



**INSTITUTO COSTARRICENSE DE ELECTRICIDAD
AND SUBSIDIARIES (GRUPO ICE)**

**Condensed Consolidated Interim
Financial Statements**

March

GRUPO  | 2023

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

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

	Note	March 31, 2023	December 31, 2022
Assets			
Non-current assets:			
Property, plant and equipment, net	5	4,949,405	5,007,262
Intangible assets, net	6	89,616	93,566
Other assets		7,504	8,338
Equity investments		5,558	5,727
Notes and other accounts receivable, net		176,975	177,230
Investments in financial instruments	7	339,539	359,764
Total non-current assets		5,568,597	5,651,887
Current assets:			
Inventories	8	69,509	55,379
Notes and other accounts receivable, net		66,365	65,030
Investments in financial instruments	9	194,313	191,429
Trade receivables, net		189,325	175,028
Prepaid expenses		5,495	5,870
Other assets		149	146
Cash and cash equivalents		414,203	338,778
Assets held for sale		604	616
Total current assets		939,963	832,276
Total assets	€	6,508,560	6,484,163
Liabilities and equity			
Equity:			
Paid-in capital	€	155	155
Reserves		2,598,282	2,469,080
Retained earnings		328,124	328,297
Equity attributable to owners of Grupo ICE		2,926,561	2,797,532
Non-controlling interests		6,125	6,130
Net equity		2,932,686	2,803,662
Liabilities:			
Non-current liabilities:			
Bonds payable	10	740,333	799,241
Loans payable	10	1,306,755	1,356,137
Lease liabilities	10	237,756	270,342
Employee benefits	11	451,889	450,866
Accounts payable		148,318	153,626
Contract liabilities		62,062	61,769
Deferred income - Government grants		20,659	20,717
Deferred tax liabilities		80,577	81,492
Provisions		1,705	3,799
Total non-current liabilities		3,050,054	3,197,989
Current liabilities:			
Bonds payable	10	74,314	74,457
Loans payable	10	86,387	92,331
Lease liabilities	10	48,533	62,832
Employee benefits	11	89,379	98,570
Accounts payable		132,389	84,203
Contract liabilities		10,544	10,271
Deferred income - Government grants		281	281
Accrued interest payable		49,979	25,881
Provisions		25,595	23,768
Other liabilities		8,419	9,918
Total current liabilities		525,820	482,512
Total liabilities		3,575,874	3,680,501
Total liabilities and equity	€	6,508,560	6,484,163

Preliminary translation

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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LISBETH
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TIMBRE 300.0 COLONES

VERIFICACIÓN: B0buzxNK
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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 three months ended March 31,

	Note	2023	2022
Revenue	12 ¢	336,254	348,106
Operating costs:			
Operation and maintenance		113,786	119,825
Operation and maintenance of leased assets		15,904	22,157
Purchases and supplemental services		41,783	39,772
Selling expenses		17,786	16,847
Production management		26,204	24,174
Total operating costs		<u>215,463</u>	<u>222,775</u>
Gross profit		120,791	125,331
Other income		<u>7,132</u>	<u>7,345</u>
Operating expenses:			
Administrative expenses		24,603	26,702
Selling expenses		30,534	32,705
Preliminary studies		5,529	5,668
Supplemental expenses		229	340
Loss on impairment of balances receivable		3,029	2,445
Other expenses		6,147	6,603
Total operating expenses		<u>70,071</u>	<u>74,463</u>
Operating profit		57,852	58,213
Finance income (costs):			
Finance income		9,849	8,251
Finance costs		(52,766)	(57,943)
Foreign exchange differences, net		109,506	(54,375)
Net finance costs		66,589	(104,067)
Share of profit of equity-accounted investees		<u>(7)</u>	<u>25</u>
Net profit (loss) before tax		124,434	(45,829)
Income tax		<u>915</u>	<u>1,129</u>
Profit (loss) for the period, net	¢	125,349	(44,700)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Effect of actuarial losses for the period	¢	-	65
		<u>-</u>	<u>65</u>
Items that are or may be reclassified subsequently to profit or loss:			
Valuation of investments in financial instruments at fair value		3,837	(6,675)
Valuation of equity investments at fair value	¢	(162)	79
		<u>3,675</u>	<u>(6,596)</u>
Other comprehensive income for the period, net of tax		3,675	(6,531)
Total comprehensive income for the period	¢	129,024	(51,231)
Profit attributable to:			
Owners of Grupo ICE	¢	125,354	(44,712)
Non-controlling interests		(5)	12
	¢	<u>125,349</u>	<u>(44,700)</u>
Total comprehensive income for the year attributable to:			
Owners of Grupo ICE	¢	129,029	(51,243)
Non-controlling interests		(5)	12
	¢	<u>129,024</u>	<u>(51,231)</u>

