

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

**Consolidated Financial Statements
and independent Auditor's Report**

As of December 31, 2024

(With corresponding figures as of December 31, 2023)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD AND SUBSIDIARIES

(Grupo ICE)

(An autonomous institution of the Government of Costa Rica)

Consolidated Financial Statements
and independent Auditor's Report

As of December 31, 2024

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Independent Auditor's 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, 2024, the consolidated statements of profit or loss and other comprehensive income, of changes in equity, and of cash flows for the year then ended, as well as the explanatory notes to the consolidated financial statements, 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, 2024, and its financial performance, changes in equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for the 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.

Other matters

The consolidated audited financial statements as of and for the year ended December 31, 2023, were audited by other Certified Public Accountants who expressed an unqualified opinion in their report dated April 24, 2024. The information as of December 31, 2023, is presented for comparative purposes only.

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, we do not provide a separate opinion on these matters.

a) Compliance with regulatory provisions

Key Audit matter

As part of its internal control and regulatory procedures, the ICE Group must be compliant with the regulatory provisions.

The ICE, as a non-financial public issuer, is an entity regulated by the General Superintendency of Securities (SUGEVAL), under the regulatory framework of the Securities Market Regulatory Law.

Income from electricity generation, transmission, and distribution services are determined based on prices and tariffs established by the Public Services Regulatory Authority (ARESEP), as set forth in Law No. 449, 'Law for the Creation of the Instituto Costarricense de Electricidad', and Law No. 7593, 'ARESEP Law,' along with its regulations.

Audit response

Our audit procedures included the following:

- We obtained audit evidence of compliance with legal and regulatory provisions that, in a generally accepted manner, have a direct effect on the determination of amounts and material information to be disclosed in the financial statements.
- We applied audit procedures to identify possible instances of non-compliance with laws and regulations that could have a material effect on the financial statements.
- We inquired and obtained a response from management and those responsible for the corporate governance of Instituto Costarricense de Electricidad regarding compliance with these legal and regulatory provisions.

Income from regulated telecommunications services is determined based on prices and tariffs established by the Superintendency of Telecommunications (SUTEL), as set forth in Law No. 8642, 'General Telecommunications Law,' and its regulations. The ICE operates in this regulated market under Law No. 8660, the 'Law on the Strengthening and Modernization of Public Entities in the Telecommunications Sector.'

With respect to competitive services, prices are set based on a cost-oriented methodology that considers parameters such as opportunity cost, industry profit margin, and benchmarking.

- We inspect the written communications issued by the regulator, as well as the responses by the ICE and its respective monitoring.

- We reviewed issues related to compliance with applicable regulations, internal control mechanisms and analysis of automated systems.

- We reviewed the processes and controls used by ICE for setting service tariffs, through the verification of the ordinary tariff studies, in accordance with the model established by ARESEP and SUTEL.

Disclosures regarding certain aspects related to these compliance matters are included in Notes 6, 26, 30, and 31 to the separate financial statements.

b) Property, plant and equipment

Key Audit matter

ICE Group's main assets are Property, Plant, and Equipment, which represents 75% of total assets.

Property, Plant, and Equipment assets are accounted for in accordance with International Financial Reporting Standards (IFRS), specifically as established in IAS 16 'Property, Plant and Equipment' with respect to recognition and subsequent measurement; IAS 36 'Impairment of Assets' with respect to impairment measurement; and IFRS 16 'Leases' with respect to the recognition of assets for the right-of-use associated with lease agreements.

Audit response

Our audit procedures included the following:

- The verification of the controls established by ICE Group for the accounting of depreciation, as well as the procedures for detecting indications of impairment and recognizing it when applicable.

- The operational quality of such assets according to service quality standards, their existence, valuation, completeness, and the extent of their disclosure in the financial statements.

- Disclosures regarding assets of Property, Plant, and Equipment are included in Notes 6, 8, and 9 to the financial statements.

c) Employee benefits:**Key audit matter**

We consider 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.

Audit response

Our audit procedures in this area included the following:

- 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 separate financial statements.

d) Provisions and contingent liabilities**Key Audit matter**

We consider 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.

Audit response

Our audit procedures in this area included the following:

- 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 ICE Group and managed by the in-house and external legal counsel and identifying the estimated amount and the probability of an 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 ICE Group 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.

e) Application of the International Financial Reporting Standard IFRS 9 – Financial Instruments**Key audit matter**

We consider 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.

Audit response

Our audit procedures in this area including involving a specialist were as follows:

- 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 (see note 35), 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 ICE Group 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.

We communicate with those charged with the governance of ICE Group 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.

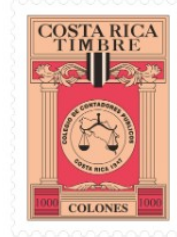
We also provide those charged with the governance of ICE Group with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,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

From the matters communicated with those charged with governance of ICE Group, we determine those matters that were of most significance in the audit of the 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.

The engagement partner on the audit resulting in this independent auditor's report is Fabián Zamora Azofeifa.

Our responsibility for this report of the audited financial statements as of December 31, 2024, extends until April 23, 2025. The date of this report indicates to the user that the auditor has considered the effect of the events and transactions of which he has become aware, and which have occurred up to that date; consequently, it is not extended by the reference of the date on which it is digitally signed.

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Tipo de trabajo:
Informe de Auditoría
Timbre de €1000 de la Ley
6663 adherido y cancelado en
el original.



Código de Timbre: CPA-1000-21587

San José, Costa Rica
April 23, 2025

Opinion signed by
Fabían Zamora Azofeifa N° 2186
Policy 0116FID001004810 expiring on set 30, 2025
Stamp Law 6663 €1.000
Attached to the original

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>2024</u>	<u>2023</u>
Non-current assets			
Property, plant and equipment, net	8	4,740,522	4,871,357
Intangible assets, net	9	85,627	91,193
Other assets		-	5,003
Equity investments	10	5,204	5,638
Notes and other accounts receivable, net	11	178,739	180,038
Investments in financial instruments	12	397,706	392,555
Total non-current assets		5,407,798	5,545,784
Current assets			
Inventories	13	89,700	67,801
Notes and other accounts receivable, net	11	54,475	62,996
Investments in financial instruments	14	229,165	130,658
Trade receivables, net	15	192,153	214,751
Prepaid expenses		12,556	9,207
Other assets		1,727	109
Cash and cash equivalents	16	356,578	378,544
Assets held for sale		955	867
Total current assets		937,309	864,933
Total assets	¢	6,345,107	6,410,717
Liabilities and equity			
Equity:			
Paid-in capital	¢	155	155
Reserves		2,810,214	2,729,203
Retained earnings		305,044	337,349
Equity attributable to owners of Grupo ICE		3,115,413	3,066,707
Non-controlling interests		5,725	6,204
Total equity		3,121,138	3,072,911
Liabilities:			
Non-current liabilities:			
Bond payable	17 (a)	570,249	609,594
Loans payable	17 (b)	1,153,046	1,242,181
Lease liabilities	17 (c)	229,001	254,013
Employee benefits	19	507,652	466,311
Accounts payable	20	146,960	148,232
Contract liabilities	21	80,124	70,903
Deferred income - Government grants	22	19,943	21,276
Deferred tax liabilities	30	74,671	78,412
Provisions	23	1,420	3,234
Other liabilities	24	1	-
Total non-current liabilities		2,783,067	2,894,156
Current liabilities			
Bond payable	17 (a)	68,518	108,741
Loans payable	17 (b)	81,293	83,372
Lease liabilities	17 (c)	33,225	19,020
Employee benefits	19	93,077	89,549
Accounts payable	20	95,453	89,555
Contract liabilities	21	10,267	9,982
Accrued interest payable		20,454	21,904
Provisions	23	30,437	12,470
Other liabilities	24	8,178	9,057
Total current liabilities		440,902	443,650
Total liabilities		3,223,969	3,337,806
Total equity and liabilities	¢	6,345,107	6,410,717

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

Céd. 400004213902
INSTITUTO COSTARRICENSE DE
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Registro Profesional: 13037
Contador: HERNÁNDEZ CASTILLO
LIZBETH EUGENIA
Estado de Situación Financiera
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TIMBRE 300.0 COLONES

VERIFICACIÓN: wALLWAHI
<https://timbres.contador.co.cr>

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

Consolidated Statement of Profit or loss and other comprehensive income
(In millions of colones)

For the year ended December 31,

	Note	2024	2023
Revenue	26	€ 1,497,645	1,420,532
Operating costs:			
Operation and maintenance		625,078	550,269
Operation and maintenance of leased assets		85,017	51,392
Purchases and supplemental services		141,128	154,472
Selling expenses		75,279	65,129
Production management		96,795	97,294
Total operating costs	27	1,023,297	918,556
Gross profit		474,348	501,976
Other income	28	42,611	54,931
Operating expenses:			
Administrative expenses		103,993	90,905
Selling expenses		132,911	120,991
Preliminary studies		21,578	19,751
Supplemental expenses		1,728	2,470
Loss on impairment of balances receivable	27	24,288	8,413
Other expenses		48,263	30,076
Total operating expenses	27	332,761	272,606
Operating profit		184,198	284,301
Finance income (costs):			
Finance income		39,644	43,240
Finance costs		(186,736)	(217,384)
Foreign exchange differences, net		29,097	166,111
Net finance costs	29	(117,995)	(8,033)
Share of profit of equity-accounted investees	10	(64)	(70)
Net profit, before tax		66,139	276,198
Income tax	30	3,460	2,227
Net profit		€ 69,599	278,425
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Effect of actuarial gain (losses) for the year		€ (28,057)	(16,663)
Items that are or may be reclassified subsequently to profit or loss for the period:		(28,057)	(16,663)
Valuation of investments in financial instruments at fair value		7,123	15,718
Valuation of equity investments at fair value		(432)	169
Other comprehensive income, net of tax		(21,366)	(776)
Total non-current liabilities		€ 48,233	277,649
Profit attributable to:			
Owners of Grupo ICE		€ 70,054	278,303
Non-controlling interests		(455)	122
		€ 69,599	278,425
Total comprehensive income attributable to:			
Owners of Grupo ICE		€ 48,701	277,575
Non-controlling interests		(468)	74
		€ 48,233	277,649

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

Céd. 400004213902
INSTITUTO COSTARRICENSE DE
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Atención: INSTITUTO
COSTARRICENSE DE ELECTRICIDAD
Registro Profesional: 13537
Contador: HERNÁNDEZ CASTILLO
LIZBETH EUGENIA
Estado de Resultados Integrar
2025-02-12 09:35:12 -0600



TIMBRE 300.0 COLONES

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

Consolidated Statement of Changes in Equity
(En millones de colones)

For the year ended December 31,

Note	Reserves									Retained earnings						
	Paid-in capital	Legal reserve	Project development reserve	Actuarial gains (losses)	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	Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity
Balance at January 1, 2023	€ 155	4,757	71	(5,755)	(567)	(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	-	-	-	-	-	-	-	-	-	-	9,473	268,830	278,303	278,303	122	278,425
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of actuarial gains for the year	19	-	-	(16,615)	-	-	-	-	-	(16,615)	-	-	-	(16,615)	(48)	(16,663)
Valuation of investments in financial instruments at fair value	-	-	-	-	-	15,718	-	-	-	15,718	-	-	-	15,718	-	15,718
Valuation of equity investments at fair value	10	-	-	-	169	-	-	-	-	169	-	-	-	169	-	169
Total other comprehensive income for the year	-	-	-	(16,615)	169	15,718	-	-	-	(728)	-	-	-	(728)	(48)	(776)
Comprehensive income for the year	-	-	-	(16,615)	169	15,718	-	-	-	(728)	9,473	268,830	278,303	277,575	74	277,649
Appropriation to reserves	-	-	-	-	-	-	-	5	-	(728)	(421)	268,830	278,303	(421)	-	-
Transfer to capital reserve	-	416	-	-	-	-	268,830	-	-	268,830	-	(268,830)	(268,830)	-	-	-
Other adjustments	-	-	-	-	-	-	(8,400)	-	-	(8,400)	-	-	-	(8,400)	-	(8,400)
Balances at December 31, 2023	€ 155	5,173	71	(22,370)	(398)	14,468	2,656,588	13,291	62,380	2,729,203	337,349	-	337,349	3,066,707	6,204	3,072,911
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	(32,152)	102,206	70,054	70,054	(455)	69,599
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of actuarial gains for the year	19	-	-	(28,044)	-	-	-	-	-	(28,044)	-	-	-	(28,044)	(13)	(28,057)
Valuation of investments in financial instruments at fair value	-	-	-	-	-	7,123	-	-	-	7,123	-	-	-	7,123	-	7,123
Valuation of equity investments at fair value	10	-	-	-	(432)	-	-	-	-	(432)	-	-	-	(432)	-	(432)
Total other comprehensive income for the year	-	-	-	(28,044)	(432)	7,123	-	-	-	(21,353)	-	-	-	(21,353)	(13)	(21,366)
Comprehensive income for the year	-	-	-	(28,044)	(432)	7,123	-	-	-	(21,353)	(32,152)	102,206	70,054	48,701	(468)	48,233
Appropriation to reserves	-	-	-	-	-	-	-	157	-	157	(157)	-	-	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	102,206	-	-	102,206	-	(102,206)	(102,206)	-	-	-
Declaration of dividends in CNFL subsidiary shares	-	1	-	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Other adjustments	-	-	1	-	-	-	-	-	-	1	4	-	4	5	5	
Balances at December 31, 2024	€ 155	5,174	71	(50,414)	(830)	21,591	2,758,794	13,448	62,380	2,810,214	305,044	-	305,044	3,115,413	5,725	3,121,138

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

Harold Cordero Villalobos
General Manager

Keimer Acee Guerrero
Financial Manager

Lizbeth Hernández Castillo
Accounting Director

Céd. 400004213902
INSTITUTO COSTARRICENSE DE ELECTRICIDAD
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TIMBRE 300.0 COLONES

VERIFICACIÓN: wallwahi
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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	2024	2023
Cash flows from operating activities			
Profit for the year		69,599	278,425
Adjustments for:			
Depreciation	8	298,259	301,409
Amortization	9	20,816	20,760
Amortization of contract liabilities	26 (c)	(7,564)	(7,182)
Net realizable value of inventories	13	555	2,728
Net finance costs	29	147,092	174,144
Loss on impairment of balances receivable	27	24,288	8,413
Share of profit of equity-accounted investees, net of tax	10	64	70
Loss on disposal of assets	8 y 9	2,676	16,325
Obligations for employee benefits	19	10,428	3,775
Government grants	22	(6,427)	(16,485)
Income tax	30	(3,460)	(2,227)
Foreign exchange differences	29	(36,743)	(154,316)
		<u>519,583</u>	<u>625,839</u>
Changes in:			
Notes and other accounts receivable		11,741	3,156
Trade receivables		(206)	(48,629)
Inventories		(26,561)	(30,445)
Accounts payable		4,626	(8,442)
Contract liabilities		17,070	16,027
Employee benefits and other provisions		(9,250)	(55,846)
Other liabilities		(385)	(792)
Cash flows from operating activities		<u>516,618</u>	<u>500,868</u>
Income taxes paid		(280)	(853)
Net cash from operating activities		<u>516,338</u>	<u>500,015</u>
Total equity			
Interest received		24,379	33,403
Investments in financial instruments		(109,712)	5,498
Additions to property, plant and equipment		(106,755)	(84,844)
Gains on the sale of property, plant and equipment	8 y 9	442	300
Additions to intangible assets		(6,017)	(23,027)
Government grants received	22	5,094	16,763
Other assets		(116)	(61)
Net cash used in investing activities		<u>(192,685)</u>	<u>(51,968)</u>
Cash flows from financing activities:			
Increase in bonds payable	17 (d)	43,044	-
Amortization of bonds payable	17 (d)	(106,450)	(85,184)
Increase in loans payable	17 (d)	26,521	41,885
Amortization of loans payable	17 (d)	(102,365)	(77,089)
Amortization of lease liabilities	17 (d)	(39,363)	(65,238)
Interest paid	17 (d)	(174,652)	(210,860)
Net cash used in financing activities		<u>(353,265)</u>	<u>(396,486)</u>
Net increase (decrease) in cash and cash equivalents		(29,612)	51,561
Cash and cash equivalents at beginning of year		378,544	338,778
Effect of movements in exchange rates on cash held	29	7,646	(11,795)
Cash and cash equivalents at the end of year	16	<u>€ 356,578</u>	<u>378,544</u>

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

As of December 31, 2024

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),) and Gestión Cobro Grupo ICE, S.A., all of them incorporated in accordance with the laws of the Republic of Costa Rica. In addition, ICE is also the sole owner of other entities, which had no operations as of December 31, 2024.

