89 of that law states that "Non-banking public sector institutions shall execute their currency buy and sell transactions through the Central Bank of Costa Rica (BCCR) or State-owned commercial banks." For its operations, ICE will perform transactions at the exchange rates established by BCCR at the date of the transactions.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Sensitivity analysis

The table below shows the sensitivity as of December 31, 2023 and 2022, to a strengthening or weakening of the exchange rate of the US dollar with respect to the colon. Grupo ICE applies a sensitivity rate of 10%, which represents its best estimate of the exchange rate variations of the US dollar with respect to the colon.

<i>(Amounts in millions)</i>	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<i>Sensitivity to a strengthening of the exchange rate:</i>		
Net position in US dollars at the closing exchange rate	¢ 966,787	1,129,540
Net position in US dollars	US\$ 1,846	1,890
Net position in US dollars at the closing exchange rate with a 10% strengthening of the exchange rate	¢ 1,063,466	1,242,494
Loss	¢ (96,679)	(112,954)
<i>Sensitivity to a weakening of the exchange rate:</i>		
Net position in US dollars at the closing exchange rate	¢ 966,787	1,129,540
Net position in US dollars	US\$ 1,846	1,890
Net position in US dollars at the closing exchange rate with a 10% weakening of the exchange rate	¢ 870,108	1,016,586
Gain	¢ 96,679	112,954

The table below shows the sensitivity as of December 31, 2023 and 2022, to a strengthening or weakening of the exchange rate of the Yen with respect to the colon. Grupo ICE applies a sensitivity rate of 10%, which represents its best estimate of exchange rate variations of the Yen with respect to the colon.

<i>(Amounts in millions)</i>	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
<i>Sensitivity to a strengthening of the exchange rate:</i>		
Net position in Yen at the closing exchange rate	¢ 79,880	97,463
Net position in Yen	JPY 21,625	21,502
Net position in Yen at the closing exchange rate with a 10% strengthening of the exchange rate	¢ 87,868	107,209
Loss	¢ (7,988)	(9,746)
<i>Sensitivity to a weakening of the exchange rate:</i>		
Net position in Yen at the closing exchange rate	¢ 79,880	97,463
Net position in Yen	JPY 21,625	21,502
Net position in Yen at the closing exchange rate with a 10% weakening of the exchange rate	¢ 71,892	87,717
Gain	¢ 7,988	9,746

This analysis assumes that all other variables remain constant, particularly interest rates and foreign exchange rates.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Interest rate risk

Interest rate risk is the risk that the market value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Through its Financial Risk Policy and the Financial Risk Appetite Statement, Grupo ICE controls and monitors interest rate risk exposure. This is achieved by entering into fixed-rate hedge instruments or by considering liabilities at a fixed rate. By using interest rate swaps, the variability in cash flows attributable to interest rate risk is hedged.

Exposure to interest rate risk

Grupo ICE maintains significant assets and liabilities, mainly represented by temporary investments, long-term investments, bonds payable, loans payable and lease liabilities, which are subject to interest rate variations, using as reference international or national rates.

Details of the interest rates on financial assets and liabilities are provided in the following notes:

	Note
Notes and other accounts receivable, net	11
Investments in financial instruments	12 and 14
Bonds payable	17(a)
Loans payable	17(b)
Lease liabilities	17(c)

As of the date of the consolidated financial statements, the interest rate profile related to financial instruments is as follows:

	Nominal amount	
	2023	2022
Fixed-rate instruments:		
Financial assets	¢ 436,840	466,799
Financial liabilities	(895,822)	(1,018,725)
	(458,982)	(551,926)
Variable-rate instruments:		
Financial assets	¢ 267,990	262,582
Financial liabilities	(1,421,099)	(1,636,615)
	(1,153,109)	(1,374,033)
Effect of interest rate swaps	-	32
	¢ (1,153,109)	(1,374,001)

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Sensitivity analysis

In managing interest rate risk, Grupo ICE aims to reduce the impact of short-term fluctuations on its earnings. With respect to investments in financial instruments, bonds payable, loans payable and lease liabilities, permanent changes in interest rates would affect its profit or loss.

