INSTITUTO COSTARRICENSE DE ELECTRICIDAD AND SUBSIDIARIES (GRUPO ICE)

Condensed Consolidated Interim Financial Statements

June

GRUPO ICE | 2023

Content

PAGE

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

Condensed Consolidated Statement of Financial Position
(In millions of colones)

	Note		June 30, 2023	December 31, 2022
Assets				
Non-current assets:				
Property, plant and equipment, net	5	¢	4,898,206	5,007,262
Intangible assets, net	6		84,324	93,566
Other assets			6,670	8,338
Equity investments			5,534	5,727
Notes and other accounts receivable, net			178,125	177,230
Investments in financial instruments	7		364,603	359,764
Total non-current assets			**5,537,462**	**5,651,887**
Current assets:				
Inventories	8		57,253	55,379
Notes and other accounts receivable, net			86,242	65,030
Investments in financial instruments	9		159,725	191,429
Trade receivables, net			195,056	175,028
Prepaid expenses			7,809	5,870
Other assets			145	146
Cash and cash equivalents			418,976	338,778
Assets held for sale			906	616
Total current assets			**926,112**	**832,276**
Total assets		¢	**6,463,574**	**6,484,163**
Liabilities and equity				
Equity:				
Paid-in capital		¢	155	155
Reserves			2,603,385	2,469,080
Retained earnings			328,123	328,297
Equity attributable to owners of Grupo ICE			2,931,663	2,797,532
Non-controlling interests			6,123	6,130
Net equity			**2,937,786**	**2,803,662**
Liabilities:				
Non-current liabilities:				
Bonds payable	10		745,127	799,241
Loans payable	10		1,301,243	1,356,137
Lease liabilities	10		234,898	270,342
Employee benefits	11		454,224	450,866
Accounts payable			145,241	153,626
Contract liabilities			63,097	61,769
Deferred income - Government grants			21,868	20,717
Deferred tax liabilities			80,051	81,492
Provisions			1,719	3,799
Total non-current liabilities			**3,047,468**	**3,197,989**
Current liabilities:				
Bonds payable	10		40,990	74,457
Loans payable	10		83,166	92,331
Lease liabilities	10		40,851	62,832
Employee benefits	11		104,792	98,570
Accounts payable			137,663	84,203
Contract liabilities			10,653	10,271
Deferred income - Government grants			-	281
Accrued interest payable			24,810	25,881
Provisions			26,788	23,768
Other liabilities			8,607	9,918
Total current liabilities			**478,320**	**482,512**
Total liabilities			**3,525,788**	**3,680,501**
Total liabilities and equity		¢	**6,463,574**	**6,484,163**

Preliminary translation

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

HAROLD CORDERO VILLALOBOS (FIRMA) Firmado digitalmente por HAROLD CORDERO VILLALOBOS (FIRMA) Fecha: 2023.09.28 08:56:30 -06'00'

Harold Cordero Villalobos
General Manager

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Keiner Arce Guerrero
Financial Manager

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Lizbeth Hernández Castillo
Accounting Director

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Atención: INSTITUTO COSTARRICENSE DE ELECTRICIDAD
Registro Profesional: 13537
Contador: HERNANDEZ CASTILLO LISBETH
Estado de Situación Financiera
2023-08-16 12:31:28 -0600

CONTADOR PRIVADO INCORPORADO
HERNANDEZ CASTILLO LISBETH
CPI No. 13537
COSTA RICA

TIMBRE 300.0 COLONES

VERIFICACIÓN: 5xyVEK92
https://timbres.contador.co.cr

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
(In millions of colones)

For the six and three months ended June 30,

	Note		For the six months ended June 30 2023	For the six months ended June 30 2022	For the three months ended June 30 2023	For the three months ended June 30 2022
Revenue	12	¢	**696,703**	**716,572**	**360,449**	**368,466**
Operating costs:						
Operation and maintenance			273,216	236,395	159,430	116,570
Operation and maintenance of leased assets			27,484	34,098	11,580	11,941
Purchases and supplemental services			86,983	73,360	45,200	33,588
Selling expenses			33,156	39,194	15,370	22,347
Production management			51,993	43,536	25,789	19,362
Total operating costs			472,832	426,583	257,369	203,808
Gross profit			**223,871**	**289,989**	**103,080**	**164,658**
Other income			16,473	13,662	9,341	6,317
Operating expenses:						
Administrative expenses			46,519	55,034	21,916	28,332
Selling expenses			61,851	63,376	31,317	30,671
Preliminary studies			10,741	11,318	5,212	5,650
Supplemental expenses			1,334	594	1,105	254
Loss on impairment of balances receivable			7,241	2,730	4,212	285
Other expenses			12,550	12,381	6,403	5,778
Total operating expenses			140,236	145,433	70,165	70,970
Operating profit			**100,108**	**158,218**	**42,256**	**100,005**
Finance income (costs):						
Finance income			23,189	17,930	13,340	9,679
Finance costs			(111,670)	(123,246)	(58,904)	(65,303)
Foreign exchange differences, net			116,024	(94,795)	6,518	(40,420)
Net finance costs			**27,543**	**(200,111)**	**(39,046)**	**(96,044)**
Share of profit of equity-accounted investees			(14)	45	(7)	20
Net profit (loss) before tax			**127,637**	**(41,848)**	**3,203**	**3,981**
Income tax			1,441	2,540	526	1,411
Profit (loss) for the period, net		¢	**129,078**	**(39,308)**	**3,729**	**5,392**
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Effect of actuarial losses (gain) for the period		¢	(93)	65	(93)	-
			(93)	**65**	**(93)**	**-**
Items that are or may be reclassified subsequently to profit or loss:						
Valuation of investments in financial instruments at fair value			14,716	(12,883)	10,879	(6,208)
Valuation of equity investments at fair value		¢	(177)	106	(15)	27
			14,539	**(12,777)**	**(15)**	**27**
Other comprehensive income for the period, net of tax			**14,446**	**(12,712)**	**(108)**	**27**
Total comprehensive income for the period		¢	**143,524**	**(52,020)**	**3,621**	**5,419**
Profit attributable to:						
Owners of Grupo ICE		¢	129,085	(39,419)	3,731	5,293
Non-controlling interests			(7)	111	(2)	99
		¢	**129,078**	**(39,308)**	**3,729**	**5,392**
Total comprehensive income for the year attributable to:						
Owners of Grupo ICE		¢	143,531	(52,131)	14,502	(888)
Non-controlling interests			(7)	111	(2)	99
		¢	**143,524**	**(52,020)**	**14,500**	**(789)**

Preliminary translation

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

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Harold Cordero Villalobos
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Contador: HERNANDEZ CASTILLO LISBETH
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2023-08-16 12:31:41 -0600

CONTADOR PRIVADO INCORPORADO COSTA RICA
HERNANDEZ CASTILLO LISBETH
CPI No. 13537

VERIFICACIÓN: 5xyVFK92

(San José, Costa Rica)