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). Electricity services are regulated directly by Autoridad Reguladora de los Servicios Públicos (ARESEP) [Costa Rican Public Utilities Regulatory Authority]. The principal activity of the subsidiaries is described below:

- 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) and Superintendencia General de Valores (SUGEVAL)

- 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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.

- 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), la Superintendencia General de Valores SUGEVAL, Bolsa Nacional de Valores de Costa Rica, S.A., the General Directorate of National Accounting of the Ministry of Finance, and the Ministry of Environment and Energy (MINAE).

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 22, 2025.

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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 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.

(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, 2024, 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 31 – 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 32 – 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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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 party 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 matters are reported to the Audit and Risk Committee of ICE Group.

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 fair value hierarchy at the end of the reporting period during which the change occurred.

Note 31 – 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.

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 Instituto Costarricense de Electricidad (ICE) and its subsidiaries, as follows:

Subsidiaries	Country	Ownership interest	
		As of December 31	
		2024	2023
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%
Gestión Cobro Grupo ICE, S.A.	Costa Rica	100.0%	100.0%

The subsidiaries are entities controlled by Instituto Costarricense de Electricidad (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 four structured entities, three of which are trusts in which it does not hold ownership interest (Fideicomiso Centro Empresarial Sabana, Fideicomiso Red Avanzada de Nueva Generación and Fideicomiso PH Reventazón), and another in which ICE maintains a 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 (JASEC), on March 9, 2006, date on which 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% equity interest in each entity) 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 total of the Project, in such a way that the Trust would obtain the necessary resources to finance the remaining amount of the project's value. 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.

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 (that is, the relevant activities).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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.

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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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 - investment in debt instruments at fair value through other comprehensive income - investment in equity instruments, or fair value through profit or loss.

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 at fair value through profit or loss:

- 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 fair value through other comprehensive income, if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- 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.

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 through other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit or loss. 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 fair value through other comprehensive income, as at fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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 (for example, 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 fair value through profit or loss.

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 (for example, liquidity risk and administrative costs), as well as a profit margin.

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 (for example, non-recourse features).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

A prepayment feature is consistent with the sole 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 fair value through profit or loss	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 other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income 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 other comprehensive income and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liability is classified at fair value through profit or loss, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss 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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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 recognizes financial liability when its contractual obligations are discharged or cancelled or expired. 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 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.

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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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.

Group ICE will prospectively discontinue hedge accounting if the hedging instrument expires, is sold, terminated, or exercised, or if it no longer meets the qualifying criteria for hedge accounting. For this purpose, the replacement or rollover of a hedging instrument into another is not considered an expiration or termination if such replacement or rollover is part of the documented hedging strategy and does not change the risk management objective of the hedging relationship; therefore, 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.

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:

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.

Property, plant and equipment include the following asset classifications:

Operating assets and other operating assets

Assets classified as “*Operating assets and other operating assets*” include controlled and permanent assets primarily used in the production and delivery of electricity and telecommunications services, and which are not intended for sale. Other assets in operation include those used for administrative or operational purposes and expected to be used for more than one accounting period.

Assets for the right-of-use

Assets for the right-of-use are assets related to a contract that is, or contains, a lease.

Assets for the right-of-use are initially measured at cost, which comprises:

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.

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.

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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.

(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 future economic benefits.

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Asset for the right-of-use 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 for the products generated by the asset;
- legal limits or restrictions on the use of the asset, and
- 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 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.

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- 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.

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 of 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.

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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.

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 generated 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.

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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.

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.

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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.

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 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 recover 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 number of inventories expected to be realized. These estimates take into consideration fluctuations in 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.

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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.

"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.

Accounts receivable includes the Variable Generation Cost (VGC) in accordance with the regulations governing electric services, based on billing cycles and the applicable tariff.

Trade receivables for services provided by the businesses are derecognized when the right to collect is exercised, when the rights to receive contractual cash flows are transferred, when the rights to receive contractual cash flows expire, or when they are written off against the loss allowance for impairment due to default.

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:

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- 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.

Impairment

(i) *Non-derivative financial assets:*

Financial instruments and contract assets

Grupo ICE recognizes loss for allowance for expected credit losses 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 of the expected credit losses, except for the following, which are measured at 12-month ECLs expected credit losses:

- 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 the lifetime of the expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, 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 an 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.

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

Grupo ICE considers 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.

Twelve-month expected credit losses are the portion of the lifetime expected credit losses that result from default events on a financial instrument that are possible within twelve months after the reporting date 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 expected credit losses is the maximum contractual period over which Grupo ICE is exposed to credit risk.

Measurement of expected credit losses

The expected credit losses 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).

The expected credit losses 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 financial assets because of financial difficulties.

Presentation of the allowance for impairment of the expected credit losses in the consolidated statement of financial position

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

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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.

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 generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. (See note 8).

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.

e) Equity policies

Composition of capital

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

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- 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.

(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".

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(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.

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".

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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 the 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.

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.

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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.

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 originates 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.

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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 expenses 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.

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) apply 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 12 years, in accordance with Article 108 of the Collective Labor Agreement for 2024–2027.

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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- 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.

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.

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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 maintains a vacation provision, which is determined based on the number of years employees have worked for ICE, as well as in accordance with Article No. 29 of the Autonomous Labor Regulations (ALR), 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 employees governed by the RAL, 15 working days of paid annual vacation are granted for every fifty weeks of continuous work.

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

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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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.

Grupo ICE recognizes government grants, whether local or international, in the consolidated statement of financial position at the time they are granted, and they are systematically transferred to the consolidated statement of income and expenses in accordance with the useful life of the asset associated with the grant received.

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 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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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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.

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) Individual deposits

Obligations arising from funds provided by individuals or entities, whether natural or legal persons, are recorded as "Individual deposits" when the purpose is to finance, in whole or in part, projects for their benefit, as well as to guarantee the fulfillment of services pending delivery by Grupo ICE.

Individual deposits are settled when the service is completed, the contract is terminated, the funds are returned to the guarantors, or in the event of a default by the customer.

(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).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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 is 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.

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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.

Grupo ICE recognizes revenue from ordinary activities related to the Variable Generation Cost (VGC) over time, by measuring progress toward the full satisfaction of each performance obligation with each customer, based on their consumption and the applicable tariff established by the regulatory authority, in accordance with the relevant methodology and billing cycle. The objective in measuring progress is to reflect Grupo ICE's performance from the moment control of the committed service is transferred to the customer, applying a single method to measure progress for each performance obligation satisfied over time, and applying it consistently to similar performance obligations under similar circumstances.

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 recorded 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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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
- 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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Selling expenses

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

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.

Commercialization

Presented as 'Commercialization' are the expenses incurred by Grupo ICE to sell electricity, telecommunications, and other technical services to customers. This includes activities such as service conceptualization, customer service, and billing management.

Commercialization expenses are presented at the cost incurred.

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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Supplemental expenses

“Supplemental expenses” include:

- Other expenses incurred by Grupo ICE 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.
- Subsequent mitigation and social compensation costs that exceed the amounts established in the environmental management plan and were not included in the “Baseline”¹ 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.

¹ Term used in the Environmental Management Plan, related to the assessment of existing conditions that impact the construction of works, where mitigation and social compensation measures are defined along with the corresponding budget and schedule.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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.

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 other comprehensive income.

(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 in 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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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.

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 surplus)

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 provide pricing information on an ongoing basis.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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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.

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 Grupo ICE's consolidated financial statements.

Standard	Description	Type	Apply to Grupo ICE		Impact on the Financial Statements of 2024	
			Yes	No	Yes	No
Amendments to IFRS 16	Leases	Lease liabilities in a sale and leaseback transaction		X		X
IAS 1	Presentation of financial statements	Amendment; Disclosure of accounting policies	X			X
Amendments to IAS 7 and IFRS 7	Financial instruments	Financial agreements with suppliers	X			X

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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 IAS 21	Effects of changes in foreign exchange rates	Lack of interchangeability	January 1, 2025
Amendments to IAS 9 and IFRS 7	Financial instruments	Clarifications on the classification and measurement of financial instruments, particularly regarding changes in contractual cash flows and disclosure requirements	January 1, 2026
IFRS 18	Presentation and disclosures in financial statements	Improvements in the presentation and disaggregation of information in the financial statements, including defined subtotals and enhanced classification of income and expenses	January 1, 2027
International Financial Reporting Standards (IFRS) focused on Sustainability	S1 y S2	S1, General Requirements for disclosure of sustainability-related financial information; and S2, climate-related disclosures	Fiscal year-end 2027

Note 8. Property, plant and equipment, net

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

	As of December 31,	
	2024	2023
<u>Cost:</u>		
Operating assets	¢ 9,864,132	9,769,932
Other operating assets	372,190	363,400
Total operating assets – cost	10,236,322	10,133,332
<u>Accumulated depreciation:</u>		
Operating assets	5,503,418	5,239,513
Other operating assets	319,287	314,499
Total accumulated depreciation of operating assets - cost	5,822,705	5,554,012
Operating assets, net	4,413,617	4,579,320
<u>Other assets:</u>		
Construction work in progress	202,198	161,892
Inventories – inventory for investment projects/operating	124,707	130,145
Total other assets	326,905	292,037
	¢ 4,740,522	4,871,357

As of December 31, 2024, assets with a carrying amount of ¢769,176 (2023: ¢782,639) secure bank loans (see note 17 (b)).

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(i) Cost

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

	As of January 1, 2023	Additions and capitalization	Disposals	Transfers	As of December 31, 2023	Additions and capitalization	Disposals	Transfers	As of December 31, 2024
Land	¢ 211,487	635	(4)	606	212,724	2,235	-	(885)	214,074
Buildings	439,745	4,787	(1,251)	-	443,281	4,370	(8,125)	201	439,727
Hydroelectric power generation	3,491,940	3,788	(1,211)	6	3,494,523	6,350	(4,993)	574	3,496,454
Thermal power generation	304,374	6,991	-	-	311,365	-	-	-	311,365
Geothermal power generation	788,574	-	(13,512)	-	775,062	-	-	-	775,062
Wind power generation	163,742	116	(1,910)	-	161,948	-	(1,106)	-	160,842
Solar power generation	13,170	-	-	-	13,170	-	-	-	13,170
Substations	541,642	992	(1,074)	-	541,560	7,019	(113)	933	549,399
Transmission lines	397,213	26	-	-	397,239	-	-	(934)	396,305
Distribution circuits	1,031,309	11,476	(5,965)	(1,249)	1,035,571	24,844	(3,214)	7	1,057,208
Public lighting	34,908	5,119	(2,010)	1,283	39,300	7,858	(722)	(7)	46,429
Control, communications and infrastructure equipment	292,296	3,838	(2,350)	-	293,784	5,337	(1,571)	-	297,550
Transport	758,216	3,028	(2,150)	44	759,138	4,718	(1,295)	(1)	762,560
Access	705,116	33,285	(5,729)	(50)	732,622	17,163	(5,256)	1	744,530
Civil and electromechanical	225,395	2,235	(3)	5	227,632	7,110	(13)	-	234,729
Platforms	273,040	14,441	(18,468)	-	269,013	3,493	(3)	-	272,503
Furniture and equipment	3,294	204	(32)	(170)	3,296	12	(4)	-	3,304
Transportation equipment	-	-	-	-	-	2,997	-	-	2,997
Tower sites and land	26,150	33,378	(824)	-	58,704	-	(717)	(166)	57,821
Production plants and equipment	-	-	-	-	-	28,103	-	-	28,103
Subtotal operating assets	9,701,611	124,339	(53,493)	475	9,769,932	121,609	(27,132)	(277)	9,864,132
Other operating assets	365,676	5,025	(10,453)	152	363,400	15,243	(6,275)	(178)	372,190
	¢ 10,070,287	129,364	(66,946)	627	10,133,332	136,852	(33,407)	(455)	10,236,322

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, 2023	Depreciation	Disposals	Transfers	As of December 31, 2023	Depreciation	Disposals	Transfers	As of December 31, 2024
Buildings	¢ 180,359	8,372	(616)	(23)	188,092	8,397	(7,552)	(95)	188,842
Hydroelectric power generation	1,379,113	56,965	(504)	28	1,435,602	58,199	(4,024)	126	1,489,903
Thermal power generation	144,224	8,760	-	-	152,984	8,402	-	(14)	161,372
Geothermal power generation	442,080	25,193	(9,920)	-	457,353	23,324	-	(1)	480,676
Wind power generation	105,282	10,165	(1,876)	-	113,571	9,584	(1,099)	209	122,265
Solar power generation	8,402	394	-	-	8,796	370	-	1	9,167
Substations	309,922	17,760	(757)	-	326,925	16,046	(104)	33	342,900
Transmission lines	163,813	11,164	-	-	174,977	10,894	-	(32)	185,839
Distribution circuits	468,760	36,365	(4,742)	(258)	500,125	36,907	(1,987)	(317)	534,728
Public lighting	20,054	2,319	(1,668)	274	20,979	2,635	(481)	316	23,449
Control, communications and infrastructure equipment	133,916	7,088	(2,234)	-	138,770	7,338	(1,451)	1	144,658
Transport	571,847	22,644	(2,143)	11	592,359	18,811	(1,293)	(8)	609,869
Access	596,115	54,187	(5,144)	(11)	645,147	52,968	(5,051)	(239)	692,825
Civil and electromechanical	232,520	9,398	(3)	-	241,915	8,171	(9)	(37)	250,040
Platforms	221,453	14,161	(14,623)	-	220,991	12,502	(2)	(24)	233,467
Furniture and equipment	2,353	167	(32)	-	2,488	162	(5)	-	2,645
Transportation equipment	-	-	-	-	-	680	-	-	680
Tower sites and land	14,934	3,588	(83)	-	18,439	2,599	(216)	131	20,953
Production plants and equipment	-	-	-	-	-	9,148	-	-	9,140
Subtotal operating assets	<u>4,995,147</u>	<u>288,690</u>	<u>(44,345)</u>	<u>21</u>	<u>5,239,513</u>	<u>287,129</u>	<u>(23,274)</u>	<u>50</u>	<u>5,503,418</u>
Other operating assets	<u>311,883</u>	<u>12,719</u>	<u>(10,115)</u>	<u>12</u>	<u>314,499</u>	<u>11,130</u>	<u>(6,186)</u>	<u>(156)</u>	<u>319,287</u>
¢	<u>5,307,030</u>	<u>301,409</u>	<u>(54,460)</u>	<u>33</u>	<u>5,554,012</u>	<u>298,259</u>	<u>(29,460)</u>	<u>(106)</u>	<u>5,822,705</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

For 2024 and 2023, assets are depreciated using the following useful lives:

<u>Asset group</u>	<u>Useful life in years</u>
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

Impairment

ICE has defined two Cash-Generating Units (CGUs) to carry out impairment analyses of its assets, corresponding to the Electricity Business and the Telecommunications Business. These units encompass groups of assets which, as integrated and independent business segments, generate cash inflows for the entity.