Fixed rates: it is estimated that an overall increase or decrease of one percentage point in fixed interest rates would have caused the following changes in financial assets and liabilities:

		Effects on profit or loss Income – (Expense)			
		As of December 31,			
		2023		2022	
		1% strengthening	1% weakening	1% strengthening	1% weakening
Investments in financial instruments	¢	4,368	(4,368)	4,668	(4,668)
Bonds payable		(6,261)	6,261	(7,251)	7,251
Loans payable		(2,182)	2,182	(2,638)	2,638
Lease liabilities		(515)	515	(298)	298
	¢	(4,590)	4,590	(5,519)	5,519

Variable rates: it is estimated that an overall increase or decrease of one percentage point in variable interest rates would have caused the following changes in financial assets and liabilities:

		Effects on profit or loss Income – (Expense)			
		As of December 31,			
		2023		2022	
		1% strengthening	1% weakening	1% strengthening	1% weakening
Investments in financial instruments	¢	864	(864)	844	(844)
Notes receivable		1,816	(1,816)	1,782	(1,782)
Bonds payable		(922)	922	(1,486)	1,486
Loans payable		(11,073)	11,073	(11,847)	11,847
Lease liabilities		(2,215)	2,215	(3,033)	3,033
	¢	(11,530)	11,530	(13,740)	13,740

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

*(In millions of colones)*c) Derivative assets and liabilities designated as financial instruments at fair value

Cash flows related to derivative financial instruments at fair value are shown below. Expected cash flows consider the projected estimates for each derivative:

	Fair value	Expected cash flows	December 31, 2023				
			6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<u>Currency risk</u>							
Cross-currency swap	¢ (2,276)	546	184	145	181	36	-
Cross-currency swap	(555)	404	136	107	134	27	-
	¢ (2,831)	950	320	252	315	63	-

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

*(In millions of colones)*

Cash flows related to derivative financial instruments at fair value are shown below. Expected cash flows consider the projected estimates for each derivative:

	December 31, 2022						
	Fair value	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<u>Currency risk</u>							
Forward exchange contracts							
Cross-currency swap	¢ (3,047)	1,164	290	460	373	41	-
Cross-currency swap	(265)	1,504	859	339	275	31	-
Non-deliverable currency swap - Tranche a-1	(33)	6	4	2	-	-	-
<u>Interest rate risk</u>							
Interest rate swaps							
Forward starting swap	32	200	134	66	-	-	-
	¢ (3,313)	2,874	1,287	867	648	72	-

For financial instruments at FVTPL, expected cash flows for the primary instruments, as well as for those financial instruments are presented below.

	December 31, 2022		
	Expected cash flows - liabilities	Less than 12 months	More than 12 months
BID-1931A/OC-CR	¢ 4,258	4,258	-

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

As of December 31, 2023, the general characteristics of positions exposed to market risk that are being hedged with derivatives are presented below:

	PR004 Yen NEM120618ICE		PF-021 Yen C34569	
Financial instrument debt	JIBC-CR-P3		JIBC-CR-P3	
Bank	CITIBANK		SCOTIABANK	
Principal amount (nominal amount)	JPY	1,219.2	JPY	1,242.7
Agreed amount (at exchange rate)	USD	13.4	USD	10.1
Change in the value of the derivative financial instrument recognized in profit or loss	USD	(4.3)	USD	(1.1)
Line in the statement of profit or loss	Expense account: Valuation of financial instruments		Expense account: Valuation of financial instruments	
Exchange rate	USD	91	USD	123.3
Contract date	10/20/2009		12/3/2015	
Derivative financial instrument inception date or first payment	10/22/2012		4/20/2016	
Derivative financial instrument maturity date	4/20/2026		4/20/2026	
Term	14 years		10 years, 5 months	
Base rate	-		-	
Spread over/under base rate	2.20%		-	
Fixed rate	-		-	
Total fixed rate	5.11%		5.01%	
Strategy	Derivative financial instrument		Derivative financial instrument	
Related risk	Exchange rate Yen/US dollar		Exchange rate Yen/US dollar	
Instrument	Cross-currency swap		Non-deliverable currency swap	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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As of December 31, 2022, the general characteristics of positions exposed to market risk that are being hedged with derivatives are presented below:

	PR003 Tranche A D091319	PFI-019 US dollar/colon Tranche A- 1 E15-96556	PR004 Yen NEM120618ICE	PF-021 Yen C34569
Financial instrument debt	BID-1931 A/OC-CR	PR003	JIBC-CR-P3	JIBC-CR-P3
Bank	CITIBANK	CITIBANK	CITIBANK	SCOTIABANK
Principal amount (nominal amount)	USD 14.3	USD 14.3	JPY 1,706.9	JPY 1,739.8
Agreed amount (at exchange rate)	USD -	CRC 7,595	USD 18.8	USD 14.1
Change in the value of the derivative financial instrument recognized in profit or loss	USD 0.1	USD (0.060)	USD (5.1)	USD (0.4)
Line in the statement of profit or loss	Expense account: Valuation of financial instruments	Expense account: Valuation of financial instruments	Expense account: Valuation of financial instruments	Expense account: Valuation of financial instruments
Exchange rate	N/A	CRC 533	USD 91	USD 123.3
Contract date	1/27/2009	9/18/2015	10/20/2009	12/3/2015
Derivative financial instrument inception date or first payment	1/14/2010	1/14/2016	10/22/2012	4/20/2016
Derivative financial instrument maturity date	7/14/2023	7/14/2023	4/20/2026	4/20/2026
Term	14 years	7 years, 8 months and 5 days	14 years	10 years, 5 months
Base rate	6M LIBOR	3.23%	-	-
Spread over/under base rate	3.63%	-	2.20%	-
Fixed rate	-	-	-	-
Total fixed rate	6.86%	4.23%	5.11%	5.01%
Strategy	Derivative financial instrument	Derivative financial instrument	Derivative financial instrument	Derivative financial instrument
Related risk	Interest rate	Exchange rate Us dollar/colón	Exchange rate Yen/US dollar	Exchange rate Yen/US dollar
Instrument	Interest rate swap	Non-deliverable exchange of payment flows	Cross-currency swap	Non-deliverable currency swap

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Capital management

Article 17 of Chapter IV “Equity and Earnings” of the *Law to Create the Costa Rican Electricity Institute* (Law No. 449) dated April 8, 1949 sets forth that “ICE’s financial policy will be to reinvest its net profit from the sale of electricity and from any other sources in financing and executing national electrification plans and promoting the electricity industry.” The Government shall not receive any portion of that profit since ICE is not to be considered a productive source of revenue for the Costa Rican Internal Revenue Service. Instead, it is to use all means at its disposal to increase the production of electricity as a basic industry of Costa Rica.

The policy is to maintain a strong capital base so as to maintain general market confidence and secure the future growth of ICE. Capital management aims at ensuring that capital and financial investments have the highest returns by adequately balancing the debt level and the capital invested, reducing risk, considering the Financial Risk Appetite Statement in key risk indicators such as the financial leverage.

In 2023 and 2022, Grupo ICE’s capital management remained unchanged and Grupo ICE was not subject to external capital requirements.

Grupo ICE’s adjusted debt/equity ratio on the date of the consolidated statement of financial position is as follows:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Debt to equity ratio		
Total liabilities	¢ 3,337,806	3,680,501
Less cash and cash equivalents	(378,544)	(338,778)
Net debt	<u>2,959,262</u>	<u>3,341,723</u>
Total equity	3,072,911	2,803,662
Less:		
Amounts accumulated in equity related to cash flow hedges	-	-
Adjusted equity	¢ <u>3,072,911</u>	<u>2,803,662</u>
Debt to equity ratio	<u>0.96</u>	<u>1.19</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 31. Contingent assets and liabilities**

Grupo ICE is a defendant in various lawsuits estimated in the amount of ¢319,090. As of December 31, 2023, the provision for those lawsuits amounts to ¢13,418 (2022: ¢25,296), see Note 22.

Below are the main proceedings for which the amounts have been estimated and provisions recorded in the consolidated financial statements (see Note 22):