Condensed Consolidated Statement of Changes in Equity
(In millions of colones)

For the six months ended June 30,

	Paid-in capital	Reserves: 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: Retained earnings on subsidiaries	Lprofit (loss) for the period	Total	Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity
Balance as of January 01, 2022	¢ **155**	**3,739**	**71**	**(17,033)**	**1,503**	**31,695**	**2,228,073**	**13,101**	**62,380**	**2,323,529**	**306,908**	**-**	**306,908**	**2,630,592**	**5,769**	**2,636,361**
Comprehensive income for the period:																
Loss for the period	-	-	-	-	-	-	-	-	-	-	9,529	(48,948)	(39,419)	(39,419)	111	(39,308)
Other comprehensive income for the period:																
Effect of actuarial loss for the period	-	-	-	65	-	-	-	-	-	65	-	-	-	65	-	65
Net loss on fair value of cash flow hedges	-	-	-	-	-	(12,883)	-	-	-	(12,883)	-	-	-	(12,883)	-	(12,883)
Valuation of equity investments at fair value	-	-	-	-	106	-	-	-	-	106	-	-	-	106	-	106
Total other comprehensive income for the period	**-**	**-**	**-**	**65**	**106**	**(12,883)**	**-**	**-**	**-**	**(12,712)**	**9,529**	**(48,948)**	**(39,419)**	**(52,131)**	**111**	**(52,020)**
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	213	-	213	-	-	-	213	-	213
Transfer to capital reserve	-	-	-	-	-	-	(48,948)	-	-	(48,948)	-	48,948	48,948	-	-	-
Total comprehensive income for the period:	**-**	**-**	**-**	**-**	**-**	**-**	**(48,948)**	**213**	**-**	**(48,735)**	**-**	**48,948**	**48,948**	**213**	**-**	**213**
Balance as of June 30, 2022	¢ **155**	**3,739**	**71**	**(16,968)**	**1,609**	**18,812**	**2,179,125**	**13,314**	**62,380**	**2,262,082**	**316,437**	**-**	**316,437**	**2,578,674**	**5,880**	**2,584,555**
Balance as of January 01, 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 period:																
Profit for the period	-	-	-	-	-	-	-	-	-	-	(261)	129,346	129,085	129,085	(7)	129,078
Other comprehensive income for the period:											-					
Valuation of investments in financial instruments at fair value	-	-	-	-	-	14,716		-	-	14,716	-	-	-	14,716	-	14,716
Valuation of equity investments at fair value	-	-	-	-	(177)	-	-	-	-	(177)	-	-	-	(177)	-	(177)
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**(177)**	**14,716**	**-**	**-**	**-**	**14,539**	**(261)**	**129,346**	**129,085**	**143,624**	**(7)**	**143,617**
Comprehensive income for the period:																
Appropriation to reserves	-	(15)	-	-	-	-	-	(3)	-	(18)	18	-	18	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	129,346	-	-	129,346	-	(129,346)	(129,346)	-	-	-
Total comprehensive income for the period:	**-**	**(15)**	**-**	**-**	**-**	**-**	**129,346**	**(3)**	**-**	**129,328**	**18**	**(129,346)**	**(129,328)**	**-**	**-**	**-**
Cumulative effect by adjustment in the integration of trusts	-	-	-	-	-	-	(9,400)	-	-	(9,400)	-	-	-	(9,400)	-	(9,400)
Balance as of June 30, 2023	¢ **155**	**4,742**	**71**	**(5,755)**	**(744)**	**13,466**	**2,516,104**	**13,283**	**62,380**	**2,603,547**	**328,054**	**-**	**328,054**	**2,931,756**	**6,123**	**2,937,879**

Preliminary translation

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

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Financial Manager

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Lizbeth Hernández Castillo
Accounting Director

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) Y SUBSIDIARIAS
(San José, Costa Rica)

Condensed Consolidated Statement of Cash Flows
(In millions of colones)

For the six months ended June 30,

	Note	2023	2022
Cash flows from operating activities			
Profit (loss) for the period		¢ **129,078**	**(39,308)**
Adjustments for:			
Depreciation		144,963	148,508
Amortization		11,039	11,925
Amortization of contract liabilities	13	(5,874)	(5,512)
Net realizable value of inventories		(2,966)	-
Net finance costs		88,481	105,316
Loss on impairment of balances receivable	14	7,241	2,730
Share of profit of equity-accounted investees, net of tax		14	(45)
Loss on disposal of assets		13,336	2,365
Obligations for employee benefits	11	6,703	8,754
Government Grants		(477)	(991)
Income tax		(1,441)	(2,540)
Foreign exchange differences		(106,441)	83,287
		283,656	314,489
Changes in:			
Notes and other accounts receivable		(19,064)	2,919
Trade receivables		(26,381)	(26,639)
Inventories		(5,912)	(26,872)
Accounts payable		35,675	10,185
Contract liabilities		7,584	3,163
Employee benefits and other provisions		(4,878)	261
Other liabilities		(1,589)	(7,396)
Cash flows from operating activities		269,091	270,110
Income taxes paid		-	(214)
Net cash from operating activities		**269,091**	**269,896**
Cash flows from investing activities			
Interest received		15,391	3,708
Investments in financial instruments		32,731	(120,156)
Additions to property, plant and equipment		(30,351)	(32,206)
Gains on the sale of property, plant and equipment		156	(2)
Additions to intangible assets		(2,542)	(8,012)
Government grants received		-	40
Other assets		(556)	2,387
Net cash from (used in) investing activities		**14,829**	**(154,241)**
Cash flows from financing activities:			
Amortization of bonds payable	10	(42,407)	(96,136)
Increase in loans payable	10	28,842	38,966
Amortization of loans payable	10	(40,714)	(56,807)
Amortization of lease liabilities	10	(32,180)	(33,630)
Interest paid		(107,680)	(101,387)
Net cash used in financing activities		**(194,139)**	**(248,994)**
Net increase (decrease) in cash and cash equivalents		89,781	(133,339)
Cash and cash equivalents as of January 01		338,778	429,632
Effect of movements in exchange rates on cash held		(9,583)	11,508
Cash and cash equivalents as of June 30		¢ **418,976**	**307,801**

Preliminary translation

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

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Keiner Arce Guerrero
Financial Manager

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Registro Profesional: 13537
Contador: HERNANDEZ CASTILLO LISBETH
Estado de Flujos de Efectivo
2023-08-16 12:31:59 -0600

CONTADOR PRIVADO INCORPORADO HERNANDEZ CASTILLO LISBETH CPI No. 13537 COSTA RICA

TIMBRE 300.0 COLONES

VERIFICACIÓN: 5xyVEK92
https://timbres.contador.co.cr

Nota 1. <u>Reporting entity</u>

The *Instituto Costarricense de Electricidad* [the Costa Rican Institute of Electricity, in English] and its Subsidiaries (hereinafter jointly referred to as "Grupo ICE"), is an autonomous entity that is part of the Costa Rican state and that was organized under the laws of the Republic of Costa Rica through Executive Order No. 449 of April 8, 1949 and Act 3226 of October 28, 1963. Its main offices are located in Sabana Norte, district of Mata Redonda, in the city of San José.