(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, 2023	¢ 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 / consumption	(67,411)	(46,500)	(113,911)
Interest and commissions (Note 17(d))	728	-	728
As of December 31, 2023	<u>161,892</u>	<u>130,145</u>	<u>292,037</u>
Additions	128,270	52,859	181,129
Disposals	(472)	1,535	1,063
Adjustments and transfers	(218)	(2,238)	(2,456)
Capitalizations / consumption	(89,103)	(57,594)	(146,697)
Interest and commissions (Note 17(d))	1,829	-	1,829
As of December 31, 2024	<u>¢ 202,198</u>	<u>124,707</u>	<u>326,905</u>

The capitalization rate used to determine the amount of capitalizable loan costs was 0.97% (2023: 0.33%).

A description of the main construction works in progress as of December 31, 2024, and 2023 is provided below:

(a) Borinquen Geothermal Project

This project includes costs in the amount of ¢98,500 (2023: (¢84,192) 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. According to the generation expansion plan, the plant will be operational starting in 2029, with a total estimated budget of US\$412.9 million (equivalent to ¢211,211).

(b) Telecommunications Network

Permanent improvements to the telecommunications system, considering the modernization of CORE elements to enhance bandwidth, data transmission speeds, and voice service, while optimizing the network, for an amount of ¢23,765 (¢17,822 in 2023). The networks primarily included are LTE VOLTE, mobile network, and transport network.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(c) 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, 2024, the balance is ¢10,985 (2023: ¢5,270)

(d) Infrastructure and installation

It includes the procurement of materials and the commissioning of new infrastructure, considering the installation of new residential services throughout the country, for an amount of ¢8,157 (¢6,349 in 2023).

(e) RANGE- Stages II y III

Full replacement of the copper network with new access infrastructure in different areas of the country, using optic fiber with Passive Optical Network (PON) technology. Al 31 de diciembre de 2024, el saldo es de ¢8,050 (¢3,534 en el 2023).

(f) Expansión y renovación de plataformas tecnológicas

This project includes the development of the technological ecosystem of ICE. This project enables 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, 2024, the balance is ¢5,901 (2023: ¢8,271).

(g) Real estate

The project corresponds to the modernization of 314 hydrometeorological stations. As of December 31, 2024, the balance is ¢5,899 (¢3,856 in 2023).

(h) Continuous quality improvement

Global programs 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, 2024, the balance is ¢5,169 (2023: ¢2,270).

(i) FONATEL

This corresponds to the implementation costs of infrastructure and provisioning of voice and internet services. As of December 31, 2024, the balance is ¢3,045 (¢7,595 in 2023).

(j) Temporarily inactive property, plant and equipment

As of December 31, 2024, there are 657 depreciable assets, of which 27 assets (2023: 46) with a carrying amount of ¢1,376 have not reported usage during 2024 (2023: ¢1,168).

(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>2024</u>	<u>2023</u>
<i><u>Intangible assets with a definite useful life: Cost</u></i>		
Licenses, systems and applications (1)	¢ 189,368	177,877
Submarine cable rights (2)	78,008	78,008
Total cost	<u>267,376</u>	<u>255,885</u>
<i><u>Accumulated amortization</u></i>		
Licenses, systems and applications (1)	(152,490)	(139,692)
Submarine cable rights (2)	<u>(67,516)</u>	<u>(63,158)</u>
Total accumulated amortization	<u>(220,006)</u>	<u>(202,850)</u>
Intangible assets with a definite useful life	<u>47,370</u>	<u>53,035</u>
<i><u>Intangible assets with an indefinite useful life:</u></i>		
Rights of way and easements (3)	<u>38,257</u>	<u>38,158</u>
Intangible assets with an indefinite useful life, net	<u>¢ 85,627</u>	<u>91,193</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>Others</u>		<u>Totals</u>	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,		As of December 31,	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<u>Cost:</u>										
Opening balance	177,877	164,006	78,008	70,451	38,158	36,919	-	2,813	294,043	274,189
Additions and capitalizations	17,129	14,407	-	7,557	99	1,201	-	-	17,228	23,165
Adjustments and transfers	-	(229)	-	-	-	38	-	-	-	(191)
Disposals	(5,638)	(307)	-	-	-	-	-	(2,813)	(5,638)	(3,120)
Closing balance	189,368	177,877	78,008	78,008	38,257	38,158	-	-	305,633	294,043
<u>Accumulated amortization</u>										
Opening balance	139,692	121,254	63,159	59,369	-	-	-	-	202,851	180,623
Amortization - expense	16,459	16,971	4,357	3,789	-	-	-	-	20,816	20,760
Amortization - investment	1,759	1,806	-	-	-	-	-	-	1,759	1,806
Adjustments and transfers	(16)	(32)	-	-	-	-	-	-	(16)	(32)
Disposals	(5,404)	(307)	-	-	-	-	-	-	(5,404)	(307)
Closing balance	152,490	139,692	67,516	63,158	-	-	-	-	220,006	202,850
	36,878	38,185	10,492	14,850	38,257	38,158	-	-	85,627	91,193

(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, 2024, 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 ¢17,474 (2023: ¢22,178). 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

Increase in this submarine capacity by 130 Gbps through usage rights of a submarine cable, given the growing trend in bandwidth demand for data traffic. Additions in the 2023 period amounted to ¢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 developing 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.

Note 10. Equity investments

Equity investments are as follows:

	As of December 31,	
	2024	2023
<u>Investment in joint ventures valued at cost:</u>		
Tecomunica, S.A. – Nicaragua: 500 ordinary shares with a par value of C\$101,000; 50% ownership interest (1)	¢ 695	812
<u>Other investments:</u>	52	54
<u>Investments at fair value through OCI:</u>		
Empresa Propietaria de la Red, S.A.: 6,061 ordinary shares with a par value of US\$1,000; 10.36% ownership interest (2)	4,457	4,772
	¢ 5,204	5,638

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(1) Tecmunica, S.A. – Nicaragua

Tecmunica, 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:

	As of December 31,	
	2024	2023
Percentage ownership interest	50%	50%
Non-current assets	¢ 975	1,177
Current assets (including cash and cash equivalents – 2024: ¢88; 2023: ¢110)	848	907
Non-current liabilities	311	(267)
Current liabilities	123	(197)
Net assets (100%)	2,257	1,623
Grupo ICE’s share of net assets (50%)	1,129	812
Carrying amount of interest in joint venture	1,129	812

	As of December 31,	
	2024	2023
Current liabilities (excluding trade and other payables – 2024 ¢100; 2023: ¢173)	¢ 6	22

	For the year ended December 31,	
	2024	2023
Income from ordinary activities	¢ 1,625	1,563
Administrative expenses	246	(245)
Interest income	1	3
Interest expense	1	(3)
Income tax expense	(32)	(44)
Profit and total comprehensive income (100%)	(128)	(139)
Profit and total comprehensive income (50%)	(64)	(70)
Grupo ICE’s share of other comprehensive income	(64)	(70)

(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 ICE along with the entities responsible for the management of electricity in the six Central American countries and three additional entities located in Spain,

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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, 2024, due to the measurement of this investment at fair value, increase is recognized in other comprehensive decrease in the amount of ¢432 (2023: increase of ¢169).

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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,					
	2024			2023		
	Non-current	Current	Total	Non-current	Current	Total
<u>Notes receivable:</u>						
Loan to Empresa Propietaria de la Red, S.A. (1)	1,367	124	1,491	1,210	127	1,337
Loan due from employees (2)	177,952	1,510	179,462	179,749	1,682	181,431
Payment arrangements	275	5,127	5,402	-	2,341	3,052
Allowance for impairment – Notes receivable (Note 31)	(1,545)	(3,939)	(5,484)	(1,696)	(2,507)	(4,203)
	<u>178,049</u>	<u>2,822</u>	<u>180,871</u>	<u>179,263</u>	<u>1,643</u>	<u>181,617</u>
<u>Non-trade receivables:</u>						
Customers in general	-	18,359	18,359	-	18,350	18,350
Government	-	2,649	2,649	-	1,567	1,567
Other accounts	690	467	1,157	64	213	277
Allowance for impairment – non-trade receivables (Note 31)	-	(1,133)	(1,133)	-	(1,133)	(1,133)
	<u>690</u>	<u>20,342</u>	<u>21,032</u>	<u>64</u>	<u>18,997</u>	<u>19,061</u>
<u>Interest receivable</u>						
Tax credits and/or withholdings	-	9,589	9,589	-	9,471	9,471
	<u>-</u>	<u>17,511</u>	<u>17,511</u>	<u>-</u>	<u>24,752</u>	<u>24,752</u>
<u>Advances granted to suppliers:</u>						
Customers in general	-	2,077	2,077	-	5,860	5,860
Government	-	2,128	2,128	-	2,207	2,207
Government	-	6	6	-	66	66
Employees	-	4,211	4,211	-	8,133	8,133
	<u>178,739</u>	<u>54,475</u>	<u>233,214</u>	<u>180,038</u>	<u>62,996</u>	<u>243,034</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, 2024, amounts to ¢1,491 – ¢1,367 in the non-current portion and ¢124 in the current portion (as of December 31, 2023, a balance of ¢1,337 – ¢1,210 in non-current and ¢127 in current). The total term of the debt is 25 years, effective from December 8, 2009, at a SOFR rate, applying the IDB methodology to current loans, resulting in an equivalent rate of 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:

	2024		
	Loans to employees	Loans in legal collection	Total
Mortgage	¢ 95,639	1,827	97,466
Fiduciary	75,109	999	76,188
Chattel mortgage	5,978	9	5,888
	¢ 176,627	2,835	179,462
	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
	¢ 178,561	2,870	181,431

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 proforma invoice; 80% of the vehicle’s value is financed.

The Fund also accepts fiduciary guarantees.

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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:

	2024					
<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>Trust portfolio</u>						
Balance	¢ 733	1,535	2,880	2,845	68,115	76,108
Number of operations	3,349	1,974	2,160	1,766	33,695	42,944
Average annual interest rate	12%	11%	10%	10%	11%	
<u>Mortgage portfolio</u>						
Balance	¢ 171	698	1,978	2,520	92,099	97,466
Number of operations	408	214	321	333	3,643	4,919
Average annual interest rate	9%	8%	8%	8%	8%	
<u>Chattel mortgage portfolio</u>						
Balance	¢ 39	121	186	169	5,373	5,888
Number of operations	26	43	45	30	696	840
Average annual interest rate	8%	8%	8%	8%	7%	
<u>Total portfolio by maturity</u>	¢ <u>943</u>	<u>2,354</u>	<u>5,044</u>	<u>5,534</u>	<u>165,587</u>	<u>179,462</u>
<u>Total number of operations</u>	<u>3,783</u>	<u>2,231</u>	<u>2,526</u>	<u>2,129</u>	<u>38,034</u>	<u>48,703</u>
	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>Trust portfolio</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)

Note 12. Investments in financial instruments

Long-term investments in financial instruments are as follows:

		As of December 31,	
		2024	2023
At amortized cost	¢	26	18,905
At fair value through OCI		386,708	362,107
At fair value through profit or loss		10,972	11,543
	¢	<u>397,706</u>	<u>392,555</u>

Note 31 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 ¢397,434 (2023: ¢373,401) are destined specifically for the operation of ICE's Guarantee and Savings Fund.

Investments in financial instruments are as follows:

Issuer	Type of financial instrument	Currency	As of December 31, 2024		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
Government					
Term certificate of deposit	Fixed-rate instruments	US dollars	<u>26</u>	2.65%	2027
			<u>26</u>		
<u>At fair value through other comprehensive income</u>					
Government					
Bonds	Fixed-rate instruments	Colones	183,255	5.69% to 9.84%	2024 to 2036
Bonds	Variable-rate instruments	Colones	56,365	5.40% to 6.91%	2026 to 2044
Bonds	Fixed-rate instruments	US dollars	43,552	4.88% to 6.36%	2024 to 2034
Bonds	Fixed-rate instruments	DU	42,372	5.41% to 7.18%	2026 to 2043
Private financial entities					
Bonds	Fixed-rate instruments	Colones	42,619	6.98% to 10.14%	2025 to 2033
Bonds	Fixed-rate instruments	US dollars	15,286	3.52% to 6.09%	2025 to 2027
Public financial entities					
Bonds	Fixed-rate instruments	Colones	809	5.79% to 10.24%	2024 to 2025
Public non-financial entities					
Bonds	Fixed-rate instruments	US dollars	1,120	5.85% to 6.49%	2028 to 2029
Bonds	Variable-rate instruments	Colones	868	6.42% to 6.72%	2027 to 2033
Private non-financial entities					
Bonds	Fixed-rate instruments	US dollars	<u>462</u>	6.52%	2027
			<u>386,708</u>		
<u>At fair value through profit or loss</u>					
Private financial entities					
Bonds	Closed fund - dividends	US dollars	9,186	0.63% to 3.76%	
Public financial entities					
Bonds	Closed fund - dividends	US dollars	<u>1,786</u>	1.05% to 7.62%	
			<u>10,972</u>		
			<u>¢ 397,706</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, 2023		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
Government					
Bonds	Fixed-rate instruments	US dollars	¢ 18,878	5.95%	2024 to 2025
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	US dollars	27	3.30% to 3.75%	2024 to 2027
			<u>18,905</u>		
<u>At fair value through other comprehensive income</u>					
Government					
Bonds	Fixed-rate instruments	Colones	184,680	5.94% to 10.24%	2024 to 2036
	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%	2024 to 2034
Bonds	Fixed-rate instruments	DU	25,844	3.39% to 6.36%	2026 to 2043
Private financial entities					
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 2027
Public financial entities					
Bonds	Fixed-rate instruments	Colones	4,106	5.48% to 10.23%	2024 to 2025
Public non-financial entities					
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
Private non-financial entities					
Bonds	Fixed-rate instruments	US dollars	903	6.52%	2027
			<u>362,107</u>		
<u>At fair value through profit or loss</u>					
Private financial entities					
Bonds	Closed fund - dividends	US dollars	9,564	1.11% to 3.84%	
Public financial entities					
Bonds	Closed fund - dividends	US dollars	1,979	2.21% to 7.01%	
			<u>11,543</u>		
			<u>¢ 392,555</u>		

Note 13. Inventories

Inventories are as follows:

	As of December 31,	
	2024	2023
Materials, spare parts and supplies	¢ 37,029	26,813
Fuels and lubricants	33,712	20,156
Assets for sale	14,637	18,953
Tools	1,157	917
Inventory of materials in transit	168	92
Other	2,997	870
	<u>¢ 89,700</u>	<u>67,801</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

As of December 31, inventories in the amount of ¢218,773 (2023: ¢141,308) were recognized as operating costs and expenses for the period, depending on the use of those inventories.