- a) Labor lawsuit – CNFL employees: File No. 11-00219-1178-LA-6. This lawsuit seeks that the subsidiary CNFL recognize the payment of the general salary revaluations decreed by the General Directorate of the Civil Service as of January 1, 2008, which have not been covered by CNFL. As of November 30, 2022, through Vote No. 2022-3225, the Second Chamber reversed the appealed judgment, accepted the lawsuit and ordered the payment of the general salary revaluations decreed by the General Directorate of the Civil Service as of January 1, 2008 that had not been paid by CNFL, as well as the retroactive recognition of salary differences generated by each of the aforementioned salary decrees between January 1, 2008 and January 1, 2010, up to the current date, according to the date on which each decree became effective. During 2023, CNFL signed 28 out-of-court settlements with some of the plaintiffs to make the payments ordered by the Second Chamber, thus reclassifying the amount of the settlements signed, corresponding to ¢2,994,790, from the provision for contingent liabilities to accounts payable within 60 months. CNFL paid ¢703,033 corresponding to that liability during 2023, and the balance at the end of the year ¢2,291,757, which is presented in other accounts payable. The provision amount for this case as of December 31, 2023, is ¢8,484 (2022: ¢11,479).
- b) Lawsuit in which ICE is requested the annulment of the administrative proceedings for collection of the fine, also claiming abuse of discretionary power in the contract for purchase of energy from Vientos del Volcán, S.A. (independent power producer), in the amount of US\$3 million (equivalent to ¢1,557). As of the December 2023 close, the preliminary hearing was pending. Based on the opinion of the legal counsel, ICE provisioned ¢1,557 for this lawsuit (2022: ¢1,777).
- c) Lawsuit in which ICE is required to reimburse an amount of US\$4.6 million (equivalent to ¢2,417) agreed to purchase Cable Visión on December 5, 2013, which is a response to tax contingencies payable to the Tax Administration for the entity's fiscal periods before the sale. Grupo ICE opposes to the amount of the claim, since deductions have to be applied to that amount in relation to the payments made for the periods running from 2010 to 2013. As of the December 2023 close, the court hearing is pending. As of December 31, 2023, based on the opinion of the legal counsel, ICE provisioned an amount of ¢1,528 associated with the resolution of this litigation (¢1,744 in 2022).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- d) Administrative proceedings (execution of judgment), in which Hidroeléctrica de Parismina, S.A. and Proveedora de Servicios Eléctricos de Guácimo PSEG Limitada filed a claim against ICE for the unilateral rescission of engagement letters agreed for the development of the project Hidroeléctrico de Parismina, S.A. These are being processed simultaneously in two stages:
- (1) *Trial process*: pending resolution on the appeal for annulment of the judgment filed by the plaintiff.
  - (2) *Provisional execution of judgment*: a ruling was issued which declared damages to the project Hidroeléctrico de Parismina, S.A. Therefore, ICE filed an appeal for review by a higher court. However, the appeal was rejected by the Court of Appeals.
- Currently awaiting resolution by the First Chamber regarding the appeal of the provisional judgment by the Contentious Administrative Court, filed by ICE on February 14, 2024 (see Note 34). As of December 31, 2023 and 2022, based on the opinion of the legal counsel, ICE has provisioned an amount of ¢350.
- e) Ordinary administrative proceedings seeking reimbursement of penalties, early termination and execution of guarantees by Cable Visión. ICE filed a response to the petition on behalf of Cable Visión, attended the hearing and filed a brief with pleadings regarding the Assignment agreement – confidential. As of December 31, 2023 and 2022, based on the opinion of the legal counsel, ICE has provisioned for this case an amount of ¢201.
- f) Ordinary administrative proceedings, seeking reimbursement of penalties, execution of performance bond and interests by Cable Visión. Cable Visión challenged the amount of the claim. Currently awaiting the Contentious Administrative Court to issue a ruling. As of December 31, 2023, based on the opinion of the legal counsel, the provision created for this case amounts to ¢106 (2022: ¢121).
- g) Process for execution of judgment (administrative proceedings), in which Hidroflorencia, S.A. requests the payment of 10% of the net gains or benefits that would have been obtained by the plaintiff during the entire term of the contract for the sale/purchase of energy set forth in Law No. 7200 (15 years). These payments were finished in December 2023; however, the judgment is still pending. Based on the opinion of the legal counsel, the provision created for this case as of December 31, 2023, corresponds to the difference in the indexation calculations of ¢64 (2022: ¢8,637).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

Below are the main proceedings for which amounts have been estimated and based on the opinion of the legal counsel, management has not recognized any provision in the consolidated financial statements:

- a) The Chucás Hydroelectric Power Plant is a hydroelectric project located between the cantons of Mora and Atenas, in the provinces of San José and Alajuela, respectively. Its construction began in 2011 and the beginning of operations was scheduled for September 2014; however, due to delays in the construction process, the hydroelectric power plant was ready to start operations until November 2016. As a result of this delay, and in accordance with the power purchase agreement subscribed with that entity on February 3, 2011, ICE processed a fine in the amount of US\$9.4 million (equivalent to ¢4,923).