Grupo ICE is a group of state-owned companies that includes the *Instituto Costarricense de Electricidad* (the parent and controlling entity) and its subsidiaries, *Compañía Nacional de Fuerza y Luz, S.A. (CNFL), Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA), Cable Visión de Costa Rica, S.A. (CVCR),* and *Gestión Cobro Grupo ICE, S.A.,* all which are organized under Costa Rican laws.

Its main activity consists of developing electrical energy producing sources, including the supply of electricity and telecommunication services. Regarding its electrical energy activities, it is the holder of the exclusive right to generate, transmit and distribute electrical energy in Costa Rica, where only a few exceptions exist, such as a limited number of private and municipal entities, as well as certain rural cooperatives. In relation to telecommunications, the Group is the holder of a concession to develop and promote telecommunication services in Costa Rica, offering a wide range of services to individuals, homeowners and companies, including landline and mobile phone services, and voice and data services. These landline services include, among others, traditional fixed telephony, public telephony, and internet and television access. Mobile services include voice and data services, both under prepaid and postpaid modalities.

Mobile telephony (prepaid and postpaid voice and data), fixed telephony (including dedicated lines), internet access, and public and international telephony services are regulated by the Superintendency of Telecommunications [SUTEL, its Spanish acronym], while electricity services are directly regulated by the Public Services Regulation Authority [ARESEP, its Spanish acronym]. The following is a description of the main activities of the group's subsidiaries:

- <u>*Compañía Nacional de Fuerza y Luz, S.A.*</u>

The *Compañía Nacional de Fuerza y Luz, S.A.* (from here on out referred to as "CNFL", its Spanish acronym), was organized under Act number 21, dated April 8, 1941. Its main activity is the distribution of electrical energy in the metropolitan area of San José, as well as in some neighboring counties of the provinces of Alajuela, Heredia and Cartago. These services are also regulated by the ARESEP. CNFL has issued a series of debt securities and is therefore subject to the regulations that the CONASSIF [Spanish acronym for the "National Supervising Council of the Financial System"] and the SUGEVAL [Spanish acronym for the "General Superintendency of Securities"] establish.

- *Radiográfica Costarricense, S.A.*

Radiográfica Costarricense, S.A. (from here on out referred to as "RACSA", its Spanish acronym), was organized on July 27, 1964, with the main objectives of exploiting telecommunication services in Costa Rica, national connectivity and internet, international connectivity to transmit data and video, among others.

- *Compañía Radiográfica Internacional Costarricense, S.A.*

Compañía Radiográfica Internacional Costarricense, S.A. (from here on out referred to as "CRICSA") was established by means of Act 47, dated July 25, 1921, with the main objective of exploiting a wireless communication concession. This company has no active employees, as Grupo ICE provides accounting and administrative services to it.

- *Cable Visión de Costa Rica*

Cable Visión de Costa Rica (from here on out referred to as "CVCR"), which was created on January 19, 2001, was acquired by the Costa Rican Institute of Electricity on December 05, 2013. Its main objective is to provide cable television services, although internet services and digital television services were subsequently added to its lines of business.

According to the minutes of the ordinary meeting held by the Board of Directors of Grupo ICE on January 14, 2019, CVCR assigned its rights and obligations to ICE in order to strengthen its offering and guarantee the continuity and quality of the telecommunications and internet services provided by the cable company. The effective date of this assignment was September 01, 2019, and, therefore, as of that date, CVCR's rights and obligations were absorbed by the ICE (parent) to close the 2019 period.

As of June 30, 2023, Cable Visión de Costa Rica is a company that registers no commercial activity.

- *Gestión Cobro Grupo ICE, S.A.*

Gestión de Cobro Grupo ICE, S.A. was organized by means of agreement No. 6198, taken by the Board of Directors on October 31, 2016, and started operating in October of 2017. Its main line of business is the provision of administrative and judicial collection services to the entities that make up Grupo ICE, so as to aid them in the collection of their accounts receivable.

The activities of Grupo ICE and its subsidiaries are also regulated by the Office of the General Comptroller of the Republic, the General Superintendency of Securities (SUGEVAL), the *Bolsa Nacional de Valores de Costa Rica, S.A.* (the National Stock Exchange), the General Directorate of National Accounting of the Ministry of Finance, and the Ministry of the Environment and Energy [MINAE, its Spanish acronym].

Nota 2. Basis of accounting

These condensed interim consolidated financial statements, which cover the six-month period ended on June 30, 2023, have been prepared in accordance with the IFRS, specifically IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the last consolidated annual financial statements of Grupo ICE, prepared as of December 31, 2022, and for the year then ended (the last annual financial statements). These condensed interim consolidated financial statements do not include all of the information required to prepare complete annual financial statements in accordance with the IFRS. However, they include explanatory notes concerning the events and transactions that are relevant to understand the changes in financial position and the performance of Grupo ICE as of the date of the last annual financial statements.

These condensed interim consolidated financial statements of Grupo ICE were authorized for issue on August 21, 2023.

Nota 3. Use of judgments and estimates

The preparation of these condensed interim consolidated financial statements required that the Management make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from such estimated amounts.

Significant judgments made by the Management in the application of Grupo ICE's accounting policies and the main sources of uncertainty for estimates were the same as those that were used in the last annual financial statements.

Relevant estimates and assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized prospectively.

(i) *Measurement of fair values*

Some of the accounting policies and disclosures of Grupo ICE require the measurement of fair values of both financial and non-financial assets and liabilities.

Grupo ICE has established a control framework for the measurement of fair value. This includes a valuation team that has the overall responsibility of supervising all significant fair value measurements, including level 3 fair values, and of reporting these directly to the Financial Management.

The valuation team will regularly review significant non-observable input data and valuation adjustments. If third-party information, such as estimates prepared by brokers or pricing services, is used to measure fair values, the valuation team assesses the evidence obtained from the third-parties to support the conclusion that such valuations satisfy the requirements of the IFRS, including the level within the hierarchy of fair value within which such valuations should be classified.

(Continued)

Significant valuation matters are reported to the Audit Committee of Grupo ICE.

When the fair value of an asset or liability is measured, Grupo ICE uses observable market data whenever possible. The fair values are classified in different levels within a fair value hierarchy that is based on input data used in the valuation techniques, as follows:

- Level 1 - observable, quoted prices (not adjusted) for identical assets or liabilities in active markets.
- Level 2 - input data differs from the quoted prices included in Level 1, that are observable either for the asset or liability, directly or indirectly.
- Level 3: data for the asset or liability that is not based on observable market data (unobservable input data).

If the input data variables used to measure the fair value of an asset or liability are classified in different levels of the fair value hierarchy, then the measurement of fair value is classified, as a whole, in the same level of the fair value hierarchy as the variable with the lowest ranking that is significant for the measurement of the asset or liability as a whole.