Preliminary translation

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

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TIMBRE 300.0 COLONES

(San José, Costa Rica)

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

For the three months ended March 31,

	Reserves								Retained earnings				Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity	
	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	L profit (loss) for the period				Total
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	-	-	-	-	-	-	-	-	-	-	2,039	(46,751)	(44,712)	(44,712)	12	(44,700)
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	-	-	-	-	-	(6,675)	-	-	-	(6,675)	-	-	-	(6,675)	-	(6,675)
Valuation of equity investments at fair value	-	-	-	-	79	-	-	-	-	79	-	-	-	79	-	79
Total other comprehensive income for the period	-	-	-	65	79	(6,675)	-	-	-	(6,531)	2,039	(46,751)	(44,712)	(51,243)	12	(51,231)
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	43	-	-	43	-	-	-	43	-	43
Transfer to capital reserve	-	-	-	-	-	-	(46,751)	-	-	(46,751)	-	46,751	46,751	-	-	-
Total comprehensive income for the period:	-	-	-	-	-	-	(46,751)	43	-	(46,708)	-	46,751	46,751	43	-	43
Balance as of March 31, 2022	€ 155	3,739	71	(16,968)	1,582	25,020	2,181,322	13,144	62,380	2,270,290	308,947	-	308,947	2,579,392	5,782	2,585,174
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	-	-	-	-	-	-	-	-	-	-	(176)	125,530	125,354	125,354	(5)	125,349
Other comprehensive income for the period:																
Valuation of investments in financial instruments at fair value	-	-	-	-	-	3,837	-	-	-	3,837	-	-	-	3,837	-	3,837
Valuation of equity investments at fair value	-	-	-	-	(162)	-	-	-	-	(162)	-	-	-	(162)	-	(162)
Total other comprehensive income for the period	-	-	-	-	(162)	3,837	-	-	-	3,675	(176)	125,530	125,354	129,029	(5)	129,024
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	(3)	-	(3)	3	-	3	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	125,530	-	-	125,530	-	(125,530)	(125,530)	-	-	-
Total comprehensive income for the period:	-	-	-	-	-	-	125,530	(3)	-	125,527	3	(125,530)	(125,527)	-	-	-
Balance as of March 31, 2023	€ 155	4,757	71	(5,755)	(729)	2,587	2,521,688	13,283	62,380	2,598,282	328,124	-	328,124	2,926,561	6,125	2,932,686

Preliminary translation

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

Harold Cordero Villalobos
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TIMBRE 300.0 COLONES