Subsequently, P.H. Chucás, S.A. began an arbitration process before the International Center for Conciliation and Arbitration (CICA), an entity affiliated to the Costa Rican-American Chamber of Commerce (AmCham), claiming the recognition of the excess costs incurred in the construction of the hydroelectric power plant and declaring that ICE was not entitled to a fine since the delay was caused by force majeure events. The alleged excess costs amount to US\$173 million (the budgeted cost for construction was US\$107 million, but the final cost reported to the arbitration tribunal was US\$280 million). P.H. Chucás, S.A. considers that these excess costs were the result of unforeseeable factors such as geological and other factors. In November 2017, CICA issued an arbitration award in favor of P.H. Chucás, S.A., determining that ICE had to pay the amount of the alleged excess costs, professional fees and other. Furthermore, the arbitration award indicated that ICE did not have the right to exercise the penalty clause (charging the aforementioned fine). The main argument of the arbitration tribunal was the obligation to pay the real cost or the real value of the power plant in order to restore the economic equilibrium of the agreement and to avoid the alleged unjust enrichment by ICE. The arbitration award required ICE to pay US\$112.7 million and ¢6,328.

On December 15, 2017, ICE filed an appeal for annulment of the aforementioned arbitration award before the First Chamber of the Supreme Court of Justice, arguing the existence of defects that render it invalid, namely: conflict of interest of the arbitrators, violation of due process, violation of the principle of impartiality, violation of the rules of the arbitration procedure due to denial of rights to a hearing on evidence and unequal treatment, lack of uniformity of the jurisprudence, violation of the regulations of public interest, among other. According to the Alternative Dispute Resolution Act, filing of an appeal for annulment does not suspend enforcement of the Arbitration Award; therefore, the contractor may invoke its enforcement. However, in order to do so, P.H. Chucás, S.A. would have to file judicial proceedings for execution of judgment against ICE, to which ARESEP would necessarily be a party as regulator of the electricity sector and entity responsible for setting rates.

On June 27, 2019, the First Chamber of the Supreme Court of Justice upheld the appeal for annulment filed by ICE and annulled the arbitration award, so the payment obligation disappeared.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

On July 31, 2020, ICE received a notice from CICA, affiliated to AmCham, communicating a new arbitration requirement by P.H. Chucás, S.A.

On May 19, 2021, P.H. Chucás, S.A. formally filed the arbitration proceedings. ICE initially had 20 calendar days to file a response to petition. However, the original term was extended until June 23 due to the complexity and volume of the complaint, as well as the large number of evidence to be gathered by ICE, including documentary, expert witness and testimonial evidence, including official translations. On June 23, 2021, ICE filed the response to petition and raised a defense of lack of jurisdiction. Because of this and the possibility that the First Chamber may adjudge whether the proceedings should continue as an arbitration or in a judicial venue, it is not possible to estimate a date for conclusion of the case.

Consequently, since P.H. Chucás, S.A. filed the formal arbitration proceedings in May 2021, it is as of that date that ICE must include and disclose the estimated amount, US\$362 million (equivalent to ₡189,495). Before that date there was only an arbitration request that was being challenged by Grupo ICE both in the arbitration and judicial venues.

On January 17, 2023, the First Chamber fully rejected the appeal for annulment and accepted the defense of lack of jurisdiction, which resulted in the termination of the arbitration proceedings against ICE. In conformity with the resolution issued by CICA in August 2023, the closing of the file was ordered, leaving open the possibility for P.H. Chucás, S.A. to file an execution of judgment in the judicial venue. Consequently, the national arbitration has concluded and no payment is expected, since CICA was declared as not having jurisdiction. In addition, what the plaintiff seeks is the payment of legal costs; therefore, the estimated amount as of December 31, 2023, is US\$43 thousand dollars (equivalent to ₡22). Based on the opinion of the legal counsel, the probability of an outflow of resources in this claim is considered remote.

- b) Lawsuit filed by the company P.H. Hidrotárcoles, S.A., file No. 15-006491-1027-CA in relation to the hydroelectric project started by that company (the Capulín Hydroelectric Plant Project) and considered in power purchase agreement subscribed on April 24, 2012 by ICE and that entity (the plaintiff). According to the terms of agreement, once the start order was issued P.H. Hidrotárcoles, S.A. had to begin the construction of the plant in August 2012 and the beginning of commercial operations was scheduled for August 2015.