Grupo ICE recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period in which the change was reported to occur.

Note 14 "Institutional Financial Risk Management" includes additional information about the assumptions used to measure fair values.

(in millions of colones)

Nota 4. Changes to significant accounting policies

The following new and modified standards do not have a significant impact on the consolidated financial statements of Grupo ICE.

Standard	***Description***	***Effective for the following periods***	***Type***	***Apply for Grupo ICE***		***Impacts the Financial Statements of 2023***	
				Yes	***No***	***Yes***	***No***
IAS 8	Accounting policies, changes in accounting estimates and errors	January 1, 2023	Amendment - Definition of Accounting Estimates	X			X
IAS 1	Presentation of financial statements	January 1, 2023	Amendment - Disclosure of Accounting Policies	X			X
IFRS 17	Insurance contracts	January 1, 2023	Amendment IFRS 17		X		X

Nota 5. Property, plant, and equipment - net

During the six-month period ended on June 30, 2023, additions to the property, plant, and equipment account amounted to ¢56,343, where the most relevant were those applied to the following projects:

1. Installation of residential services in the amount of ¢7,819.
2. Borinquen (geothermal energy project located in the Guanacaste mountain range) in the amount of ¢6,679.
3. Voice over LTE project in the amount of ¢4,539.
4. Expansion of CORE via the EPC data management in the amount of ¢3,960.
5. Expansion and renovation of technological platform in the amount of ¢3,872.
6. Network improvements (ongoing implementation project to ensure, through improvements, the proper functioning and access of all systems and networks of the telecommunications system) ¢2,522.
7. Public lighting (project to install electronic assets in the electricity distribution network) in the amount of ¢2,459.
8. FONATEL (project to implement infrastructure and provide voice and internet services) in the amount of ¢2,108.
9. Development of networks in the amount of ¢1,630.
10. Installation of business services in the amount of ¢1,494.

(Continued)

(in millions of colones)

The institute also capitalized ¢29,598, out of which the ones related to the following projects were the most relevant:

1. Expansion and renovation of technological platform in the amount of ¢8,045.
2. Installation of residential services in the amount of ¢7,467.
3. Continuous quality improvement in the amount of ¢2,876.

Likewise, impaired assets with a book value of ¢4,105 were written-off.

Nota 6. <u>Intangible assets, net</u>

During the six-month period ended on June 30, 2023, transactions in intangible assets pertained to additions of ¢2.542 and capitalizations of ¢138, mainly in licenses, systems, and applications, and the net effects caused by the amortization of the period, which amounted to ¢11,891.

Nota 7. <u>Investments in financial instruments</u>

Investments in financial instruments are described below:

		As of June 30, 2023	As of December 31, 2022
At amortized cost	¢	28,763	42,856
At FVOCI		323,771	303,109
At FVTPL		12,069	13,799
	¢	364,603	359,764

A total of ¢335,581 (¢316,639 in 2022) of the investments in financial instruments are destined for the specific operation of the Guarantee and Savings Fund of the ICE.

(in millions of colones)

The following is a breakdown of the investments in financial instruments:

Issuer	Type of financito instrument	Currency	June 30, 2023 Balance	Interest rate	Maturity
At amortized cost					
Government					
Bonds	Fixed-rate instruments	US dollars	¢ 23,220	5,75% to 5,95%	2024 to 2025
Public financial entities					
Bonds	Fixed-rate instruments	US dollars	5,457	3,90%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	41	3,30% to 3,75%	2024 to 2027
Term certificate of deposit	Fixed-rate instruments	Colones	45	4,65%	2024
			28,763		
At fair value through other comprehensive income					
Government					
Bonds	Fixed-rate instruments	Colones	177,576	5,94% to 10,75%	2024 to 2036
Bonds	Variable-rate instruments	Colones	56,758	7,31% to 9,33%	2026 to 2044
Bonds	Fixed-rate instruments	US dollars	43,258	5,41% to 7,18%	2024 to 2034
Bonds	Fixed-rate instruments	DU	25,521	3,39% to 6,36%	2026 to 2043
Private financial entities					
Bonds	Fixed-rate instruments	Colones	13,036	4,26% to 10,14%	2024 to 2027
Bonds	Fixed-rate instruments	US dollars	1,178	3,77% to 5,74%	2024 to 2025
Public financial entities					
Bonds	Fixed-rate instruments	Colones	3,957	5,48% to 10,23%	2024 to 2027
Public non-financial entities					
Bonds	Fixed-rate instruments	US dollars	1,184	5,85% to 6,48%	2028 to 2029
Bonds	Variable-rate instruments	Colones	361	8,33% to 8,63%	2027 to 2033
Private non-financial entities					
Bonds	Fixed-rate instruments	US dollars	942	6,52%	2027
			323,771		
At fair value through profit or loss					
Private financial entities					
Bonds	Dividend closed fund	US dollars	10,122	1,68% to 4,13%	
Public financial entities					
Bonds	Dividend closed fund	US dollars	1,947	2,58% to 7,20%	
			12,069		
			¢ 364,603		

(Continued)

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Issuer	Type of financial instrument	Currency	December 31, 2022 Balance	Interest rate	Maturity
At amortized cost					
Government					
Bonds	Fixed-rate instruments	US dollars	¢ 35,239	5,75% to 9,20%	2024 to 2025
Public financial entities					
Bonds	Fixed-rate instruments	US dollars	5,925	3,9%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	1,659	3,30% to 4,75%	2025 to 2027
Term certificate of deposit	Fixed-rate instruments	Colones	33	7,90% to 8,25%	2024
			42,856		
At fair value through other comprehensive income					
Government					
Bonds	Fixed rate instruments	Colones	153,555	5,94% to 10,75%	2024 to 2036
Bonds	Variable rate instruments	Colones	56,819	5,47% to 8,69%	2026 to 2044
Bonds	Fixed rate instruments	US dollars	48,286	5,41% to 7,90%	2024 to 2034
Bonds	Fixed rate instruments	DU	25,584	3,39% to 6,36%	2026 to 2043
Private financial entities					
Bonds	Fixed rate instruments	Colones	10,636	4,26% to 10,14%	2024 to 2027
Bonds	Fixed rate instruments	US dollars	308	3,77% to 5,74%	2024 to 2025
Public financial entities					
Bonds	Fixed rate instruments	Colones	5,066	5,46% to 8,79%	2024 to 2025
Public non-financial entities					
Bonds	Fixed rate instruments	US dollars	1,249	5,85% to 6,48%	2028 to 2029
Bonds	Variable rate instruments	Colones	347	7,80% to 8,12%	2027 to 2033
Private non-financial entities					
Bonds	Fixed rate instruments	US dollars	1,259	6,52%	2027
			303,109		
At fair value through profit or loss					
Private financial entities					
Bonds	Closed fund - dividends	US dollars	11,842	1,23% to 5,00%	-
Public financial entities					
Bonds	Closed fund - dividends	US dollars	1,957	1,60% to 7,83%	-
			13,799		
			¢ 359,764		

(Continued)

(in millions of colones)

Nota 8. Inventories

As of June 30, 2023, the inventory accounts evidence a reduction of ¢7,526 (¢10,457 as of December 31, 2022) in their net realizable value. Moreover, a total of ¢16 (¢2,017 in 2022) in decreases in the value of inventories was recognized as an expense.