As of December 31, 2024, the balance of the valuation allowance for inventory in warehouses and net realizable value amounted to ¢4,152 (¢11,341 as of December 31, 2023). The amounts recognized during the period related to the use of the allowance totaled ¢8,221, primarily corresponding to fixed asset inventories for ¢4,584, inventories of goods acquired for sale for ¢1,745, and materials and supply inventories for ¢1,602. Additionally, the allowance was increased by ¢425 (¢2,770 as of December 31, 2023).

Note 14. Investments in financial instruments

Short-term investments in financial instruments are as follows:

	<u>As of December 31,</u>	
	<u>2024</u>	<u>2023</u>
At amortized cost	¢ 170,192	84,218
At fair value through OCI	28,464	28,182
At fair value through profit or loss	30,509	18,258
	<u>¢ 229,165</u>	<u>130,658</u>

Note 31 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 ¢19,411 (2023: ¢22,278), 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 ¢58,304 (2023: ¢45,628) are destined for the specific operation of ICE's Guarantee and Savings Fund.

Investments in financial instruments are as follows:

(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, 2024		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	¢ 79,813	3.39% to 6.19%	2025
Mortgage participation certificate	Fixed-rate instruments	Colones	12,976	4.45% to 4.85%	2025
Private financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	27,814	3.25% to 4.85%	2025
Term certificate of deposit	Fixed-rate instruments	US dollars	6,368	1.37% to 5.00%	2025
Government					
Bonds	Fixed-rate instruments	Colones	24,997	4.04%	2025
Bonds	Fixed-rate instruments	US dollars	18,225	5.95%	2025
			<u>170,193</u>		
<u>At fair value through other comprehensive income</u>					
Government					
Bonds	Fixed-rate instruments	US dollars	4,270	5.42%	2025
Bonds	Fixed-rate instruments	US dollars	2,117	7.72% to 10.72%	2025
Private financial entities					
Bonds	Variable-rate instruments	Colones	11,491	4.97% to 9.96%	2024 to 2025
Bonds	Fixed-rate instruments	US dollars	2,981	3.77% to 6.11%	2024 to 2025
Public financial entities					
Bonds	Fixed-rate instruments	Colones	7,604	5.13% to 8.79%	2024 to 2025
			<u>28,463</u>		
<u>At fair value through profit or loss</u>					
Public financial entities					
Investment fund	Investment fund	US dollars	28,796	0.77% to 3.71%	2025
Investment fund	Investment fund	US dollars	1,613	2.58% to 3.19%	2025
Investment fund	Investment fund	Colones	100	2.25% to 3.19%	2025
			¢ <u>30,509</u>		
			<u>229,165</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, 2023		
			Balance	Interest rate	Maturity
At amortized cost					
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	¢ 39,578	3.46% to 8.24%	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
Private financial entities					
	Variable-rate instruments				2024
Term certificate of deposit	instruments	Colones	8,895	4.50% to 6.00%	
	Variable-rate instruments				2024
Investment certificate	instruments	Colones	3,996	8.40%	
	Variable-rate instruments				2024
Term certificate of deposit	instruments	US dollars	3,827	2.50% to 3.50%	
Government					
Bonds	Fixed-rate instruments	US dollars	11,531	5.75% to 9.20%	2024
			<u>84,218</u>		
At fair value through other comprehensive income					
Government					
Bonds	Fixed-rate instruments	Colones	9,366	7.25% to 10.75%	2024
Bonds	Fixed-rate instruments	Colones	8,556	5.66% to 7.90%	2024
Private financial entities					
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
Public financial entities					
Bonds	Fixed-rate instruments	Colones	3,514	5.46 % to 10.90%	2024
			<u>28,182</u>		
At fair value through profit or loss					
Public financial entities					
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
Bonds	Investment fund	US dollars	102	1.00%	2024
Investment fund	Investment fund	Colones	304	3.21% to 3.43%	2024
			<u>18,258</u>		
			¢ <u>130,658</u>		

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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,	
	2024	2023
Customers in general	¢ 206,311	218,093
Government	54,222	61,381
Private banks	391	177
	<u>260,924</u>	<u>279,651</u>
Allowance for impairment of trade receivables (Note 31)	(68,771)	(64,900)
	<u>¢ 192,153</u>	<u>214,751</u>

Note 31 includes information on Grupo ICE's exposure to credit risk, market, as well as impairment losses related to trade debtors.

Note 16. Cash and cash equivalents

Cash and cash equivalents are as follows:

	As of December 31,	
	2024	2023
Cash on hand and in banks	¢ 305,409	339,737
Restricted cash	11,658	20,677
Cash equivalents	39,511	18,130
	<u>¢ 356,578</u>	<u>378,544</u>

Restricted cash includes ¢3,306 (2023: ¢2,840) 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 2.05% to 3.40% per annum (2023: from 3.79% to 5.57% per annum in colones and 2.69% per annum in US dollars).

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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 ICE are as follows:

	Currency	Annual interest rate	Maturity	As of December 31,					
				2024			2023		
				Non-current	Current	Total	Non-current	Current	Total
<u>Internal debt:</u>									
Bonds issue	¢	Variable rate between 6.13% and 8.17% (2023: variable rate between 7.20% and 10.12%) and fixed rate between 6.21% and 8.63% (2023: fixed rate between 7.33% and 8.63%)	2025-2035	¢ 75,267	68,518	143,785	105,402	46,694	152,096
Bonds issue	US\$	Fixed rate 7.61% (in 2024 and 2023)	2027	89,538	-	89,538	89,403	62,047	151,450
<u>External debt:</u>									
Bonds issue	US\$	Fixed rate between 6.38% and 6.75%.	2031-2043	405,444	-	405,444	414,789	-	414,789
				¢ <u>570,249</u>	<u>68,518</u>	<u>638,767</u>	<u>609,594</u>	<u>108,741</u>	<u>718,335</u>

The debt balance includes the deduction of an amount of US\$2.2 million (equivalent to ¢1,123) (2023: US\$2.5 million, equivalent to ¢1,319) 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.⁷³

Note 31 includes information on Grupo ICE's exposure to interest rate, currency and liquidity risks.

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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,	
	2024	2023
<u>Internal debt:</u>		
Colones	¢ 718,607	744,785
US dollars	122	-
<u>External debt:</u>		
Colones	147,607	190,128
US dollars	273,883	312,894
Yen	67,120	77,746
	<u>1,234,339</u>	<u>1,325,553</u>
Non-current	1,153,046	1,242,181
Current	81,293	83,372
	<u>¢ 1,234,339</u>	<u>1,325,553</u>

Loans payable in US dollars and in yen amount to US\$535 (millions of dollars) and ¥20,602 (millions of yens) (2023: US\$597 -millions of dollars- and ¥21,047 -millions of yens-, respectively).

Note 31 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,	
	2024	2023
<u>Internal debt:</u>		
State-owned banks	¢ 718,392	744,785
Private banks	337	-
<u>External debt:</u>		
Private Banks	515,60	580,490
Other creditors	-	278
	<u>¢ 1,234,339</u>	<u>1,325,553</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 6.17% and 8.70% (2023: variable rate from 7.36% and 9.38%). Fixed of 7.34% and 14.17%	¢	Maturing between August 31, 2025, and April 01, 2047.
	Variable rate from 6.00% in 2023.	US\$	Maturing on June 30, 2033
External debt	Fixed rate ranging from 2.80% and 7.80% (2023: variable rate from 2.80% and 7.75%).	¢	Maturing between April 15, 2026, and July 01, 2034.
	Variable rate from 3.24% and 9.99% (variable rate from 2.52% and 10.47%, in 2023) and fixed of 0.85% and 6.40% (Fixed 6.40% in 2023).	US\$	Maturing between November 27, 2028, and March 15, 2044 (2023: Maturing between October 26, 2026, and March 15, 2044)
	Fixed rate ranging from 0.60% to 2.20% in 2024 and 2023.	JPY	Maturing between April 20, 2026, and June 20, 2057, in 2024 and 2023.

Loans payable for a total of ¢1,234,339 (2023: ¢1,325,553) include loans secured by promissory notes subscribed by ICE (no collateral) in the amount of ¢703,744 (2023: ¢742,868) and loans endorsed by the Government in the amount of ¢119,429 (2023: ¢153,533).

In addition, bank loans in the amount of ¢411,168 (2023: ¢429,152) are secured by land, buildings, machinery and equipment with a carrying amount of ¢769,176 (2023: ¢782,639 (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, 2024, financial covenants related to debt agreements meet the established limits.

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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	As of December 31,					
				2024			2023		
				Non-current	Current	Total	Non-current	Current	Total
Lease liabilities	Colones	Variable rate between 6.95% and 12.55% (variable rate between 9.89% and 12.55% in 2023) and fixed rate between 5.99% and 12.40%	2025-2038 (2023: 2024-2038)	¢ 8,917	9,984	18,901	1,119	496	1,615
Lease liabilities	US dollars	Variable rate between 8% and 16.25% (Variable rate between 5.01% and 15.42%, in 2023), fixed rate between 6.00% and 10.97%, (fixed rate between 7.85% and 9.26% in 2023)	2025-2041 (2023: 2024-2041)	220,084	23,241	243,325	252,894	18,524	271,418
				¢ <u>229,001</u>	<u>33,225</u>	<u>262,223</u>	<u>254,013</u>	<u>19,020</u>	<u>273,003</u>

Note 31 includes information on Grupo ICE's exposure to interest rate, currency and liquidity risks.

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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, 2023	¢ 718,335	1,325,553	273,033	2,316,921
<i><u>Changes due to cash flows from financing activities</u></i>				
New loans	43,044	26,521	35,053	104,618
Amortization	(106,450)	(102,365)	(39,363)	(248,178)
Total changes due to cash flows from financing activities	(63,406)	(75,844)	(4,310)	(143,560)
Effect of exchange rate fluctuations	(16,162)	(15,370)	(6,497)	(38,029)
Balance as of December 31, 2024	¢ <u>638,767</u>	<u>1,234,339</u>	<u>262,226</u>	<u>2,135,332</u>
<i><u>Other changes</u></i>				
Cost of capitalized loans (see note 8)	¢ -	1,829	-	1,829
Interest expense (see note 29)	60,166	57,440	53,536	171,142
Interest paid	(59,985)	(61,186)	(53,481)	(174,652)
Total other changes related to liabilities	¢ <u>181</u>	<u>(1,917)</u>	<u>55</u>	<u>(1,681)</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, 2022	¢ 873,698	1,448,468	333,174	2,655,340
<i>Changes due to cash flows from financing activities</i>				
New loans	-	41,885	7,126	49,011
Amortization	(85,184)	(77,089)	(65,238)	(227,511)
Total changes due to cash flows from financing activities	(85,184)	(35,204)	(58,112)	(178,500)
Effect of exchange rate fluctuations	(70,179)	(87,711)	(41,941)	(199,831)
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>
<i>Other changes</i>				
Cost of capitalized loans (see note 8)	¢ -	728	-	728
Interest expense (see note 29)	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>

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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, ICE recognizes the BOO contracts with variable payments in the measurement of lease liabilities and assets for the right-of-use (plant leases and BOTs), except for BOO contracts, which involve variable payments subject to factors beyond the Institute's control. 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 with maturity dates between 2031 and 2043. Leases bear interest at rates ranging from 5.93% to 16.51% per annum (2023: from 11.83% to 15.92% 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. These lease contracts are recognized in the measurement of right-of-use assets and lease liabilities. The rates for the minor leases range between 6% and 12.55% annually.

Grupo ICE also leases warehouses, computer equipment, machinery and construction equipment through short-term and/or low-value lease agreements. In accordance with the exemptions provided under International Financial Reporting Standard (IFRS) 16, ICE has elected not to recognize the right-of-use assets and the corresponding lease liabilities related to these agreements. These transport equipment leases are typically short-term; however, some contracts with terms of 2 and 3 years were signed, and in such cases, the right-of-use asset and lease liability have been recognized.

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 ¢363 (2023: ¢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 ¢22,337 (2023: ¢23,217).

On July 29, 2023, El General Hydroelectric Power Plant was received, 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 ¢22,917 (2023: ¢23,797).

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Notes to the Consolidated Financial Statements

(In millions of colones)

On August 24, 2023, a contract was signed for IPTV television service to ensure continuity of the commercial television service KATV, related to the previous lease agreement signed with the company Huawei and terminated in 2023. The contract term is 3 years, and the right-of-use asset has a carrying amount of ¢2,912 (¢4,658 in 2023).

On October 31, 2023, the option to buy Pailas I was carried out. The full debt with BCIE was settled. The carrying amount of this asset is ¢37,742 (2023: ¢38,782).

The ICE entered into a lease agreement for power blocks for thermal generation at the Garabito and Moín Plants, with the objective of meeting the additional power demand caused by the El Niño phenomenon, with fixed payments throughout the term of the contract. The operation of the blocks began between March and April 2024, with an expiration date in 2026. The book value is ¢18,963.

ICE also contracted services for 390 leased vehicles, with start dates in April, May, July, and August 2024, for terms ranging between 2 and 3 years. The book value is ¢2,316.

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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

1. *Assets for the right-of-use*

Assets for the right-of-use are as follows:

	As of January 1, 2023	Additions and capitalizations	Depreciation	Disposals	Adjustments and transfers	As of December 31, 2023	Additions and capitalizations	Depreciation	Disposals	Adjustments and transfers	As of December 31, 2024
Right-of-use assets											
Lands	15,487	-	-	-	(2,872)	12,615	-	-	-	-	12,615
Buildings and facilities	3,146	4,162	(1,528)	(188)	(54)	5,538	2,228	(1,815)	(228)	147	5,870
Hydroelectric power generation	152,508	-	(3,503)	-	(44,160)	104,845	-	(2,801)	-	-	102,044
Geothermal power generation	41,220	-	(2,511)	-	(38,709)	-	-	-	-	-	-
Wind power generation	58,055	-	(10,002)	-	-	48,053	-	(9,548)	-	-	38,505
Substations	4,899	4	(292)	-	-	4,611	-	(107)	-	(2,769)	1,735
Transmission lines	4,621	-	(207)	-	-	4,414	-	(99)	-	(1,709)	2,606
Transport	9	157	-	-	9	175	121	(13)	-	1	284
Access	4,674	507	(2,130)	(29)	(2,442)	580	1,237	(257)	(3)	23	1,580
Civil and electromechanical	-	-	-	-	-	-	55	(1)	-	-	54
Platforms	1,527	5,386	(2,255)	-	-	4,658	-	(1,746)	-	-	2,912
Furniture and equipment	21	-	(16)	-	-	5	-	(4)	-	-	1
Transportation equipment	-	-	-	-	-	-	2,997	(680)	-	-	2,317
Tower sites and lands	11,216	33,378	(3,896)	(741)	-	39,957	-	(2,598)	(500)	(55)	36,804
Production plants and equipment	-	-	-	-	-	-	28,103	(9,140)	-	-	18,963
	<u>297,383</u>	<u>43,594</u>	<u>(26,340)</u>	<u>(958)</u>	<u>(88,228)</u>	<u>225,451</u>	<u>34,741</u>	<u>(28,809)</u>	<u>(731)</u>	<u>(4,362)</u>	<u>226,290</u>

(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*

		As of December 31,	
		2024	2023
Interest on lease liabilities (Notes 17d and 29)	¢	53,536	68,857
leases of low-value assets (Note 27)		5,571	7,212
based on the use of the underlying asset (Note 27)		41,833	43,802
	¢	100,940	119,871

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

		As of December 31,	
		2024	2023
Total cash outflows for leases	¢	92,844	134,119

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 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.