However, due to delays in the construction process, ICE initiated administrative proceedings in December 2015 seeking termination of this agreement as well as a reprimand and warning to P.H. Hidrotárcoles, S.A. due to noncompliance with the guaranteed date for beginning of operations, given that at the date when the plant should have been completed the progress was 20%.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

On February 21, 2017, the Administrative Court of Appeals issued a final decision rejecting the precautionary measure requested by the entity. Consequently, ICE was able to continue with the termination proceedings. During the course of the proceedings, P.H. Hidrotárcoles, S.A. repeatedly attempted to stop them by filing motions for substitution of members of the Órgano Director (Directing Body) and it even filed a judicial complaint against the officials that make up that body; however, all motions of recusal were rejected and the judicial complaint was declared inadmissible by the Contentious Administrative Court in January 2018.

Lastly, on February 9, 2022, a new complaint seeking annulment and payment of damages with file No. 22-00344-1027-CA, presented by Hidrotárcoles against ICE, was received. On March 23, 2022, ICE filed the response to petition and submitted documentary evidence and offer of witnesses, legal grounds and preliminary objection of *litis pendentia* with regard to file No. 15-6491-1027-CA. Currently awaiting the preliminary hearing. As of December 31, 2023, the estimated amount is ¢266,054 (¢303,606 in 2022). Based on the opinion of the legal counsel, the probability of an outflow of resources is considered remote.

- c) Ghella Spa Costa Rica, S.A.: this claim seeks the annulment of the limitations established in an addendum to the contract with CNFL for design, construction, equipment and start-up of operations of the El Encanto Hydroelectric Project. The estimated amount is ¢18,854. As of the date of this report, it is in the execution of judgment phase. The plaintiff filed a motion for annulment of the judgment of the Contentious Administrative Court that rejected its claim seeking a payment of ¢48,000 (in thousands) for professional fees.
- d) Claim filed by Unión Fenosa Generadora Torito, S.A., regarding the recognition of costs due to the loss of financial equilibrium that originated from unforeseeable events during the construction stage of the project, that it could not foresee in the preliminary studies. Through resolution No. 2023005654, the claim was rejected; currently waiting to see whether the plaintiff will file an appeal. The amount of the claim estimated as of December 31, 2023 is ¢12,755. Based on the opinion of the legal counsel, the probability of an outflow of resources is considered remote.
- e) Claim filed by the company Mina Moncada, S.A., seeking the recognition of losses to the value of and impairment of equipment due to lack of maintenance and continuity of the energy service. As of December 31, 2023, the estimated amount is ¢7,856 (2022: ¢8,965). Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- f) Instalaciones Inabensa, S.A.: this case was initiated for the collection of penalties during the project for underground electrification of San José with CNFL. The plaintiff seeks the collection of claims and reimbursement of penalties, filed during the stage of execution of the aforementioned project. The estimated amount is ¢5,235. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- g) Execution proceedings, file No. 17-003025-1763-CJ, filed by Caja Costarricense de Seguro Social for legal collection against ICE, requesting payment of the contribution made by State-owned entities to the Disability, Old Age and Death Benefit System (RIVM), in accordance with Article 78 of the *Employee Protection Law*. An opposition is filed since ICE must make a reinvestment of its profits. Moreover, the collection relates to the subsidiaries of ICE, which is inadmissible. As of December 31, 2023 and 2022, the estimated amount is ¢2,186. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- h) Claim filed by the Office of the Superintendent of Telecommunications (SUTEL) whereby sanctioning administrative proceedings were opened against ICE for disregarding the regulatory instructions of the *General Telecommunications Law*. The estimated amount of the claim as of December 31, 2023, is ¢2,000. Based on the opinion of the legal counsel, an outflow of resources in this case is considered unlikely.
- i) Administrative proceedings (execution of judgment). ARESEP and SUTEL filed a lawsuit for the execution of attorney's fees, plus legal interest. The amount of such costs was executed based on the estimate of damages made by ICE, applying the schedule of fees, plus interest. On March 25, 2019, ICE answered the lawsuit, rejected the amounts requested by ARESEP and SUTEL and granted a payment of ¢1 for each of them. On October 21, 2020, a resolution was notified whereby ICE's appeal was admitted, the sentence was annulled and the file was returned to the court of first instance for a new sentence to be issued. As of the date of this report, the status of the case remains the same. As of December 31, 2023 and 2022, the estimated amount is ¢1,731. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- j) Lawsuit filed by the entity Hidroeléctrica Noble S.A. against the State, the subsidiary CNFL and ICE, seeking the declaration of dissolution of CNFL due to the maturity of its legal term. It also requests to order ICE to continue to provide CNFL services and to acquire the total shares of the plaintiff for the price as determined by the Tax Court of the Ministry of Finance. Moreover, it seeks ICE to assume all CNFL assets and liabilities and execute the payments of court and personal costs. In March 2022, ICE was notified that the preliminary hearing will be held on April 26, 2022. As of December 31, 2023 and 2022, the estimated amount is ¢814. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- k) Claim filed by Costa Rica Energy Holding, S.A. (independent power producer), whereby a precautionary measure was requested regarding the notice of charge presented by ICE due to the delay of the entrance into operation and corresponding fine. As of December 31, 2023, the estimated amount is ¢378. Based on the opinion of the legal counsel, an outflow of resources for this claim is unlikely.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