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

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

For the three months ended March 31,

	Note	2023	2022
Cash flows from operating activities			
Profit (loss) for the period	€	125,352	(44,700)
Adjustments for:			
Depreciation		75,543	75,208
Amortization		6,045	5,973
Amortization of contract liabilities	13	(5,823)	(5,802)
Net realizable value of inventories		7	18
Net finance costs		42,917	49,692
Loss on impairment of balances receivable	14	3,029	2,445
Share of profit of equity-accounted investees, net of tax		7	(25)
Loss on disposal of assets		5,336	2,078
Obligations for employee benefits	11	5,109	5,040
Income tax		(915)	(1,129)
Foreign exchange differences		(118,052)	51,350
		<u>138,555</u>	<u>140,148</u>
Changes in:			
Notes and other accounts receivable		873	(3,560)
Trade receivables		(17,657)	(18,048)
Inventories		(21,049)	(8,366)
Accounts payable		42,878	46,627
Contract liabilities		6,389	5,100
Employee benefits and other provisions		(18,831)	(15,651)
Other liabilities		(1,520)	(7,691)
Cash flows from operating activities		<u>129,638</u>	<u>138,559</u>
Income taxes paid		-	(156)
Net cash from operating activities		<u>129,638</u>	<u>138,403</u>
Cash flows from investing activities			
Interest received		7,507	194
Investments in financial instruments		(396)	(42,110)
Additions to property, plant and equipment		(10,951)	(18,065)
Gains on the sale of property, plant and equipment		156	-
Additions to intangible assets		(1,988)	(3,177)
Government grants received		(58)	(481)
Other assets		1,218	(1,058)
Net cash used in investing activities		<u>(4,512)</u>	<u>(64,697)</u>
Cash flows from financing activities:			
Amortization of bonds payable	10	-	(679)
Increase in loans payable	10	30	20,460
Amortization of loans payable	10	(13,249)	(25,044)
Amortization of lease liabilities	10	(17,071)	(19,312)
Interest paid		(27,957)	(26,512)
Net cash used in financing activities		<u>(58,247)</u>	<u>(51,087)</u>
Net increase in cash and cash equivalents		66,879	22,619
Cash and cash equivalents as of January 01		338,778	429,632
Effect of movements in exchange rates on cash held		8,546	3,025
Cash and cash equivalents as of March 31	€	<u>414,203</u>	<u>455,276</u>

Preliminary translation

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TIMBRE 300.0 COLONES

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

(in millions of colones)

As of March 31, 2023

Note 1. Reporting entity

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:

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

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

- 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 March 31, 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].

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Note 2. Basis of accounting**

These interim financial statements, which cover the three month period ended on March 31, 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, 2021, and for the year then ended (the last annual financial statements). These interim 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 interim consolidated financial statements of Grupo ICE were authorized for issue on May 29, 2023.

Note 3. Use of judgments and estimates

The preparation of these interim 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

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.

Note 4. Changes to significant accounting policies

Except for what is described below, the accounting policies applied in these interim financial statements are the same as those applied to the consolidated financial statements of Grupo ICE as of December 31, 2022.

The change in accounting policies shall also be reflected in the consolidated financial statements of Grupo ICE, when applicable.

Specific policies applicable as of January 1, 2021 for the reform of the interest rate benchmark

Reform to the interest rate benchmark - Phase 2 (Amendments to IFRS 9, IFRS 7, and IFRS 16)

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

The amendments refer to the financial instruments and lease agreements or hedging relationships that arise when an interest rate benchmark used is replaced with an alternative benchmark rate. The reform of the benchmark interest rates requires a change in the basis to determine the contractual cash flows if the following conditions are met:

- The change is necessary as a direct consequence of the reform; and
- The new basis to determine the contractual cash flows is financially equivalent to the basis used immediately before the change.

(i) *Change in the basis to determine the cash flows*

With the changes made to the financial assets or financial liabilities, in addition to changes made to the basis to determine the contractual cash flows required by the reform to the interest rate benchmark, the effective interest rate of the financial asset or financial liabilities was updated to reflect the change that the reform to the interest rate benchmark requires. After this, the policies relating to the amendments were applied to the accounting to reflect the additional changes.

The amendments also set out an exception to use a revised discount rate that reflects the change in the interest rate when remeasuring a lease liability due to a change in a lease required under the reform of the benchmark interest rates.

As of March 31, 2023, the loans that have not been modified to reflect the phasing out of the LIBOR rate include contracts that will expire when the term of the LIBOR rate runs. In the case of P.H. Toro III, the contract is being renegotiated, its term extended, and its balance potentially converted to colones. Loans that were linked to LIBOR were adequately transitioned to the SOFR, and this implied a process to update their contractual terms.

Grupo ICE made changes to the SOFR, where applicable. This update does not affect the amounts reported for the period ended in 2022 or earlier.

Note 5. Property, plant, and equipment - net

During the three-month period ended on March 31, 2023, additions to the property, plant, and equipment account amounted to ¢22,497, where the most relevant were those applied to the following projects:

1. Installation of residential services in the amount of ¢4,102.
2. Borinquen (geothermal energy project located in the Guanacaste mountain range) in the amount of ¢3,104.
3. Expansion and renovation of technological platform in the amount of ¢1,747.
4. Network improvements (ongoing implementation project to ensure, through improvements, the proper functioning and access of all systems and networks of the telecommunications system) in the amount of ¢1,425.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

5. FONATEL (project to implement infrastructure and provide voice and internet services) in the amount of ¢1,383.
6. Public lighting (project to install assets in the electricity distribution network) in the amount of ¢1,255.
7. Development of electricity networks in the amount of ¢881.
8. Installation of business services in the amount of ¢859.