In the case of lease contracts for the blocks used in thermal power plants, there is no renewal option, so the term is as defined in the contract.

(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,					
	2024			2023		
	Non- Current	Current	Total	Non- Current	Current	Total
Severance benefits (a)	¢ 97,550	1,403	98,953	63,603	1,841	65,444
ICE Guarantee and Savings Fund (b):						
Employer contribution	410,102	49,308	459,410	402,708	46,720	449,428
ICE employer obligations (c):						
Vacations	-	19,840	19,840	-	20,097	20,097
Back-to-school bonus	-	19,839	19,839	-	18,522	18,522
Statutory Christmas bonus	-	1,145	1,145	-	1,150	1,150
Third and fifth biweekly salary	-	1,176	1,176	-	384	384
Occupational hazard insurance	-	366	366	-	835	835
	¢ <u>507,652</u>	<u>93,077</u>	<u>600,729</u>	<u>466,311</u>	<u>89,549</u>	<u>555,860</u>

Defined benefit plans

As of December 31, 2024, of the total obligation for severance benefits, the amount of ¢92,800 corresponds to permanent employees (2023: ¢61,146); ¢6,153 to project employees (2023: ¢4,299) for a total of ¢98,953 (2023: ¢65,445).

(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 this right to 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
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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's 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.

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).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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 include 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:

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:

(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>2024</u>	<u>2023</u>
<u>Reconciliation of the defined benefit obligation</u>		
Balance as of January 1	¢ 60,327	60,063
<i>Expense (income) recognized in the statement of profit or loss:</i>		
Current service cost	5,769	2,030
Net interest on the defined benefit obligation	4,397	4,685
	<u>10,166</u>	<u>6,715</u>
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	27,069	12,720
Severance benefits paid by ICE	<u>(6,765)</u>	<u>(19,171)</u>
Defined benefit obligation at the end of the period	¢ <u>90,797</u>	<u>60,327</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 December 31,</u>	
	<u>2024</u>	<u>2023</u>
Loss (gain) on demographic assumptions	¢ (2,611)	(14)
Loss (gain) on financial assumptions	21,189	8,230
Loss (gain) on experience adjustments	8,491	4,504
	¢ <u>27,069</u>	<u>12,720</u>

(ii) Actuarial assumptions

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

	<u>As of December 31</u>	
	<u>2024</u>	<u>2023</u>
Nominal discount rate	6.70%	7.35%
Expected salary increase rate	3.11%	1.41%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	3.0%	3.0%

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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, 2024		
		Discount rate variation		
		5.70%	6.70%	7.70%
Variation in salary increase rate	2.61% ¢	95,764	85,898	77,473
	3.11% ¢	101,471	90,787	81,703
	3.61% ¢	107,626	96,068	86,243

The minimum amount of the obligation (¢7,473) occurs if the salary increase rate is the lowest in the sensitivity range (2.61%) and the discount rate is the highest (7.70%). The maximum amount of the obligation (¢107,626) occurs in the opposite case. The calculated amount (¢90,797) falls in the mid-range of this sensitivity analysis.

		As of December 31, 2023		
		Discount rate variation		
		6.85%	7.35%	7.85%
Variation in salary increase rate	0.91% ¢	59,854	56,958	54,268
	1.41% ¢	63,463	60,327	57,419
	1.91% ¢	67,348	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, 2024, the average retirement period was 15.44 years (2023: 14.87 years), and the average employee seniority was 19 years (2023: 19.4 years), with an average age of 47 years (2023: 46.7 years).

CNFL

Movement 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:

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

	As of December 31,	
	2024	2023
<u>Reconciliation of the defined benefit obligation</u>		
Balance at beginning of year	¢ 576	4,632
<i>Expense (income) recognized in the statement of profit or loss:</i>		
Current service cost	196	242
Prior-services cost	(2)	(3,613)
Net interest on the defined benefit obligation	48	228
	242	(3,143)
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	934	3,441
Severance benefits paid by CNFL	(38)	(4,354)
Defined benefit obligation at the end of the period	¢ 1,714	576

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, the actuarial loss (gain) is detailed as follows:

	For the year ended December 31,	
	2024	2023
Loss (gain) on demographic assumptions	¢ 119	(8)
Loss (gain) on financial assumptions	(26)	258
Loss (gain) on experience adjustments	841	3,191
	¢ 934	3,441

(ii) Actuarial assumptions

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

	As of December 31	
	2024	2023
Nominal discount rate	6.92%	7.37%
Expected salary increase rate	3.57%	3.95%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	3%	2.20%

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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, 2024		
		Discount rate variation		
		5.92%	6.92%	7.92%
Variation in salary increase rate	3.07% ¢	1,989	1,473	1,113
	3.57% ¢	2,361	1,714	1,286
	4.07% ¢	2,860	2,007	1,486

The minimum amount of the obligation (¢1,113) occurs if the salary increase rate is the lowest in the sensitivity range (3.07%) and the discount rate is the highest (7.92%). The maximum amount (¢2,860) occurs in the opposite case. The calculated amount (¢1,714) falls in the mid-range of this sensitivity analysis.

		As of December 31, 2023		
		Discount rate variation		
		6.85%	7.35%	7.85%
Variation in salary increase rate	3.45% ¢	574	508	454
	3.95% ¢	654	576	511
	4,45% ¢	747	656	578

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, 2024, the average retirement period was 18.33 years (2023: 18.54 years) and the average employee seniority was 16 years (2023: 16.64 years), with an average age of 43 years (2023: 42.95 years).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

RACSA

Movement 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,	
	2024	2023
<u>Reconciliation of the defined benefit obligation</u>		
Balance at beginning of year	¢ 243	233
<i>Expense (income) recognized in profit or loss:</i>		
Current service cost	4	196
Net interest on the defined benefit obligation	16	7
	20	203
Actuarial loss (gain) recognized in other comprehensive income (OCI) - (i)	54	309
Severance benefits paid by RACSA	(28)	(502)
Defined benefit obligation at the end of the period	¢ 289	243

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,	
	2024	2023
Loss (gain) on demographic assumptions	¢ (65)	(5)
Loss (gain) on financial assumptions	157	34
Loss (gain) on experience adjustments	(38)	280
	¢ 54	309

(ii) Actuarial assumptions

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

	As of December 31	
	2024	2023
Nominal discount rate	6.26%	7.19%
Expected salary increase rate	3.17%	2.43%
<i>Average retirement age of current employees (years):</i>		
Men	65	65
Women	63	63
Long-term inflation rate	3.00%	2.20%

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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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.

		As of December 31, 2024		
		Discount rate variation		
		5.26%	6.26%	7.26%
Variation in salary increase rate	2.67% ¢	348	241	175
	3.17% ¢	428	289	206
	3.67% ¢	532	351	244

The minimum amount of the obligation (¢175) occurs if the salary increase rate is the lowest in the sensitivity range (2.67%) and the discount rate is the highest (7.26%). The maximum amount (¢532) occurs in the opposite case. The calculated amount of (¢289) is at the mid-range of this sensitivity analysis.

		As of December 31, 2023		
		Discount rate variation		
		6.69%	7.19%	7.69%
Variation in salary increase rate	1.93% ¢	244	225	210
	2.43% ¢	264	243	224
	2.93% ¢	288	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, 2024, the average retirement period was 9.03 years (2023: 10.74 years), and the average employee seniority was 7.01 years (2023: 7.01 years), with an average age of 35 years (2023: 35.41 years).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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 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

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.

Labor Benefits Fund

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).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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.

(c) The employee benefits expense is as follows:

	For the year ended December 31,	
	2024	2023
Salaries	¢ 281,578	222,793
Social security contributions	32,572	19,009
Defined contribution plans	21,045	20,867
Post-employment benefit expenses	10,689	10,637
	¢ <u>345,884</u>	<u>273,306</u>

Note 20. Accounts payable

Accounts payable are as follows:

	As of December 31,					
	2024			2023		
	Non-Current	Current	Total	Non-Current	Current	Total
Government	¢ -	9,753	9,753	935	7,921	8,856
Value-added tax and withholdings payable	-	15,904	15,904	-	13,564	13,564
Accounts due to employees	146,148	34,876	181,024	145,670	34,027	179,697
Commercial vendors	812	34,920	35,732	1,627	34,043	35,670
	¢ <u>146,960</u>	<u>95,453</u>	<u>242,413</u>	<u>148,232</u>	<u>89,555</u>	<u>237,787</u>

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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 31 includes information about ICE's exposure to foreign currency and liquidity risks.

Note 21. Contract liabilities

Contract liabilities are as follows:

	As of December 31,					
	2024			2023		
	Non-Current	Current	Total	Non-Current	Current	Total
Prepaid mobile services (1) ¢	-	1,906	1,906	-	2,156	2,156
Postpaid services (2)	-	8,340	8,340	-	7,826	7,826
Security deposits (3)	80,124	21	80,145	70,903	-	70,903
¢	<u>80,124</u>	<u>10,267</u>	<u>90,391</u>	<u>70,903</u>	<u>9,982</u>	<u>80,885</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 income and other comprehensive income 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.

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(3) Security deposits:

The balance of security deposits in the amount of ¢80,145 (2023: ¢70,903) corresponds mainly to ¢52,564 (2023: ¢46,108) 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 ¢27,580 (2023: ¢24,795) from the Telecom Segment, corresponding to deposits requested from customers to guarantee the rendering of services, for mobile telephony, fixed telephony and roaming.

Note 22. Deferred income – Government grants

The deferred income – Government grants are detailed as follows:

	As of December 31	
	2024	2023
Acquisition of assets (1)	¢ 2,538	2,121
Financial resources (2)	17,405	19,155
	¢ 19,943	21,276

Government grants are recognized in profit or loss on a systematic basis, in accordance with the useful life of the subsidized asset, once it becomes operational and its depreciation period begins.

The following is a description of the nature of deferred income:

Acquisition of assets (1)

- Miravalles Solar Plant Grant:

Under the “Cool Earth Partnership” initiative, the Government of Japan granted ICE a donation of US\$10.5 million for the construction of the “Photovoltaic System” located in Sabana Norte, with a capacity of 3KW, and the “Miravalles Solar Park” located in La Fortuna de Bagaces, with an installed capacity of 1MW. As of December 31, 2024, a deferred balance of ¢1,858 remains.

- Grant for electric buses and charging stations:

The People's Republic of China, through the signing of a Memorandum of Understanding (MoU) with the Ministry of Environment and Energy of the Republic of Costa Rica, as part of national initiatives to address the effects of climate change, agreed to a donation from the Chinese Government consisting of six new electric buses along with their respective Higer-brand charging stations, with a value of US\$1,341 million. As of December 31, 2024, a deferred balance of ¢680 remains.

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Funds received (2)

- National Telecommunications Fund (FONATEL):

Funds originating from the Trust for the Management of Projects and Programs of the National Telecommunications Fund (FONATEL), whose purpose is to directly subsidize the provision of voice and broadband internet services to Public Service Delivery Centers in designated service areas. As of December 31, 2024, a deferred balance of ¢17,405 remains.

Note 23. Provisions

Provisions are as follows:

	As of December 31,	
	2024	2023
Litigation provision (Note 32) (1)	¢ 29,057	13,418
Provision for mobile terminal warranties (2)	1,561	1,832
Other	1,239	454
	31,857	15,704
Less reclassification of non-current portion	(1,420)	(3,234)
	¢ 30,437	12,470

Movement in provisions is as follows:

	As of December 31, 2024			
	Litigation provision	Provision for mobile terminal warranties	Other provisions	Total
As of December 31, 2023	¢ 13,418	1,832	454	15,704
Increase for the year	25,073	124	4,125	29,322
Used during the year	(9,434)	(395)	(3,340)	(13,169)
As of December 31, 2024	¢ 29,057	1,561	1,239	31,857

	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	27,568
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	¢ 13,418	1,832	454	15,704

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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, 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.

As of December 31, 2024, the main increases during the year are due to the recognition of the provision related to the lawsuit filed by professional staff (employees and former employees) of CNFL for the payment not covered by salary revaluations starting January 1, 2008, in accordance with ruling 2022-003225 issued by the Second Chamber of the Supreme Court of Justice in 2022, and the lawsuit filed by the company INITEC, submitted to the International Court of Arbitration of the International Chamber of Commerce, related to the Las Pailas Geothermal Project.

(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. ICE expects to settle most of this provision during the following year.

Note 24. Other liabilities

Other liabilities are as follows:

	<u>As of December 31,</u>	
	<u>2024</u>	<u>2023</u>
Transfer of spare parts – materials (1)	¢ 222	222
Deposits from private individuals or companies	5,009	5,512
Other	2,948	3,323
	<u>¢ 8,179</u>	<u>9,057</u>

(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.

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Note 25. Guarantees received

Guarantees received are as follows:

	As of December 31,	
	2024	2023
Guarantees received:		
Performance bonds (1)	¢ 54,886	72,733
Collection agents (2)	13,146	10,736
Bid bonds (3)	788	1,503
Security deposits	230	236
	¢ <u>69,050</u>	<u>85,208</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 by Grupo ICE's tender processes and, if awarded the contract, that the bidders will comply with the procedures established in the corresponding award.

Note 26. 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,	
	2024	2023
Electricity services	¢ 953,711	869,276
Telecom services	543,934	551,256
	<u>1,497,645</u>	<u>1,420,532</u>
Other income (Note 28):		
Construction services	10,627	12,542
Engineering services	1,860	6,265
Infrastructure operation and maintenance services	2,188	2,491
	<u>14,675</u>	<u>21,298</u>
	¢ <u>1,512,320</u>	<u>1,441,830</u>

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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 34).

	Electricity Segment		Telecom Segment		Total	
	2024	2023	2024	2023	2024	2023
Geographical markets:						
Local	¢ 949,211	858,571	541,670	548,657	1,490,881	1,407,228
Foreign	4,500	10,705	2,264	2,599	6,764	13,304
	<u>953,711</u>	<u>869,276</u>	<u>543,934</u>	<u>551,256</u>	<u>1,497,465</u>	<u>1,420,532</u>
Products/lines of service:						
Electricity	¢ 849,566	770,973	-	-	849,566	770,973
Transmission charges	67,879	62,963	-	-	67,879	62,963
Public lighting	21,225	21,337	-	-	21,225	21,337
Management and other services	15,041	14,003	-	-	15,041	14,003
Telecom	-	-	543,934	551,256	543,934	551,256
	<u>¢ 953,711</u>	<u>869,276</u>	<u>543,934</u>	<u>551,256</u>	<u>1,497,645</u>	<u>1,420,532</u>
Timing of revenue recognition:						
Services transferred over time	¢ 953,711	869,276	461,226	468,392	1,414,937	1,337,668
Products transferred at a point in time	-	-	82,708	82,864	82,708	82,864
	<u>953,711</u>	<u>869,276</u>	<u>543,934</u>	<u>551,256</u>	<u>1,497,645</u>	<u>1,420,532</u>
Other income	14,675	21,298	-	-	14,675	21,298
	<u>¢ 968,386</u>	<u>890,574</u>	<u>543,934</u>	<u>551,256</u>	<u>1,512,320</u>	<u>1,441,830</u>

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c) Contract balances

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

	As of December 31,	
	2024	2023
Trade receivables (Note 15)	¢ 192,157	214,751
Contract liabilities (Note 21)	¢ (90,391)	(80,885)

An amount of ¢7,564, included in contractual obligations as of December 31, 2023, has been recognized as revenue in 2024 (2023: ¢7,182).