As of June 30, 2023, a total of ¢72,566 (¢89,723 as of December 31, 2022) in inventories were recognized as operating costs and expenses for the period, depending on the use or purpose given to such inventories.

Nota 9. Investments in financial instruments

Investments in financial instruments are described below:

		As of June 30,	As of December 31,
		2023	2022
At amortized cost	¢	101,615	134,868
At FVOCI		44,389	47,981
At FVTPL		13,721	8,580
	¢	159,725	191,429

Investments in financial instruments measured at amortized cost include investments that are deemed restricted, as they are part of a reserve that is used for the quarterly payment of interests and principal of the series of bonds payable that is closest to maturity, which amount to ¢24,673 (¢24,703 in 2022). Furthermore, these include investments in financial instruments destined for the specific operation of the Guarantee and Savings Fund of the ICE in the amount of ¢55,078 (¢53,455 in 2022).

(in millions of colones)

The following is a breakdown of the investments in financial instruments:

Issuer	Type of financial instrument	Currency	June 30, 2023 Balance	Interest rate	Maturity
At amortized cost					
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones ¢	44,214	5,34% to 9,24%	2023 to 2024
Mortgage participation certificate	Fixed-rate instruments	Colones	10,952	7,00% to 8,75%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	1,570	0,09% to 4,75%	2023
Private financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	12,447	5,15% to 9,00%	2023
Term certificate of deposit	Fixed-rate instruments	Colones	8,976	8,40% to 9,70%	2023 to 2024
Term certificate of deposit	Fixed-rate instruments	US dollars	3,914	2,70% to 3,00%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	2,734	5,00%	2023
Government					
Bonds	Fixed-rate instruments	US dollars	11,848	4,98 % to 9,2%	2024
Bonds	Fixed-rate instruments	Colones	4,960	8,54%	2023
			101,615		
At fair value through other comprehensive income					
Public financial entities					
Bonds	Fixed-rate instruments	Colones	15,567	4,69% to 10,90%	2023 to 2024
Bonds	Variable-rate instruments	Colones	2,387	8,04%	2023
Private financial entities					
Bonds	Fixed-rate instruments	Colones	10,122	4,69% to 10,90%	2023 to 2024
Bonds	Fixed-rate instruments	US dollars	1,626	4,74%	2023
Government					
Bonds	Fixed-rate instruments	Colones	6,712	7,25% to 9,38%	2023 to 2024
Bonds	Fixed-rate instruments	US dollars	5,450	5,66% to 7,90%	2023 to 2024
Private non-financial entities					
Bonds	Variable-rate instruments	Colones	1,825	7,89%	2023
Bonds	Fixed-rate instruments	Colones	700	8,62% to 8,85%	2023
			44,389		
At fair value through profit or loss					
Public financial entities					
Bonds	Investment fund	Colones	10,759	5,16% to 5,46%	2023
Investment fund	Fixed-rate instruments	US dollars	2,527	2,73% to 3,72%	2023
Bonds	Investment fund	US dollars	330	2,50% to 2,92%	2023
Investment fund	Investment fund	Colones	105	1,00%	2023
			13,721		
		¢	159,725		

(Continued)

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			December 31, 2022		
Issuer	Type of financial instrument	Currency	Balance	Interest rate	Maturity
At amortized cost					
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones ¢	101,066	4,65% to 8,82%	2023
Mortgage participation certificate	Fixed-rate instruments	Colones	7,985	8,75% to 9,35%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	117	0,09% to 1,02%	2023
Private financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	20,561	7,00% to 9,35%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	5,139	1,75% to 3,00%	2023
			134,868		
At fair value through other comprehensive income					
Public financial entities					
Bonds	Fixed-rate instruments	Colones	24,648	3,17% to 10,92%	2023
Bonds	Variable-rate instruments	Colones	2,392	7,47%	2023
Private financial entities					
Bonds	Fixed-rate instruments	Colones	9,077	5,95% to 10,71%	2023
Bonds	Fixed-rate instruments	US dollars	1,773	4,74%	2023
Government					
Bonds	Variable-rate instruments	Colones	3,002	9,13%	2023
Bonds	Fixed-rate instruments	US dollars	2,837	6,53%	2023
Bonds	Fixed-rate instruments	Colones	1,497	8,86% to 9,10%	2023
Private non-financial entities					
Bonds	Variable-rate instruments	Colones	1,825	7,54%	2023
Bonds	Fixed-rate instruments	Colones	719	8,62% to 8,85%	2023
Public non-financial entities					
Bonds	Variable rate instruments	Colones	211	8,08%	2023
			47,981		
At fair value through profit or loss					
Public financial entities					
Bonds	Investment fund	Colones	5,707	2,92% to 4,06%	2023
Investment fund	Fixed-rate instruments	US dollars	2,581	1,64% to 2,73%	2023
Bonds	Investment fund	US dollars	168	1,52%	2023
Investment fund	Investment fund	Colones	124	1,00%	2023
			8,580		
		¢	191,429		

(in millions of colones)

Nota 10. Financial debt

The reconciliation of the opening and closing balances of the total financial debt is described below:

		Bonds payable	Loans payable	Lease liabilities	Total
Balances as of January 01, 2022	¢	873,698	1,448,468	333,174	2,655,340
Changes due to cash flows from financing activities					
New loans		-	28,842	2,417	31,259
Amortization		(42,407)	(40,714)	(32,180)	(115,301)
Total changes due to cash flows from financing activities		(42,407)	(11,872)	(29,763)	(84,042)
Effect of exchange rate fluctuations		(45,174)	(52,187)	(27,662)	(125,023)
Balances as of June 30, 2023	¢	786,117	1,384,409	275,749	2,446,275

The characteristics of the financial debt are the following:

	Currency	Current interest rate	Maturity
Bonds payable	¢	Variable between 8,33% and 9,71%; and fixed between 7,33% and 8,63%	2023-2033
	US$	Fixed between 6,38% to 7,61%	2024-2043
Loans payable	¢	Variable between 2,85% and 10,57%; and fixed 7,61%	2025-2047
	US$	Variable between 2,52% to 10,99%; and fixed 6,40%	2023-2044
	JPY	Fixed between 0,60% and 2,20%	2026-2057
Lease liabilities	¢	Variable between 9,89% and 10,30%	2023-2025
	US$	Variable between 5,01% and 23,14%; and fixed between 4,90% to 7,46%	2023-2037

Nota 11. Employee Benefits

Employee benefits are detailed below:

(Continued)

(in millions of colones)

		As of June 30, 2023			As of December 31, 2022		
		Non-current	Current	Total	Non-current	Current	Total
Severance benefits (1)	¢	60,577	6,614	67,191	60,661	7,485	68,146
ICE Guarantee and Savings Fund (2):							
Employer contribution		393,647	52,077	445,724	390,205	46,630	436,835
ICE Employer obligations:							
Vacations		-	23,358	23,358	-	22,130	22,130
Back-to-school bonus (3)		-	9,559	9,559	-	19,487	19,487
Statutory Christmas bonus (4)		-	12,054	12,054	-	1,561	1,561
Third and fifth biweekly salary		-	856	856	-	812	812
Occupational hazard insurance		-	274	274	-	465	465
	¢	454,224	104,792	559,016	450,866	98,570	549,436

As of June 30, 2023, the main transactions in the employee benefit account are described below:

(1) A net decrease of ¢955 in benefits derived from increases in the accrual of this liability during the period of ¢9,732 (of which an amount of ¢ 6.843 pertains to the payroll of permanent employees) and from a decrease in the provision in the amount of ¢10,687.