The institute also capitalized ¢20,280, out of which the ones related to the following projects were the most relevant:

1. Installation of residential services in the amount of ¢7,467.
2. Expansion and renovation of technological platform in the amount of ¢6,331.
3. Continuous quality improvement in the amount of ¢1,407.

Likewise, impaired assets with a book value of ¢173 were written-off.

Note 6. Intangible assets, net

During the three-month period ended on March 31, 2023, transactions in intangible assets pertained to additions of ¢1,988 and capitalizations of ¢138, mainly in licenses, systems, and applications, and the net effects caused by the amortization of the period, which amounted to ¢6,045.

Note 7. Investments in financial instruments

Investments in financial instruments are described below:

	<u>As of March 31,</u> <u>2023</u>	<u>As of December 31,</u> <u>2022</u>
At amortized cost	¢ 30,109	42,856
At FVOCI	296,962	303,109
At FVTPL	12,468	13,799
	<u>¢ 339,539</u>	<u>359,764</u>

A total of ¢309,184 (¢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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

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

Issuer	Type of financial instrument	Currency	March 31, 2023		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
Government	Fixed-rate instruments	US dollars ¢	23,127	5.75% to 5.95%	2024 to 2025
Bonds					
Public financial entities					
Bonds	Fixed-rate instruments	US dollars	5,411	3.90%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	1,501	3.30% to 4.75%	2024 to 2027
Term certificate of deposit	Fixed-rate instruments	Colones	70	8.25%	2024
			30,109		
<u>At fair value through other comprehensive income</u>					
Government					
Bonds	Fixed-rate instruments	Colones	151,293	5.94% to 10.75%	2024 to 2036
Bonds	Variable-rate instruments	Colones	56,865	6.89% to 8.69%	2026 to 2044
Bonds	Fixed-rate instruments	US dollars	42,961	5.41% to 7.18%	2024 to 2034
Bonds	Fixed-rate instruments	DU	25,534	3.39% to 6.36%	2026 to 2043
Private financial entities					
Bonds	Fixed-rate instruments	Colones	12,947	4.26% to 10.14%	2024 to 2027
Bonds	Fixed-rate instruments	US dollars	280	3.77% to 5.74%	2024 to 2025
Public financial entities					
Bonds	Fixed-rate instruments	Colones	4,562	5.48% to 10.23%	2024 to 2027
Public non-financial entities					
Bonds	Fixed-rate instruments	US dollars	1,135	5.85% to 6.48%	2028 to 2029
Bonds	Variable-rate instruments	Colones	348	8.12% to 8.15%	2027 to 2033
Private non-financial entities					
Bonds	Fixed-rate instruments	US dollars	1,037	6.52%	2027
			296,962		
<u>At fair value through profit or loss</u>					
Private financial entities					
Bonds	Dividend closed fund	US dollars	10,338	1.56% to 4.98%	
Public financial entities					
Bonds	Dividend closed fund	US dollars	2,130	1.90% to 7.14%	
			12,468		
			¢ 339,539		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

Issuer	Type of financial instrument	Currency	December 31, 2022		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
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	3.90%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	1,659	3.30% to 4.75%	2025 to 2027
Term certificate of deposit	Fixed-rate instruments	Colones	33	7.90% to 8.25%	2024
			<u>42,856</u>		
<u>At fair value through other comprehensive income</u>					
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
			<u>303,109</u>		
<u>At fair value through profit or loss</u>					
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%	-
			<u>13,799</u>		
		¢	<u>359,764</u>		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

Note 8. Inventories

As of March 31, 2023, the inventory accounts evidence a reduction of ¢10,436 in their net realizable value (¢10,457 as of December 31, 2022). Moreover, a total of ¢7 (¢2,017 in 2022) in decreases in the value of inventories was recognized as an expense.

As of March 31, 2023, a total of ¢21,895 (¢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.