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 that are not yet satisfied (or not satisfied at all) as of the reporting date for the Telecom Segment:

	2025	2026
Mobile telecom services	¢ <u>36,032</u>	<u>9,744</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.

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. Mobile services and goods may be sold separately (independently) or combined, in packages.

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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.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
Sale of electricity services	Revenue from the sale of electricity services includes a single performance obligation (sale of electricity) since 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, 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.
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). ICE applies the practical expedient of not separating the financing component for terminals sold with a term of 12 months or less.</p> <p>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>	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.

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f) Recognition of revenue from Variable Generation Cost (CVG)

The Public Services Regulatory Authority (ARESEP) modified the recognition of Variable Generation Cost (CVG) expenses from a quarterly to an annual basis, through the first-time application of the partial amendment to the “Methodology for the extraordinary adjustment of electricity service rates due to variations in the cost of fuels used in thermal generation for national consumption and net electricity imports from the Regional Electricity Market (CVG)” (RE-0164-IE-2023, Case File ET-103-2023).

For the purposes of the initial application of the annual rate setting, ARESEP ruled that the recovery of the VGC costs incurred by ICE, as well as the recovery of outstanding VGC revenue for the periods of May, June, July, August, September, and October 2023, amounting to ¢86,133, plus an additional ¢5,554 corresponding to the VGC for November and December 2023, would be carried out over a 24-month period, from January 1, 2024 to December 31, 2025. For the setting of the CVG factor from 2025 onward, the cost recovery period may not exceed 12 months.

Note 27. Operating costs and expenses

Operating costs and expenses are as follows:

	Operating costs		Operating expenses	
	For the year ended December 31,			
	2024	2023	2024	2023
Depreciation	¢ 284,291	291,464	6,338	5,475
Services	162,679	149,268	71,604	61,322
Fuels for thermal generation	148,965	66,334	-	-
Salaries and employee benefits	100,647	98,084	153,765	137,803
Products, materials and spare parts	96,935	83,319	5,205	4,732
Services centers	84,964	90,680	18,976	21,826
Leases (Note 18)	46,771	49,456	633	1,558
Import of energy	30,629	36,266	-	-
Amortization of intangible assets	14,867	13,418	5,949	7,274
Loss on disposal of fixed assets	2,163	15,331	190	356
Loss due to impairment of balances receivable (Note 31)	-	-	24,288	8,413
Other	50,389	24,936	45,813	23,847
	¢ <u>1,023,297</u>	<u>918,556</u>	<u>332,761</u>	<u>272,606</u>

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Note 28. Other income

Other income is as follows:

	For the year ended December 31,	
	2024	2023
Construction services (1)	¢ 10,627	12,542
Engineering services (1)	4,191	6,265
Donations	3,591	3,427
Infrastructure operation and maintenance service	2,188	2,491
Communication services	1,529	1,637
Administrative sanctions (execution of guarantees) (2)	4,934	1,112
Gain on transfer of assets	756	424
Insurance claim income	623	809
Application of security deposits	119	1,014
Other (3)	14,053	25,210
	¢ <u>42,611</u>	<u>54,931</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) Administrative penalty income for the 2024 period increased mainly due to the payment in kind made by the company SUMEC.
- (3) The “Other” category decreased mainly due to the reinstatement of the fuel storage tanks at the Moín Thermal Plant and the penalties for non-compliance with the commercial operation start date of Chucás, both of which occurred during the 2023 period.

Note 29. Finance income and finance costs

Finance income and finance costs are as follows:

	For the year ended December 31,	
	2024	2023
Finance income under the effective interest method	¢ 39,644	43,240
Finance costs (1)	(186,736)	(217,384)
Foreign exchange differences, net (2)	29,097	166,111
	¢ <u>(117,995)</u>	<u>(8,033)</u>

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- (1) Finance costs are as follows:

	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Interest on leases (Note 17d and 18)	¢ 53,536	68,857
Interest on bonds payable (Note 17d)	60,166	60,920
Interest on loans payable (Note 17d)	57,440	76,869
Other finance costs	11,860	6,296
Loss on impairment of investments	3,734	4,442
	<u>¢ 186,736</u>	<u>217,384</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, 2024, foreign exchange gains and losses in the amount of ¢164,836 and ¢135,739, respectively, were recognized, for a net gain of ¢29,097 (2023: foreign exchange gains of ¢279,273 and losses of ¢113,162, for a net gain of ¢166,111). An exchange rate from the Non-Banking Public Sector was used in the valuation of monetary assets and liabilities in foreign currency as of the reporting date was ¢511,53 (2023: ¢523,72).

Note 30. 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.”

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Instituto Costarricense de Electricidad 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 Instituto Costarricense de Electricidad 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.

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.

The tax income is as follows:

	For the year ended December 31,	
	2024	2023
Current tax	¢ (280)	(86)
Deferred tax	3,740	3,080
	¢ <u>3,460</u>	<u>2,227</u>

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, 2024, 2023, 2022 and 2021 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:

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	<u>For the year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Net profit, before tax	¢ 66,139	276,198
Less:		
ICE's non-taxable profit	<u>(102,235)</u>	<u>(269,679)</u>
Profit before tax, adjusted and attributable to subsidiaries	<u>(36,096)</u>	<u>6,519</u>
Expected income tax expense	(10,829) 30%	1,956 30%
Plus (less) tax effect on:		
- Non-taxable income	(15,023)	(4,114)
- Difference between fiscal and financial periods	(3,706)	3,078
- Non-deductible expenses	26,153	8,000
- Other	6,865	(6,693)
Income tax	¢ <u>3,460</u>	<u>2,227</u>

Deferred tax

Deferred tax is as follows:

	December 31, 2024	Recognized in profit or loss for the year	December 31, 2023
<i>Deferred tax asset:</i>			
Employee benefits	1,142	362	780
Inventories	232	(106)	338
Accounts receivable	684	53	631
Provisions	33	14	19
Lease liabilities	63	6	57
Accounts payable	(60)	-	(60)
	¢ <u>2,094</u>	<u>328</u>	<u>1,765</u>
<i>Deferred tax liability</i>			
Property, plant and equipment, net	(76,765)	3,412	(80,177)
	<u>(74,671)</u>	<u>3,740</u>	<u>(78,412)</u>

	<u>For the year ended December 31,</u>		
	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>

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Notes to the Consolidated Financial Statements
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(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.

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.

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(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: Salaries, labor payments, compensation for personal services, and meeting fees.

- 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.

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Note 31. Management of institutional risk

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.

		As of December 31, 2024					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	¢ -	4,457	-	-	-	4,457	-	-	4,457	4,457
Notes and other accounts receivable, net	11	-	-	233,214	-	-	233,214	-	-	-	-
Investments in financial instruments	12 y 14	-	415,172	170,218	41,481	-	626,871	-	456,653	-	456,653
Trade receivables, net	15	-	-	192,153	-	-	192,153	-	-	-	-
Cash and cash equivalents	16	-	-	356,578	-	-	356,578	-	-	-	-
		-	419,629	952,163	41,481	-	1,413,273	-	456,653	4,457	461,11
<i>Financial liabilities</i>											
Financial debt	17(a) y 17 (b)	-	-	-	-	1,873,106	1,873,106	-	1,818,723	-	1,818,723
Accounts payable	20	-	-	-	-	242,413	242,413	-	-	-	-
Derivative financial instruments		2,321	-	-	-	-	2,321	-	2,321	-	2,321
	¢	2,321	-	-	-	2,115,519	2,117,840	-	1,821,044	-	1,821,044

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As of December 31, 2023											
Carrying amount							Fair Value				
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	4,772
Notes and other accounts receivable, net	11	-	-	243,034	-	-	243,034	-	-	-	-
Investments in financial instruments	12 and 14	-	390,289	103,123	29,801	-	523,213	-	420,090	-	420,09
Trade receivables, net	15	-	-	214,751	-	-	214,751	-	-	-	-
Cash and cash equivalents	16	-	-	378,544	-	-	378,544	-	-	-	-
		-	395,061	939,452	29,801	-	1,364,314	-	420,090	4,772	424,862
<i>Financial liabilities</i>											
Financial debt	17(a) and 17 (b)	-	-	-	-	2,043,888	2,043,888	-	1,818,929	-	1,818,929
Accounts payable	20	-	-	-	-	237,787	237,787	-	-	-	-
Derivative financial instruments		2,831	-	-	-	-	2,831	-	2,831	-	2,831
	¢	2,831	-	-	-	2,281,675	2,284,506	-	1,821,760	-	1,821,760

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Fair value of financial instruments

As of December 31, 2024, 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 are approximately 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.

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.

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To determine the fair value of the long-term debt as of December 31, 2024, a discount rate between 4.99% and 7.78% was used in colones and between 5.00% and 8.60% in US dollars (2023: between 6.24% and 8.61% was used in colones and between 1.25% and 9.56% 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.

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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, renegotiating financial liabilities from US dollars into colones and other measures to mitigate market risk. The different economic environments 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 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 Institutional Investment Committee is the authorized entity responsible for overseeing and monitoring the management of financial investments for the Electricity and Telecommunications Businesses of ICE. It is the body to which the Finance Management delegates the responsibility of supervising compliance with the Financial Investment Strategy, the Declaration of Financial Risk Appetite (Financial Risk Strategy), ICE's investment business model, and the regulations established for the investment of the Institution's temporary surpluses, ensuring full adherence to the guidelines set for these purposes.

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This Committee validates the proper application of the regulations related to investment management, such as ICE's Financial Investment Policy, Guidelines for the Management of Financial Investments, Regulations for Financial Investment Management, Internal Rules of the Institutional Investment Committee, and the Procedure for Establishing Investment Limits for the Institutional Investment Portfolio of ICE. These normative documents are reviewed annually or when circumstances or the environment require it. Those regulatory documents provide guidelines for making investments, both in the national and international markets, aiming at 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" is also carried out

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 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.

Exposure to credit risk

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

<u>Carrying amount of financial assets</u>	<u>Note</u>	<u>As of December 31,</u>	
		<u>2024</u>	<u>2023</u>
Notes and other accounts receivable, net	11	¢ 233,214	243,034
Investments in financial instruments	12 and 14	626,871	523,213
Trade receivables, net	15	192,153	214,751
Cash and cash equivalents	16	356,578	378,544
		¢ <u>1,408,816</u>	<u>1,359,542</u>

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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(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 different stages using a variety of means, i.e. text messaging, calls and emails.
- Centralized mass and specific collection management under the Billing and Management Directorate.
- 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 Business (Collections Management Policy).
- 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 them 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, be included in their credit history, so that this situation is reflected in their credit history.
- 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.

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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, foreign and judicial or administrative collection). All operations classified under a segment has 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. In addition, it was identified that the delays are due to operational issues arising from the introduction of electronic invoicing. Accounts with delays exceeding 360 days were also identified; however, since Grupo ICE is a government entity, it was determined that the accounts receivable will be fully collected.

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.

For the Electricity Segment's accounts with distribution companies, a 0.01% loss rate was determined based on the nature of those accounts, since the entity's ability to pay is strong and, historically, and has historically shown average delays of 30 days.

The portfolio is comprised of products with terms of less than 12 months and the expected loss parameters are calibrated annually. For the 2024 period, a new methodology has been implemented for estimating the forward-looking component (prospective adjustment), which considers the country's macroeconomic variables. The objective of this methodology is to incorporate a factor that may influence the risk level of the portfolios and that is integrated into the calculation of the estimated reserve.

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As of December 31, 2024, the maximum exposure to credit risk for trade receivables (see Note 15) by geographic region is as follows:

Geographic region	As of December 31,	
	2024	2023
Local	¢ 259,806	277,782
Foreign	1,118	1,869
	260,924	279,651
Allowance for impairment losses	(68,771)	(64,900)
	¢ 192,153	214,751

Grupo ICE's exposure to credit risk is mainly affected by the individual characteristics of each customer. As of December 31, 2024, 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, 2024		Gross carrying amount	Loss allowance
	Weighted- average loss rate		
Current (not past due)	6.47%	¢ 167,236	10,814
1 to 30 days	15.70%	10,959	1,721
31 to 60 days	38.27%	2,237	856
61 to 90 days	42.40%	2,264	960
More than 90 days	69.57%	78,228	54,420
		¢ 260,924	68,771

December 31, 2023		Gross carrying amount	Loss allowance
	Weighted- average loss rate		
Current (not past due)	5.18%	¢ 189,43	9,804
1 to 30 days	5.14%	18,877	970
31 to 60 days	8.46%	10,096	854
61 to 90 days	12.71%	3,839	488
More than 90 days	91.95%	57,406	52,784
		¢ 279,651	64,900

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

	As of December 31,	
	2024	2023
Current	¢ 231,694	224,465
In legal and administrative collection	29,230	35,186
	260,924	279,651
Allowance for impairment losses	(68,771)	(64,900)
	¢ 192,153	214,751

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

	As of December 31,	
	2024	2023
Opening balance	¢ 64,900	60,605
Amounts written off	(18,934)	(4,611)
Recognized	22,805	8,906
Closing balance	¢ 68,771	64,900

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. As of December 2024, ICE has no unidentified accounts in the non-commercial accounts receivable portfolio.

For unidentified non-commercial accounts receivable, a loss rate is determined for accounts that are less than two years old. This rate is calculated based on the proportion of the portfolio in each aging bracket relative to the over-two-year bracket, where the loss rate is 100%.

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

December 31, 2024	Weighted- average loss rate		Gross carrying amount	Loss allowance	Credit- impaired
Current (not past due)	3.22%	¢	1,648	53	No
1 to 30 days	6.05%		1,687	102	No
31 to 60 days	3.49%		717	25	No
61 to 90 days	2.09%		1,627	34	Yes
More than 90 days	5.57%		16,486	919	Yes
		¢	22,165	1,133	

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	

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

	As of December 31,	
	2024	2023
Opening balance	¢ 1,133	1,503
Amounts written off	(212)	(647)
Recognized	212	277
Closing balance	¢ 1,133	1,133

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.

Given that the portfolio is composed of products with maturities of less than 12 months, the expected loss parameters are calibrated annually. For the year 2024, a new methodology has been implemented for estimating the forward-looking component (prospective adjustment), which takes into account the country's macroeconomic variables. The objective of this methodology is to incorporate a factor that may influence the risk level of the portfolios and be integrated into the calculation of the estimated reserve.