(2) Increase in ICE's contribution to the Guarantee and Savings Fund in the amount of ¢8,889.

(3) Net decrease of ¢9,928 pertaining to ¢19,727 for the payment of the *salario escolar* [school aid, in English], as well as an increase of ¢9,799 in the accrual of such benefit.

(4) Net increase of ¢10,493 driven by the ¢10,919 increase in the accrual and the ¢426 decrease in the payment of the *aguinaldo* [Christmas bonus, in English].

Nota 12. <u>Income from ordinary activities</u>

a) <u>Revenue streams</u>

Grupo ICE generates revenues mainly from the sale of electric power, but also from the sale of telecommunications services. Other sources of revenue include the sale of construction and engineering services, among others.

The following table breaks down the revenue streams from contracts with customers:

(Continued)

(in millions of colones)

		For the six-month period ending June 30,	
		2023	2022
Electricity services	¢	424,939	428,337
Telecom services		271,764	288,235
		696,703	716,572
Others income			
Construction Services		4,168	2,033
Engineering services		2,748	3,534
Comunication services		836	941
Infrastructure operation and maintenance services			
		8,478	7,439
	¢	705,181	724,011

(Continued)

(in millions of colones)

b) Disaggregation of ordinary revenue from contracts with clients

The following table breaks down the ordinary revenue from contracts with clients relating to electricity and telecommunication services by geographical markets, main products and service lines, and opportunities to recognize ordinary revenue. The table also includes a reconciliation of the disaggregated ordinary revenue with the segments about which the Grupo ICE must report.

		Electricity Segment		Telecom Segment		Total	
		For the six-month period ending June 30,					
		2023	2022	2023	2022	2023	2022
Geographical markets:							
Local	¢	420,163	409,129	270,340	286,367	690,503	695,497
Foreing		4,776	19,208	1,424	1,868	6,200	21,076
	¢	424,939	428,337	271,763	288,235	696,703	716,572
Products/lines of service:							
Electricity	¢	376,606	379,680	-	-	376,606	379,680
Transmission charges		30,400	32,339	-	-	30,400	32,338
Public lighting		10,144	10,251	-	-	10,144	10,251
Services and others		7,789	6,067	-	-	7,789	6,067
Telecom		-	-	271,764	288,235	271,764	288,235
	¢	424,939	428,337	271,764	288,235	696,703	716,572
Timing of renueve recognition:							
Services transferred over time	¢	424,939	428,337	231,650	244,580	656,589	672,917
Products transferred at a point in time		-	-	40,114	43,655	40,114	43,655
		424,939	428,337	271,764	288,235	696,703	716,572
Other income		8,478	7,439	-	-	8,478	7,439
	¢	433,417	435,776	271,764	288,235	705,181	724,011

(Continued)

(in millions of colones)

c) *Contract balances*

The following table presents information about accounts receivable and contract liabilities related to contracts with clients:

		As of June 30, 2023	As of December 31, 2022
Trade receivables	¢	260,356	235,633
Contract liabilities	¢	(73,750)	(72,040)

An amount of ¢5,874 that was recognized under the contractual liabilities as of December 31, 2022, has been recognized as ordinary revenue in 2023 (¢5,512 included in the six-month period ended on June 30, 2022).

d) *Price of the transaction assigned to remaining performance obligations*

The revenue expected to be recognized in the future in relation to performance obligations that have not been satisfied on the date of the report for the Telecommunications Business is included in the following table:

		Year 2023	Year 2024	Year 2025
Mobiles telecom services	¢	60,703	103,274	33,492

All of the considerations included in the contracts are included in the above numbers.

Grupo ICE applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information on any pending performance obligations that have expected durations of a year or less.

The following is a description of the nature of the liabilities related to contracts with clients:

(i) *Prepaid mobile:*

It pertains to the income received in advance related to the sale of prepaid mobile services, which have not been consumed by clients as of the closing date. The income received for prepaid mobile services is recognized in the consolidated balance sheet when Grupo ICE receives the money from its clients and wholesalers, and is recognized in the consolidated statement of profit or loss as end users use the services.

(ii) *Postpaid services*

It pertains to the income received for fixed and mobile telephony services, for the recognition of claims made by clients concerning already paid bills, or otherwise, in consideration of bill prepayments made by clients, the settlement of which is executed in future months. Furthermore, this line includes real estate services (agreements entered into by Grupo ICE for Telecommunications infrastructure works) and rebates (mainly to recognize sponsorships).

(iii) *Security deposits*

The security deposits balance pertains to the obligations arising out of the cash received by the Grupo ICE from its customers to provide electricity and telecommunications services. The objective of this liability is to guarantee the total or partial collection of any bills that clients fail to pay. Security deposits are recorded at their face value.

Security deposits are offset against the corresponding accounts receivable when, at the request of the client, the service is canceled, or when Grupo ICE cancels it for lack of payment.

e) *Seasonality of operations*

In the Electricity Business, the generation of electrical energy can be affected by the availability of renewable sources (with the exception of geothermal energy), which depends on weather conditions during the year; therefore, the sale of electrical energy generated using wind and hydropower can be affected by seasonal elements. Since hydropower is the main source used for the generation of electrical energy in Costa Rica, the availability thereof will depend on the time of the year (dry or rainy season). With sufficient hydropower during the rainy season, Grupo ICE manages to guarantee a stable energy supply during the dry season, and as more hydropower becomes available, the less likely that it will be that thermal resources shall be required to generate electrical energy. Likewise, this generation system is also favored when the dry season is not as hot and intense.

In the Telecommunications Business there are no relevant factors that drive cyclical or seasonal revenue, although sales usually grow during certain holidays (father's day, mother's day, and Christmas).

(Continued)

(in millions of colones)

Nota 13. <u>Management of financial risk</u>

a) <u>Accounting classifications and fair value</u>

The table below shows the book values and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table does not include information for financial assets and financial liabilities that are not measured at fair value if their book value is a reasonable approximation of their fair value.