- l) Claim filed by the companies Consorcio Para la Provisión de Soluciones Schneider Electric, APC Grupo Comercial Tectronic, S.A. and Axioma Internacional, S.A., requesting the annulment of the charge of a penalty clause. It seeks suspension of the effects of the final act of the procedure for charging of the fine, and for ICE to abstain from executing the performance bond. As of December 31, 2023, the estimated amount is ¢262. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- m) Claim filed by INITEC before the International Court of Arbitration of the International Chamber of Commerce, United States of America, regarding a penalty clause, indexation and interest. It relates to claims by the vendor regarding the acquisition of goods and services for the Las Pailas project. An arbitration award is pending. The estimated amount as of December 31, 2023, is €5.3 million euro (equivalent to ¢3,049). Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- n) International arbitration initiated by the company V-Net Comunicaciones seeking compensation, due to non-extension of the contract for the sale of goods and services, in the amount of US\$23.7 million dollars (equivalent to ¢12,412) plus interest. The process, evaluated by the law firm Arnold & Porter, is in the initial stage. As of December 31, 2023, the estimated amount is zero. Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- o) Grupo ICE is also a defendant in other proceedings with an estimated total of ¢2,426 (2022: ¢8,486), related to the execution of contracts, labor and other concepts. As of the date of this report, based on the opinion of the legal counsel, an outflow of resources for these claims is considered unlikely.

## Contingent assets:

Grupo ICE has also filed a number of lawsuits for a total of ¢6,617 (2022: ¢9,987), which are in different stages. Most of them are related to goods and services suppliers. However, due to the characteristics of those assets, no amounts have been recorded in the consolidated financial statements.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)**Note 32. Balances and transactions with related parties**

Grupo ICE is controlled indirectly by the public administration of the Government of Costa Rica. As part of its normal course of operations, Grupo ICE performs electric power distribution transactions, sale of telecommunications services and, to a lesser extent, sale of construction services to public administration related entities. The amounts for these services are not secured and are settled in cash. Maturities and payments occur under normal payment conditions.

Outstanding balances payable and receivable as of the end of the reporting period are as follows:

	Receivable		Payable	
	As of December 31,			
	2023	2022	2023	2022
Government entities	¢ 65,155	54,403	8,280	6,935
Autonomous institutions	6,040	8,832	-	-
Other related parties	3,677	3,840	-	-
Empresa Propietaria de la Red, S.A.	1,337	1,672	-	-
	¢ <u>76,209</u>	<u>68,747</u>	<u>8,280</u>	<u>6,935</u>

As of December 31, 2023, bonuses and loans due to State-owned financial entities amounted to ¢303,546 and 744,785 (2022: ¢400,725 and ¢777,471), respectively (see Note 17 (a) and (b), respectively).

The following balances correspond to financial investments and restricted funds, placed through State-owned financial entities:

	Note	As of December 31,	
		2023	2022
Restricted cash	16	¢ 20,677	19,728
Investments in financial instruments	12, 14	438,210	488,054
		¢ <u>458,887</u>	<u>507,782</u>

As of December 31, 2023, interest on securities due from with State-owned financial entities amounts to ¢746 (2022: ¢492).

As of December 31, 2023, ownership interest in autonomous and non-governmental agencies amount to ¢5,638 (2022: ¢5,727) (see Note 10).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)Compensation to key management personnel

Compensation to directors and other key management personnel is as follows:

	For the year ended	
	December 31,	
	2023	2022
Short-term benefits	¢ 6,360	5,636
Post-employment benefits	380	357
Other long-term benefits	424	309
Severance benefits	11	50
	¢ <u>7,175</u>	<u>6,352</u>

Compensation to key management personnel includes wages and contributions to a defined benefit plan (severance benefits) and other long-term benefits paid during the year.