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:

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December 31, 2024	Weighted- average loss rate		Gross carrying amount	Loss allowance	Credit- impaired
Current (not past due)	0.89%	¢	168,628	1,499	No
1 to 30 days	2.74%		7,397	203	No
31 to 60 days	10.80%		2,825	305	No
61 to 90 days	27.78%		36	10	No
More than 90 days	46.42%		7,469	3,467	Yes
			¢ 186,355	5,484	

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
			¢ 185,820	4,203	

Movement in the allowance for impairment of notes receivable is as follows:

		As of December 31,	
		2024	2023
Opening balance	¢	4,203	4,759
Amounts written off		10	214
Recognized		1,271	(770)
Closing balance	¢	5,484	4,203

(ii) Investments in financial instruments

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 marketable securities investments, the following criteria were defined for determining 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.

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- 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.

For the investment identified in Stage 3, it is established under the guidelines of IFRS 9, and based on the methodology used by ICE, a 55% recovery is projected, resulting in a Loss Given Default (LGD) of 45%. This adjustment is considered reasonable given the company's situation, as the individual assessment approach is permitted by IFRS 9 for issuers or clients that require it.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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The credit ratings for investments in financial instruments (see Notes 12 and 14) are as follows:

		As of December 31,									
		2024					2023				
Credit rating		FVTPL	FVOCI	At amortized cost			FVTPL	FVOCI	At amortized cost		
				Lifetime ECL– not credit- impaired	Lifetime ECL– credit impaired			Lifetime ECL – not credit- impaired	Lifetime ECL – credit impaired		
	<i>In millions of colones</i>	12- month ECL	12- month ECL			12- month ECL	12- month ECL				
BB- to BB+	¢	-	7,411	3,589	-	-	-	-	-	-	-
B- to B+		41,481	401,030	165,529	-	-	29,801	390,289	103,123	-	-
C to CCC+		-	-	-	-	-	-	-	-	-	-
D		-	6,731	-	-	1,100	-	-	-	-	-
Total	¢	41,481	415,172	169,118	-	1,100	29,801	390,289	103,123	-	-

(Continued)

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Through Supplement No. 172 to Gazette No. 192, the decision made by the National Council for the Supervision of the Financial System (CONASSIF) on October 9, 2024, was published, in which it ordered the initiation of a resolution process for Financiera Desyfin S.A., with the objective of terminating the operations of said financial entity.

ICE's investment in Financiera Desyfin S.A. was made through the National Stock Exchange via a fixed-term deposit certificate on June 24, 2024, for a period of 360 days and a nominal amount of ¢2,000. As of December 31, 2024, this represents 1.10% of the Institutional Marketable Securities Portfolio. In accordance with the adopted expected loss model, an impairment of 45% was recognized, equivalent to ¢900, leaving a book value of ¢1,100. The risk rating deteriorated from SCR AA-(CR), investment grade, to SCR D(CR), default. However, there was no impact on the credit risk indicator of the institutional investment portfolio, as it represents a very low percentage of the portfolio's total value.

The FGA's investments in Financiera Desyfin S.A., both for the Complementary Pension Fund (FPC) and the Mutual Fund (FMT), were made through the National Stock Exchange via nine investment certificates and one bond, denominated in colones and U.S. dollars. The investment terms for the certificates were 360 days, while the bond was 718 days. In the case of the FPC, the face value in colones was ¢6,153, while for the FMT it was ¢578, representing 1.40% and 3.30% of the respective investment portfolios as of December 31, 2024. In accordance with the adopted expected loss model, an impairment of 45% was recognized, equivalent to ¢2,769 for the FPC and ¢260 for the FMT. The risk rating deteriorated from SCR AA-(CR), investment grade, to SCR D(CR), default. However, there was no impact on the credit risk indicator of either fund's investment portfolio, as the exposure represents a very small percentage of the portfolio's value.

The Resolution Administration of Financiera Desyfin reported that it is not necessary to hire legal professionals to recover a portion of the investments, as the Resolution Administration holds the file for each client. Therefore, the outcome of the resolution process must be awaited. Updates on the progress of the process will be provided.

This event did not result in any changes to policies, processes, or controls, as the mechanisms used in both the investment and risk processes were appropriate and based on sound investment governance practices. Moreover, the relevant risk indicators, capital adequacy, and available risk ratings in the financial market—provided by the competent Superintendency—showed acceptable and normal results.

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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, 2024			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Opening balance	¢ 205	-	-	205
New net remeasurement of loss allowance	(63)	-	-	(63)
Transfer to lifetime ECL – not credit-impaired	-	-	-	-
Transfer to lifetime ECL – credit-impaired	-	-	-	-
Financial assets paid	(102)	-	-	(102)
Financial assets acquired	134	-	900	1,034
Closing balance	¢ 174	-	900	1,074

<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 remeasurement of loss allowance	(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

The movement in the allowance for impairment of debt instruments at FVOCI during the year is as follows:

<i>In millions of colones</i>	As of December 31, 2024			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Opening balance	¢ 1,740	17	-	1,757
New net remeasurement of loss allowance	-	(2)	-	(2)
Transfer to lifetime ECL – not credit-impaired	(354)	-	2,442	2,088
Transfer to lifetime ECL – credit-impaired	-	-	-	-
Financial assets paid	(285)	(12)	-	(297)
Financial assets acquired	259	-	587	846
Closing balance	¢ 1,360	3	3,029	4,392

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

<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 remeasurement of loss allowance	-	(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

Cash and cash equivalents

As of December 31, 2024, Grupo ICE holds cash and cash equivalents in the amount of ¢356,578 (2023: ¢378,544). 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.

Finance Management prepares the short-, medium- and long-term cash flow projections that are used to manage liquidity and the correct decision-making, estimate the purchase of currency and short-term financing and anticipate liquidity needs and cover the liabilities acquired.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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. 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, 2024, 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.

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.

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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, 2024					
	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	¢ 570,249	765,759	-	171,011	89,252	505,496
Loans payable	1,153,046	2,036,707	-	280,259	457,331	1,299,117
Lease liabilities	229,001	347,756	-	104,489	134,966	108,301
Accounts payable	146,960	147,638	-	60,870	62,354	24,413
Total non-current liabilities	<u>2,099,256</u>	<u>3,297,860</u>	<u>-</u>	<u>616,629</u>	<u>743,903</u>	<u>1,937,327</u>
<i>Current liabilities:</i>						
Bonds payable	68,518	115,769	115,769	-	-	-
Loans payable	81,293	150,810	150,810	-	-	-
Lease liabilities	33,225	60,775	60,775	-	-	-
Accounts payable	95,453	88,762	88,762	-	-	-
Total current liabilities	<u>278,489</u>	<u>416,116</u>	<u>416,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
	¢ <u>2,377,745</u>	<u>3,713,976</u>	<u>416,116</u>	<u>616,629</u>	<u>743,903</u>	<u>1,937,327</u>

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Notes to the Consolidated Financial Statements
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The following are the contractual maturities of financial liabilities for December 31, 2023, including interest:

	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>

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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.

As of December 31, 2024, the debt ratio, in accordance with Article 14 of Law 8660, stands at 31.32% (35.68% as of December 31, 2023). Therefore, the result remains within the maximum debt limit of 45% established by this law.

Recoverability of Variable Generation Cost (CVG)

In accordance with the current methodology issued by ARESEP, the CVG (Variable Generation Cost) rate is approved based on ICE's estimates regarding the use of fuels for thermal generation, as well as energy imports, both of which play an essential role in the short-term energy matrix and contribute to ensuring continuity and adequacy of the service. The current methodology provides for the annual settlement of the variables that make up the VGC, by comparing actual expenses with projected ones. Therefore, any surpluses or shortfalls are added to or deducted from the estimated costs for the immediately following period, as applicable. This methodology practically eliminates potential risks associated with the recovery of incurred costs through CVG-related revenues, in accordance with the rates defined by the regulator for this component.

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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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 yen/US dollar fluctuations (Cross Currency Swap).

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.

Exposure to currency risk

As of December 31, 2024, and 2023, ICE’s exposure to currency risk is as follows:

<i>Amounts in millions of colones</i>	US Dollars		Yen	
	As of December 31,		As of December 31,	
	2024	2023	2024	2023
<u>Assets:</u>				
Investments in financial instruments	203	201	-	-
Notes and other accounts receivable, net	51	24	-	-
Cash and cash equivalents	173	163	-	-
Trade receivables, net	1	1	-	-
	<u>428</u>	<u>389</u>	<u>-</u>	<u>-</u>
<u>Liabilities:</u>				
Bonds payable	968	1,081	-	-
Loans payable	535	597	20,602	21,047
Lease liabilities	476	518	-	-
Accounts payable	30	26	578	578
Accrued interest payable	1	2	-	-
Other liabilities	-	1	-	-
Revenue received in advance	-	-	-	-
Security deposits	3	4	-	-
Litigation provision	6	6	-	-
	<u>2,019</u>	<u>2,235</u>	<u>21,180</u>	<u>21,625</u>
Excess liabilities over assets	<u>1,591</u>	<u>1,846</u>	<u>21,180</u>	<u>21,625</u>

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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The main exchange rates used are as follows:

	Exchange rate – US dollar	
	As of December 31	
	2024	2023
Colones	511,53	523,72
Japanese yen	157,01	141,78

In the case of currency operations, 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.

Sensitivity analysis

The table below shows the sensitivity as of December 31, 2024, and 2023, to a strengthening or weakening of the exchange rate of the US dollar with respect to the colon. ICE applies to a sensitivity rate of 10%, which represents its best estimate of the exchange rate variations of the US dollar with respect to the colon.

		As of December 31,	
		2024	2023
<i>(Amount in millions)</i>			
<i>Sensitivity to a strengthening of the exchange rate:</i>			
Net position in US dollars at the closing exchange rate	¢	814,021	966,787
Net position in US dollars	USD	1,591	1,846
Net position in US dollars at the closing exchange rate with a 10% strengthening of the exchange rate	¢	895,423	1,063,466
loss	¢	(81,402)	(96,679)
<i>Sensitivity to a weakening of the exchange rate:</i>			
Net position in US dollars at the closing exchange rate	¢	814,021	966,787
Net position in US dollars	USD	1,591	1,846
Net position in US dollars at the closing exchange rate with a 10% strengthening of the exchange rate	¢	732,619	870,108
Gain	¢	81,402	96,679

The table below shows the sensitivity as of December 31, 2024, and 2023, to a strengthening or weakening of the exchange rate of the US dollar with respect to the colon. ICE applies to a sensitivity rate of 10%, which represents its best estimate of the exchange rate variations of the US dollar with respect to the colon.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

<i>(Amounts in millions)</i>	As of December 31,	
	2024	2023
<i>Sensitivity to a strengthening of the exchange rate:</i>		
Net position in Yen at the closing exchange rate	¢ 69,003	79,880
Net position in Yen	JPY 21,180	21,625
Net position in Yen at the closing exchange rate with a 10% strengthening of the exchange rate	¢ 75,904	87,868
Loss	¢ <u>(6,901)</u>	<u>(7,988)</u>
<i>Sensitivity to a weakening of the exchange rate:</i>		
Net position in Yen at the closing exchange rate	¢ 69,003	79,880
Net position in Yen	JPY 21,180	21,625
Net position in Yen at the closing exchange rate with a 10% strengthening of the exchange rate	¢ 62,102	71,892
Gain	¢ <u>6,901</u>	<u>7,988</u>

This analysis assumes that all other variables remain constant, particularly interest rates and foreign exchange rates.

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

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)

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As of the date of the separate financial statements, the interest rate profile related to financial instruments is as follows:

		Nominal amount	
		2024	2023
Fixed-rate instruments:			
Financial assets	¢	528,157	436,840
Financial liabilities		(1,090,243)	(895,822)
		(562,086)	(458,982)
Variable-rate instruments:			
Financial assets		279,585	267,990
Financial liabilities		(1,045,089)	(1,421,099)
		(765,504)	(1,153,109)

Sensitivity analysis

In managing interest rate risk, 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,			
		2024		2023	
		1% strengthening	1% weakening	1% strengthening	1% weakening
Investments in financial instruments	¢	5,282	(5,282)	4,368	(4,368)
Bonds payable		(5,966)	5,966	(6,261)	6,261
Loans payable		(4,253)	4,253	(2,182)	2,182
Lease liabilities		(684)	684	(515)	515
	¢	(5,621)	5,621	(4,590)	4,590

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

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,			
	2024		2023	
	1% strengthening	1% weakening	1% strengthening	1% weakening
Investments in financial instruments	¢ 987	(987)	864	(864)
Notes receivable	1,808	(1,808)	1,816	(1,816)
Bonds payable	(422)	422	(922)	922
Loans payable	(8,091)	8,091	(11,073)	11,073
Lease liabilities	(1,938)	1,938	(2,215)	2,215
	¢ <u>(7,656)</u>	<u>7,656</u>	<u>(11,530)</u>	<u>11,530</u>

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	December 31, 2024					More than 5 years
		Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	
<u>Currency risk</u>							
Cross-currency swap	¢ (1,670)	356	142	178	35	-	-
Cross-currency swap	(651)	262	105	131	26	-	-
	¢ <u>(2,321)</u>	<u>618</u>	<u>247</u>	<u>309</u>	<u>61</u>	<u>-</u>	<u>-</u>

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	December 31, 2023					More than 5 years
		Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	
<u>Currency risk</u>							
Cross-currency swap	¢ (2,276)	546	184	145	181	36	-
Cross-currency swap	(555)	403	136	107	134	27	-
	¢ <u>(2,831)</u>	<u>950</u>	<u>320</u>	<u>252</u>	<u>315</u>	<u>63</u>	<u>-</u>

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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 731.5	JPY 745.6
Agreed amount (at exchange rate)	USD 8.0	USD 6.0
Change in the value of the derivative financial instrument recognized in	USD (3.3)	USD (1.3)
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	20/10/2009	03/12/2015
Derivative financial instrument inception date or first payment	22/10/2012	20/04/2016
Derivative financial instrument maturity date	20/04/2026	20/04/2026
Term	14 years	10 years, 5 months
Base rate	-	-
Spread over/under base rate	2.20%	2.20%
Fixed rate	-	-
Total fixed rate	5.11%	5.01%
Strategy	Derivative financial	Derivative financial
Related risk	Exchange rate Yen/US dollar	Exchange rate Yen/US dollar
Instrument	Cross - currency swap	Cross - currency swap

(Continued)

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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	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	20/10/2009	03/12/2015
Derivative financial instrument inception date or first payment	22/10/2012	20/04/2016
Derivative financial instrument maturity date	20/04/2026	20/04/2026
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	Derivative financial
Related risk	Exchange rate Yen/US dollar	Exchange rate Yen/US dollar
Instrument	Cross - currency swap	Non-deliverable forward (NDF)

(Continued)

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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 2024 and 2023, 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:

	As of December 31,	
	2024	2023
Debt to equity ratio		
Total liabilities	¢ 3,222,927	3,337,806
Less cash and cash equivalents	(356,578)	(378,544)
Net debt	<u>2,866,349</u>	<u>2,959,262</u>
Total equity	¢ 3,122,179	3,072,911
Less:		
Amounts accumulated in equity related to cash flow hedges	-	-
Adjusted equity	<u>3,122,179</u>	<u>3,072,911</u>
Debt to equity ratio	<u>0.92</u>	<u>0.96</u>

(Continued)

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Institutional non-financial risk

Corporate Sustainability Policy

The Corporate Sustainability Policy aims to establish a strategic framework that reflects ICE and its affiliated companies' commitment to best sustainability practices, in alignment with global standards, international certification protocols, and the 2030 Agenda based on the Sustainable Development Goals (SDGs). It also encompasses non-financial risks related to sustainability matters. This policy is mandatory and applies to public officials and personnel of ICE and its companies.