		June 30, 2023									
		Carrying amount						Fair value			
	Note	Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets											
Equity investments		¢ -	4,603	-	-	-	4,603	-	-	4,603	4,603
Notes and other receivables, net		-	-	264,367	-	-	264,367	-	-	-	-
Investments in financial instruments	7 y 9	-	368,160	130,378	25,790	-	524,328	-	393,950	-	393,950
Trade receivables, net		-	-	195,056	-	-	195,056	-	-	-	-
Cash and cash equivalents		-	-	418,976	-	-	418,976	-	-	-	-
		¢ -	372,763	1,008,777	25,790	-	1,407,330	-	393,950	4,603	398,553
Financial liabilities											
Financial debt (Bonds payable and Loans payable)	10	¢ -	-	-	-	2,170,526	2,170,526	-	1,912,074	-	1,912,074
Accounts payable		-	-	-	-	282,904	282,904	-	-	-	-
Derivative financial instruments		3,589	-	-	-	-	3,589	-	3,589	-	3,589
		¢ 3,589	-	-	-	2,453,430	2,457,019	-	1,915,663	-	1,915,663

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			December 31, 2022										
			Carrying amount						Fair value				
	Note		Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Equity investments		¢	-	4,603	-	-	-	4,603	-	-	4,603	4,603
Notes and other receivables, net			-	-	242,260	-	-	242,260	-	-	-	-
Investments in financial instruments	7 y 9		-	351,090	177,724	22,379	-	551,193	-	373,469	-	373,469
Trade receivables, net			-	-	175,028	-	-	175,028	-	-	-	-
Cash and cash equivalents			-	-	338,778	-	-	338,778	-	-	-	-
		¢	-	355,693	933,790	22,379	-	1,311,862	-	373,469	4,603	378,072
Financial liabilities												
Financial debt (Bonds payable and Loans payable)	10	¢	-	-	-	-	2,322,166	2,322,166	-	2,014,934	-	2,014,934
Accounts payable			-	-	-	-	237,829	237,829	-	-	-	-
Derivative financial instruments			3,313	-	-	-	-	3,313	-	3,313	-	3,313
		¢	3,313	-	-	-	2,559,995	2,563,308	-	2,018,247	-	2,018,247

(Continued)

Fair value of financial instruments

As of June 30, 2023, Grupo ICE has made no transfers between fair value levels.

Several accounting policies and disclosures of the Grupo ICE require the determination of the fair value of the financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes under the methods described below.

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

The book values of notes receivable and other accounts receivable, trade receivables, and accounts payable were not included in the foregoing table. Given their short term nature, their book values are a reasonable approximation of their fair values.

ii. *Investments in equity securities*

Fair values are determined using generally accepted valuation models based on a discounted cash flow analysis, where the most significant indicators, such as the discount rate, indicate the credit risk of the counterparts. The estimated fair value increases (decreases) if the discount rate decreases (increases) or if the cash flows exceed (do not exceed) the forecasts.

iii. *Investments in financial instruments*

The fair value is estimated using a market comparison or a discounted cash flow. The foregoing considering 1) actual or recently quoted prices of identical instruments in markets that are not active; and 2) the net present value, computed using discount rates deriving from quoted prices of instruments with a similar maturity and risk rating.

iv. *Derivative financial instruments - cash flow hedges*

The fair value is computed as the present value of the future estimated net cash flows. Estimates of future floating rate cash flows are based on quoted swap prices, futures, or interbank debit rates. Cash flows are discounted using a yield curve created from similar sources and that reflects the corresponding benchmark interbank rate used by market agents for this purpose when they set the prices for interest-rate swaps, as well as for collateral granted or received.

(in millions of colones)

v. *Debt*

The fair value that is determined for disclosure purposes is computed using the present value of the future cash flows, capital and interest, discounted using a market interest rate as of the date of the balance sheet of instruments with identical risks and maturities.

To determine the fair value of long-term debt as of June 30, 2023, a discount rate between 6.20% and 9.10% in colones, and 5.50% and 8.26% in US dollars (between 5.01% and 11.73% in colones, and between 0.70% and 10.14% in US dollars, in December 2022), the rates available to Grupo ICE, were used.

b) Financial risk management

i) *Credit risk*

The strategy of Grupo ICE is to track the levels of recovery of trade receivables, accounts receivable, and notes receivable through collection procedures at different stages (text messaging, online collection process through agreements with third-party collection agencies and banks, or internal collection at the collection booths of Grupo ICE). Grupo ICE also has companies that manage the customer collection procedures as part of its efforts to mitigate delinquency.

The impairment loss estimate for trade receivables, accounts receivables, and notes receivables during the six-month period ended on June 30, 2023, is detailed below:

		June 30, 2023			
		Trade receivables	Non-trade receivables	Notes receivables	Total
Opening balance	¢	60,605	1,503	4,759	66,867
Amounts written off		(3,005)	(77)	(16)	(3,098)
Recognized		7,700	63	(522)	7,241
Closing balance	¢	65,300	1,489	4,221	71,010

The methodology to compute such estimate is the same one that is described in the last annual consolidated financial statements.

(Continued)

ii) *Impairment of financial assets*

During the six months ended on June 30, 2023, the Grupo ICE recognized an impairment charge in the amount of ¢127, related with representative values of financial assets valued at amortized cost. Impairment charges are recognized as financial costs in the statement of profit or loss and other comprehensive income.

iii) *Management of the reform to the benchmark rate and associated risks*

General vision

A fundamental reform to the most significant benchmark interest rate is currently underway at a global level, and includes the replacement of certain rates offered at an interbank level (IBOR rates) with alternative, almost risk-free, rates (known as the IBOR reform).

The Alternative Reference Rates Committee (ARRC) was convened by the Federal Reserve Board of the United States to help ensure a successful transition from USD LIBOR to an alternative interest rate. The ARRC is comprised of a diverse set of private-sector entities that have an importance presence in markets affected by USD LIBOR and a wide array of official-sector entities, including banking and financial sector regulators of the United States. In May 2021, the ARRC stated that the USD LIBOR rate would continue being published until June 30, 2023, and established it as the date limit to complete the amendment of agreements that should include fallback language to transition to the new reference rate that had been initially set for the end of 2021. Uncertainty exists in the general market in relation to the transition methods.

Grupo ICE has exposure to the IBOR rates, specifically to the LIBOR (London Interbank Offered Rate) rate, in its financial instruments, which shall be replaced or reformed, as part of these international initiatives. Within the institution, the Finances Management managed and monitored the process to transition to alternative rates. The clauses of the agreements that refer to the LIBOR cash flows were assessed, and the Institute modified the agreements subject to this reform through efficient communication with its counterparts.

The main risks to which Grupo ICE was exposed as a result of the IBOR reform were specifically operative, including the updating of the contractual terms and the revision of those controls related to such change. The financial risk is predominantly limited to the interest rate risk. According to initial tests that were run by applying the SOFR rate in the financial cash flows from loans received by the institution and subject to this reform, the financial balance is not only upheld, but also the reference rate replacement, which is triggered by the cessation of the publication of the LIBOR rate, reflects that the new rate is neither excessive nor detrimental to the interests of the Institute.