**Note 33. Segment information**(a) Basis for segmentation

Grupo ICE has the following reportable segments:

- Telecom Segment, which includes ICE's Telecom Sector, Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA) and Gestión Cobro Grupo ICE, S.A.
- Electricity Segment, which includes ICE's Electricity Sector, Compañía Nacional de Fuerza y Luz, S.A. (CNFL) and Gestión Cobro Grupo ICE, S.A.

Segment information is presented to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, focusing on Grupo ICE's different business segments that are subject to different risks and returns.

Profit or loss, assets and liabilities of the segment include items directly attributable to a segment as well as those that can be reasonably attributed. Information on each reporting segment is as follows.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(b) Products and services that generate revenue for the reportable segments

The types of products and services provided by each segment are detailed in Note 1.

(c) Revenue and profit or loss by segment

Below is an analysis of revenue and profit or loss from the continuing operations of Grupo ICE's reportable segments:

Profit or loss by segment	For the years ended December 31,					
	Electricity		Telecom		Consolidated total	
	2023	2022	2023	2022	2023	2022
External revenues	¢ 869,275	814,469	551,257	574,441	1,420,532	1,388,910
Inter-segment revenue	7,150	7,405	1,312	1,824	8,462	9,229
	¢ 876,425	821,874	552,569	576,265	1,428,994	1,398,139
Depreciation and amortization	¢ 194,273	207,876	127,896	136,819	322,169	344,695
Finance income	20,255	16,763	22,985	18,503	43,240	35,266
Finance costs	(191,901)	(214,049)	(25,483)	(26,086)	(217,384)	(240,135)
Foreign exchange differences	165,150	90,617	961	(1,948)	166,111	88,669
Investments in joint ventures	-	-	(70)	(49)	(70)	(49)
Income tax	2,230	4,699	(3)	(311)	2,227	4,389
Net profit	¢ 246,615	173,161	31,810	17,858	278,425	191,019

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)

The revenue by segment reported in the previous table represents revenue generated by external customers (see Note 25 for a breakdown of that revenue by product).

- Corporate expenses are allocated to the different segments based on the Activity-based Costing (ABC) methodology, approved by the board of directors, which measures the costs of products and services based on the quantification of productive, operating and administrative activities necessary for the rendering of those products and services. This expense allocation methodology includes cost drivers as a way to guarantee a proper allocation of the costs of the support areas in the services provided to each segment. The bases of allocation used are called cost generators or drivers, through which the allocation of the resources consumed by the processes or activities is made.

The accounting policies of the reportable segments are the same as those of Grupo ICE. Revenue by segment represents the revenue obtained by each segment, excluding any share of profit or loss on investments, other gains or losses and finance costs that are not attributable to a specific segment. The foregoing represents the measurement reported to the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

(d) Assets and liabilities by segment

		For the years ended December 31,					
		Electricity		Telecom		Consolidated total	
		2023	2022	2023	2022	2023	2022
Assets	¢	4,886,703	5,012,375	1,524,013	1,471,788	6,410,717	6,484,163
Liabilities	¢	2,642,248	3,002,974	695,557	677,527	3,337,806	3,680,501

To assess the performance and allocate resources to the segments:

- There are no assets or liabilities that are not assigned to the segments.
- All assets and liabilities used jointly by the reportable segments are allocated using the methodology for assignment of corporate expenses to the segments, which establishes the financing percentages according to the drivers defined by each business segment for the different services provided by the Administrative and Service Center areas to the business segments. Each service has a specific unit of measurement and the allocation is made based on consumption, using the Activity-based Costing (ABC) methodology, approved for Grupo ICE by the board of directors.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
(In millions of colones)(e) Other segment information

	<u>Additions to non-current assets</u>	
	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Telecom	¢ 116,550	76,073
Electricity	73,170	80,217
Total	¢ <u>189,720</u>	<u>156,290</u>

Grupo ICE has disclosed all of the above amounts for each reported segment as these amounts are reviewed regularly by the highest decision-making authority and are included in the valuation of the profit or loss for each segment.

**Note 34. Subsequent event***Contingent liability*

On January 31, 2024, the execution of the provisional judgment by the Contentious Administrative Court took place. The plaintiff is Hidroeléctrica Parismina, S.A. The judgment ordered the payment of the acquisition of land for construction of the engine room and other logistics expenses in the amount of ¢1,345. As of December 31, 2023, the estimated amount of the litigation provision is ¢350. On February 14, 2024, ICE filed an appeal before the First Chamber against the provisional judgment of the Contentious Administrative Court, which is pending resolution.