ICE manages its Environmental, Social, and Governance (ESG) risks due to the critical importance these factors have on the organization's performance, reputation, and long-term sustainability. Additionally, it enables the institution to meet regulatory and societal expectations required of a responsible public enterprise, a promoter of national development, and an issuer of debt instruments in both domestic and international markets.

1. **Environmental**

This component refers to the environmental impact of the organization's activities. It includes risks related to climate change, waste management, the use of natural resources or eco-efficiency, and biodiversity.

One of the most significant environmental risks for ICE is climate change, which could potentially or actually affect business continuity and financial flows. This is particularly relevant given that ICE operates with a generation matrix primarily based on clean energy sources, with hydroelectric generation being the most robust. As a result, the organization is vulnerable to changes caused by droughts and floods.

As part of the controls implemented to mitigate this risk, climate data and scenario analyses are conducted to ensure appropriate demand operations and to inform electricity expansion planning. Additionally, protocols are in place for emergency response through the Corporate Emergency Operations Coordination Center, ensuring a quick and effective response to adverse weather events.

Furthermore, the organization implements sustainable practices to minimize its carbon footprint, including the reduction of greenhouse gas (GHG) emissions, mitigation of vehicle fleet pollutants, and maintenance of its assets. ICE also applies climate resilience strategies, watershed management, waste management for materials that reach reservoirs, and protection of core influence areas. It has also implemented multiple wildlife protection measures aimed at eliminating or reducing the environmental impact of its operations, among other ongoing actions to mitigate environmental risks.

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2. **Social:**

This aspect encompasses the organization's impact on society. It includes topics such as human rights, labor conditions, employee health and safety, and relationships with local communities.

Aware of these responsibilities, ICE ensures that its operations respect the rights of all individuals involved and contribute positively to society. This enhances employee morale and productivity, strengthens community relations, and increases customer loyalty, all of which in turn improves the organization's financial performance.

Additionally, actions have been implemented to ensure transparent, responsible, and sustainable management. These include the 2023–2027 Corporate and Business Strategy, which promotes a globalized management approach focused on triple bottom line value, as well as the Corporate Communication Policy and the Institutional Code of Ethics, which set out the principles and guidelines for ethical and transparent communication.

3. **Governance**

This component focuses on the organization's decision-making structure and processes. It includes business ethics, transparency, the composition of the Board of Directors, and compliance with laws and regulations, thereby ensuring that decisions are made ethically and transparently crucial for maintaining the trust of investors and other stakeholders. Additionally, a strong governance structure enhances operational efficiency and protects the organization against legal and financial risks.

4. **Other risks**

Among other risks in the current environment, ICE, like any technology company that also holds important market data, is exposed to cybersecurity risk. This is associated with threats to information, personal data, or access to bank accounts that may be exposed or altered by malicious actors.

To manage cybersecurity risk, various actions have been implemented to ensure robust and proactive administration. These actions include the application of information security regulations and policies based on ISO 27001 and ITIL v4, thereby ensuring a strong and internationally recognized framework.

5. **Risk Management Framework**

In accordance with the provisions of the General Guidelines for the Establishment and Operation of the Institutional Specific Risk Assessment System (SEVRI), a regulatory framework for ICE's risk management has been developed and applied. This framework includes components to organize the comprehensive management of relevant risks, with the following objectives:

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1. Develop comprehensive risk management to achieve the strategic objectives set by ICE and its companies, within a controlled tolerance, in accordance with the respective defined responsibilities.
2. Timely analyze and manage risk events, providing information for strategic, tactical, and operational decision-making.
3. Contribute to the achievement of the UN-approved Sustainable Development Goals (SDGs).
4. Comply with applicable laws and regulations.
5. Support business stability, financial soundness, and the reputation of ICE and its companies.
6. Promote a risk awareness culture.

General Management works closely with all ICE departments to prepare an annual map of strategic and tactical risks. Additionally, periodic monitoring of controls and action plans is carried out to ensure their effectiveness and continuous updating.

Internal Audit oversees compliance with ICE's risk management policies and procedures. Furthermore, the Audit and Risk Committee monitors and follows up on compliance with the Risk Appetite Statement through periodic reports presented by General Management.

Note 32. Contingent assets and liabilities

Grupo ICE is a defendant in various lawsuits estimated in the amount of ¢325,305. As of December 31, 2024, the provision for those lawsuits amounts to ¢29,057 (2023: ¢13,418), see Note 23.

Below are the main proceedings for which the amounts have been estimated and provisions recorded in the consolidated financial statements (see Note 23):

- a) 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. In 2023, the case was pending an award, which was ruled in favor of INITEC during the 2024 period. As a result, ICE is preparing an annulment appeal. The estimated amount as of December 31, 2024, is €5.3 million (equivalent to ¢2,818), and ICE has recorded a provision of ¢2,801 as of December 31, 2024.
- 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. in the amount of US\$3 million (equivalent to ¢1,535). As of the closing of December 2024, the preliminary hearing was pending. Based on the opinion of the legal counsel, ICE provisioned ¢1,521 for this lawsuit (2023: ¢1,557).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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- b) Lawsuit in which ICE is required to reimburse an amount of US\$4.6 million (equivalent to ¢2,353) agreed to purchase Cable Visión on December 5, 2013, which is a response to tax contingencies, for the entity's fiscal periods before the sale. Grupo ICE opposes 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 closing of the December 2024 close, the court hearing is pending. As of December 31, 2024, based on the opinion of the legal counsel, ICE provisioned an amount of ¢1,493 associated with the resolution of this litigation (¢1,528 in 2023).
- c) Administrative proceedings (execution of judgment), in which Hidroeléctrica de Parismina, S.A. and Provedora 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 merits of the cassation appeal filed by the plaintiff on March 21, 2019, against the ruling; however, the Chamber has yet to issue the corresponding decision.
 - (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. On March 1, 2024, ICE filed a cassation appeal against the enforcement judgment; however, through Resolution No. 001067-A-S1-2024, the First Chamber decided to suspend the cassation proceedings until the Constitutional Chamber rules on the unconstitutionality action filed against Article 150, subsection 1) of the Administrative Procedural Code, and Articles 48 and 84 of the Autonomous Regulations on the Organization and Service of the Administrative and Civil Tax Jurisdiction, processed under case file number 22-020548-0007-CO.

Currently awaiting resolution by the First Chamber and as of December 31, 2024, ICE has provisioned an amount of ¢1,345 (¢350 in 2023).

- d) Labor lawsuit – CNFL employees: File No. 11-00219-1178-LA-6. This lawsuit seeks to 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, however, the payment of the general salary revaluations decreed by the Civil Service Directorate as of January 2008 has yet to be recognized. The amount provisioned for this case as of December 31, 2024, is ¢20,674 (¢8,484 in 2023).

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- 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, 2024, and 2023, 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, 2024, based on the opinion of the legal counsel, the provision created for this case amounts to ¢104 (2023: ¢106).
- 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, 2024, corresponds to the difference in the indexation calculations of ¢64 (2023: ¢64).

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 ¢4,808). 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 (equivalent to ¢57,649) and ¢6,328.

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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.

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 ₡185,174). 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).

Through case EXP-24-6882-1027-CA, the enforcement of the judgment was filed by ICE. Chucás submitted a response on November 12, 2024, and is awaiting a ruling. The likelihood of an outflow of resources in this enforcement is considered remote.

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- 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%.

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 offers 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, 2024, the estimated amount is $\text{¢}239,580$ ($\text{¢}266,054$ in 2023). Based on the opinion of the legal counsel, the probability of an outflow of resources is considered remote.

- c) Arbitration filed by Kurt Harald Grüninger, Alexandra Grüninger, and Sascha Spittel against the Republic of Costa Rica, in disagreement with an expropriation carried out by ICE, before ICSID (International Centre for Settlement of Investment Disputes). The case is in its initial stage, with the legal firm representing us, Adell & Merizalde, beginning the response to the claim. As of December 31, 2024, ICE has recorded a provision of $\text{¢}15,322$.
- 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, 2024 is $\text{¢}12,458$ (2023: $\text{¢}12,755$). Based on the opinion of the legal counsel, the probability of an outflow of resources is considered remote.

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- e) International arbitration filed by the company V-net Comunicaciones, seeking compensation due to the non-renewal of its contract for the commercialization of products and services, with a claim amount of US\$23.8 million (equivalent to ¢12,174), plus interest. According to the assessment by the law firm Arnold & Porter, the arbitration hearing is scheduled for May 2025. The estimated claim amount as of December 31, 2024, is ¢12,174 (¢0 in 2023), and based on the legal advisor's opinion, an outflow of resources to settle this claim is not considered probable.
- f) 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, 2024, the estimated amount is ¢7,673 (2023: ¢7,856). Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.
- g) Lawsuit filed by Natural Partner's S.A. due to the termination of the contract by ICE for the purchase of energy from said company through the Valle Escondido I Photovoltaic Solar Plant. This was due to a breach regarding the plant's commercial operation start date. The estimated amount of the proceeding is ¢3,069.
- 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, 2024, is ¢2,240 (2023: ¢2,000). Based on the opinion of the legal counsel, an outflow of resources in this case is considered unlikely.
- i) 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.

For the 2024 period, case file 19-4362-1027-CA was consolidated with case file 18-7030-1027-CA; therefore, all matters related to the case are now included in the latter. The hearing date is pending. The estimated amount as of December 31, 2024, and 2023 is ¢814, and based on the legal advisor's opinion, an outflow of resources to settle this claim is not considered probable.

- j) 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, 2024, the estimated amount is ¢370 (2023: ¢379). Based on the opinion of the legal counsel, an outflow of resources for this claim is unlikely.

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k) 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, 2024, the estimated amount is ¢256 (2023: ¢262). Based on the opinion of the legal counsel, an outflow of resources for this claim is considered unlikely.

Grupo ICE is also a defendant in other proceedings with an estimated total of ¢2,346 (2023: ¢2,426), 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 ¢4,133 (2023: ¢6,617), 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.

Grupo ICE is in the process of validating a potential credit balance with the Ministry of Finance, related to the recognition of tax credits arising from transactions subject to current tax regulations. Management has assessed the recoverability of these credits, the realization of which is subject to the determination of the tax authority.

Note 33. 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. Maturity 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	
	For the year ended December 31,			
	2024	2023	2024	2023
Government entities	¢ 61,704	65,155	9,281	8,280
Autonomous institutions	4,101	3,677	-	-
Other related parties	1,328	6,040	-	-
Empresa Propietaria de la Red, S.A.	1,262	1,337	-	-
	¢ 68,395	76,209	9,281	8,280

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As of December 31, 2024, bonuses and loans due to State-owned financial entities amounted to ¢233,323 and ¢718,729 (2023: ¢303,546 and ¢744,785), respectively (see Note 17 (a) and (b), respectively).

The following income and expense balances were outstanding at the end of the reporting period:

	Income		Expenses	
	For the year ended December 31,			
	2024	2023	2024	2023
Government entities	¢ 5,230	5,014	10,488	9,323
Autonomous institutions	4,083	4,895	24,334	27,867
Other related parties	4,060	5,039	1,426	1,493
Empresa Propietaria de la Red, S.A.	1,988	3,629	148,461	66,836
	¢ 15,361	18,577	184,709	105,519

The following balances correspond to financial investments, placed through State-owned financial entities:

	Note	As of December 31,	
		2024	2023
Cash equivalents	16	¢ 11,658	20,677
Investments in financial instruments	12,14	509,450	438,210
		¢ 521,108	458,887

As of December 31, 2024, interest on securities due from with State-owned financial entities amounts to ¢1,024 (2023: ¢746).

As of December 31, 2024, ownership interest in autonomous and non-governmental agencies amount to ¢5,204 (2023: ¢5,638) (see Note 10).

Compensation to key management personnel

Compensation to directors and other key management personnel is as follows:

	For the year ended December 31,	
	2024	2023
Short-term benefits	¢ 4,388	6,360
Post-employment benefits	104	380
Other long-term benefits	324	424
Severance benefits	-	11
	¢ 4,816	7,175

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 34. 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 the Institutes 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.

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(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:

Segment profit or loss	For the years ended December 31,					
	Electricity		Telecom		Consolidated total	
	2024	2023	2024	2023	2024	2023
External revenues	¢ 953,711	869,275	543,934	551,257	1,497,645	1,420,532
Inter-segment revenue	7,313	7,150	1,168	1,312	8,481	8,462
	¢ 961,024	876,425	545,102	552,569	1,506,126	1,428,994
Depreciation and amortization	¢ 190,783	194,273	128,292	127,896	319,075	322,169
Investment income	16,228	20,255	23,416	22,985	39,644	43,240
Finance costs	(161,912)	(191,901)	(24,824)	(25,483)	(186,736)	(217,384)
Foreign exchange differences	27,832	165,150	1,265	961	29,097	166,111
Investments in joint ventures	-	-	(64)	(70)	(64)	(70)
Income tax, net	3,674	2,230	(214)	(3)	3,460	2,227
Loss (profit), net	¢ 77,076	246,615	(7,477)	31,810	69,599	278,425

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The revenue by segment reported in the previous table represents revenue generated by external customers (see Note 26 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	
		2024	2023	2024	2023	2024	2023
Assets	¢	4,829,794	4,886,703	1,515,313	1,524,013	6,345,107	6,410,717
Liabilities	¢	2,534,867	2,642,248	689,102	695,557	3,223,969	3,337,806

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.

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(e) Other segment information

	<u>Additions to non-current assets</u>	
	<u>As of December 31,</u>	
	<u>2024</u>	<u>2023</u>
Telecom	¢ 104,549	116,550
Electricity	83,963	73,170
Total	¢ <u>188,512</u>	<u>189,720</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 35. Subsequent event

ICE's Telecommunications Management formed a multidisciplinary team, led by the General 5G Program Directorate, with the objective of developing a proposal outlining the alternatives available to launch 5G technology services by the ICE Group. This proposal is based on Commercial, Technical, Financial, Environmental, and Legal analyses, aiming to mitigate the impacts caused by the suspension of the procurement process for the equipment and services necessary to implement a Standalone 5G network. The initiative seeks to meet the need to evolve the current mobile technology to address market demands.

The analysis began with the premise of maintaining the business case assumptions already approved for the implementation of the 5G network, including strategic alignment, market analysis and studies, sales projections, revenue loss avoidance benefits, commercial profiles, offer design, site selection, and spectrum usage. The technical, legal, and financial results were positive for three scenarios.

On February 5, 2025, through Article 4 of Chapter III, Session 6670 of February 4, 2025, ICE's Board of Directors approved the alternatives for implementing the action plan to launch 5G mobile services by the ICE Group. It instructed the ICE Group Management to implement the technology with the highest priority, ensuring the availability of the necessary resources for that purpose.

The approved scenario involves signing a wholesale interconnection access contract (MVNO) with the company RACSA, in order to begin the commercialization of 5G mobile services using the infrastructure already in place. This infrastructure will undergo a series of upgrades to support these services, which are already in the implementation phase. Simultaneously, efforts continue toward the construction of ICE's standalone 5G network.

Simultaneously, efforts continue toward the construction of ICE's standalone 5G network.