(Continued)

Reform to the benchmark rate in the face of the cessation of the interbank offered rates (IBOR)

In September 2019, the International Accounting Standards (IASB) completed Phase 1 of the IBOR Reform and published the document "Interest Rate Benchmark Reform" (the "Reform"), which contains amendments to IFRS 9 and IFRS 7, effective for annual reporting periods beginning on or after January 1, 2020. On the other hand, in August 2020, the IASB published the Phase 2 amendments of the IBOR Reform, which effective date of application is January 1, 2021. The second phase of the project addressed clarifications and exemptions, and included new requirements and temporary waivers in relation to IFRS 9, IFRS 7, and IFRS 16.

Phases 1 and 2 of the IBOR Reform are applicable to the extent that Grupo ICE identifies uncertainties in the measurement of its financial instruments upon transitioning to the new reference rate. As of June 30, 2023, it was not necessary to adopt Phases 1 and 2, given that on the date of closing of this period, the transition from LIBOR rates to SOFR rates was completed, and no uncertainties were identified.

On the closing of June 2023, only the operation with BID Invest, Tranche A, related to the Reventazón Trust, is being authorized, and the respective addendum is being generated.

The following tables shows the total unreformed amounts of Grupo ICE (given that these are contracts that expire during the effective term of the LIBOR rate or, in the case of P.H. Toro III, a contract that is being renegotiated, its term extended, and its balance potentially converted to colones) and those with an adequate fallback language as of June 30, 2023, and December 31, 2022. Financial assets and financial liabilities, as well as derivatives, are included with their face value.

(Continued)

In millions of dollars	USD LIBOR Total amount of unreformed contracts	USD LIBOR Amount with appropiate fallback clause
June 30, 2023		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	200	200
Derivatives		
Interest rate swaps	7	7
December 31, 2022		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	207	207
Derivatives		
Interest rate swaps	14	14

Nota 14. Contingencies

Grupo ICE is a party to several lawsuits that have been estimated in the amount of ¢48,892 as of June 30, 2023 (¢574,148 as of December 2022). The total amount of the provisions linked to these lawsuits is ¢14,891 (¢25,296 as of December 2022).

Regarding contingent liabilities, Grupo ICE recorded changes in respect to what had been disclosed in the annual consolidated financial statements for the year ended on December 31, 2022, given that, as had been reported in such financial statements, the legal counsel estimates that no cash outflows will be required for the P.H. Chucás, S.A. and P.H. Hidrotárcoles, S.A. projects.

Nota 15. Balances and transactions with related parties

The Grupo ICE is indirectly controlled by the public administration of the Government of Costa Rica. As part of its normal course of business, the Grupo ICE makes transactions to distribute electrical energy, sell telecommunications services, and, to a lesser extent, sell construction services to companies related with the public administration itself. The monies from these

(Continued)

(in millions of colones)

services are not guaranteed and are liquidated in cash. Maturities and payments thereof are under normal payment conditions.

The following balances receivable and payable were outstanding at the end of this reporting period:

		Receivable		Payable	
		As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022
Government entities	¢	85,972	54,403	9,871	6,935
Autonomous institutions		31,344	8,832	-	-
State financial entities		3,465	3,840	-	-
Empresa Propietaria de la Red, S.A.		1,333	1,672	-	-
	¢	122,114	68,747	9,871	6,935

As of June 30, 2023, Grupo ICE maintained a total of ¢352,376 (¢400,725 in 2022) in bonds payable, as well as a total of ¢781,959 (¢721,927 in 2022) of debts payable to state financial entities.

The following balances are related to financial investments and restricted-use funds placed in or by state-owned financial entities:

		As of June 30, 2023	As of December 31, 2022
Cash equivalents	¢	26,701	19,728
Investments in financial instruments		456,345	488,054
	¢	483,046	507,782

As of June 30, 2023, interest receivable from securities issued by state-owned financial entities amount to a total of ¢422 (¢413 in 2022).

As of June 30, 2023, investments in the share capital of autonomous and non-governmental entities amount to ¢40,098 (¢40,098 in 2022).

Compensation of management's key staff

The compensation of directors and other key members of management during the six-month period ended on June 30, 2023, and 2022, respectively, was as follows:

		For the six-month period ended June 30,	
		2023	2022
Short-term benefits	¢	2,885	3,105
Post-employment benefits		118	74
Other long-term benefits		191	153
	¢	3,194	3,332

(Continued)

(in millions of colones)

The compensation of management's key staff includes salaries and contributions to a defined post-employment benefit plan, for termination, and other long-term benefits paid during the period.

Nota 16. Information by segment

(a) Bases for segmentation

Grupo ICE has the following reportable segments:

- Telecommunications Segment
- Electricity segment

The criteria for segmentation or measuring segment profit or loss have not changed from the latest annual financial statements.

(b) Products and services that generate the revenue from the segments that need to be reported

The types of products and services provided by each segment are detailed in note 1.

(c) Revenue and results by segments

The revenue and profit or loss of Grupo ICE, by reportable segment, are as follows:

		For the three months ended June 30,					
		Electricity Segment		Telecom Segment		Consilated total	
Segment profit or loss		2023	2022	2023	2022	2023	2022
External revenues	¢	424,939	428,337	271,764	288,235	696,703	716,572
Inter-segment revenue		3,464	3,752	779	947	4,243	4,699
	¢	428,403	432,089	272,543	289,182	700,946	721,271
Profit (loss), net	¢	123,083	(51,742)	5,995	12,434	129,078	(39,308)

Note 13 breaks down such revenue by product.

(d) Assets and liabilities by segments

		Electricity		Telecom		Consilated total	
Segment profit or loss		As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022
Assets	¢	4,969,310	5,012,375	1,494,264	1,471,788	6,463,574	6,484,163
Liabilities	¢	2,851,167	3,002,974	674,621	677,527	3,525,788	3,680,501

(Continued)

The Group has disclosed the foregoing amounts for each segment that it is in the obligation of reporting, as these sums are periodically reviewed by the highest decision making authority, or are otherwise sums that are included in the valuation of each segment's results.

Nota 17. Subsequent events

i. Transfer of the La Joya Hydropower Plant

On July 12, 2023, Grupo ICE received the La Joya Hydropower Plant, located in the district of Tucurrique, canton of Jiménez, province of Cartago, which was developed using the BOT framework (Build-Operate-Transfer), in line with the provisions of Act 7508, and which has an installed capacity of 50 megawatts.

ii. Transfer of the El General Hydro

On July 29, 2023, Grupo ICE received the El General Hydropower Plant, located in the county of Sarapiquí, province of Heredia, which was developed using the BOT framework– Build-Operate-Transfer), in line with the provisions of Act 7508, and which has an installed capacity of 40 megawatts.