Note 9. Investments in financial instruments

Investments in financial instruments are described below:

	As of March 31, 2023	As of December 31, 2022
At amortized cost	¢ 131,923	134,868
At FVOCI	44,541	47,981
At FVTPL	17,849	8,580
	¢ <u>194,313</u>	<u>191,429</u>

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 ¢24,566 (¢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 ¢59,783 (¢53,455 in 2022).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

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

Issuer	Type of financial instrument	Currency	March 31, 2023		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
Public financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones ¢	91,349	4.65% to 8.82%	2023 to 2024
Mortgage participation certificate	Fixed-rate instruments	Colones	2,985	8.75%	2024
Term certificate of deposit	Fixed-rate instruments	US dollars	83	0.98% to 2.25%	2023
Private financial entities					
Term certificate of deposit	Fixed-rate instruments	Colones	19,064	5.90% to 9.70%	2023
Term certificate of deposit	Fixed-rate instruments	US dollars	4,601	2.00% to 3.00%	2023
Government					
Bonds	Fixed-rate instruments	US dollars	8,988	9.20%	2024
Bonds	Fixed-rate instruments	Colones	4,853	8.54%	2023
			131,923		
<u>At fair value through other comprehensive income</u>					
Private financial entities					
Bonds	Fixed-rate instruments	Colones	15,291	2.18% to 10.71%	2023 to 2024
Bonds	Fixed-rate instruments	US dollars	1,615	4.74%	2023
Public financial entities					
Bonds	Fixed-rate instruments	Colones	10,632	5.46% to 10.90%	2023 to 2024
Bonds	Variable-rate instruments	Colones	2,388	7.47%	2023
Government					
Bonds	Fixed-rate instruments	Colones	6,627	7.25% to 9.38%	2023 to 2024
Bonds	Fixed-rate instruments	US dollars	5,256	6.53% to 7.90%	2023 to 2024
Private non-financial entities					
Bonds	Variable-rate instruments	Colones	1,824	7.95%	2023
Bonds	Fixed-rate instruments	Colones	697	8.62% to 8.85%	2023
Public non-financial entities					
Bonds	Variable-rate instruments	Colones	211	8.08%	2023
			44,541		
<u>At fair value through profit or loss</u>					
Public financial entities					
Bonds	Investment fund	Colones	15,422	5.34% to 5.42%	2023
Investment fund	Fixed-rate instruments	US dollars	2,083	2.43% to 3.40%	2023
Bonds	Investment fund	US dollars	218	2.27% to 2.32%	2023
Investment fund	Investment fund	Colones	126	1.00%	2023
			17,849		
		¢	194,313		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

Issuer	Type of financial instrument	Currency	December 31, 2022		
			Balance	Interest rate	Maturity
<u>At amortized cost</u>					
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		
<u>At fair value through other comprehensive income</u>					
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		
<u>At fair value through profit or loss</u>					
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		

Note 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
<i>Changes due to cash flows from financing activities</i>				
New loans	-	30	-	30
Amortization	-	(13,249)	(17,071)	(30,320)
Total changes due to cash flows from financing activities	-	(13,219)	(17,071)	(30,290)
Effect of exchange rate fluctuations	(59,051)	(42,107)	(29,814)	(130,972)
Balances as of March 31, 2023	¢ 814,647	1,393,142	286,289	2,494,078

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

The characteristics of the financial debt are the following:

	Current interest rate	Currency	Maturity
Bonds payable	Variable rate from 5,30% to 8,85%; and fixed rate ranging from 7,33% to 8,63%	¢	2023-2028
	Fixed rate ranging from 6,38 to 7,61%	US\$	2024-2043
Loans payable	Variable rate from 2,85% to 9,70%; and fixed rate ranging from 7,61%	¢	2025-2047
	Variable rate from 2,52% to 10,23%; and fixed rate ranging from 0,70% to 6,40%	US\$	2024-2043
	Fixed rate ranging from 0,60 to 2,20%	JPY	2026-2057
	Variable rate from 11,14% to 11,21%	¢	2023-2023
Lease liabilities	Variable rate from 5,88% to 23,14%; and fixed rate ranging from 4,90% to 7,46%	US\$	2023-2041

Note 11. Employee Benefits

Employee benefits are detailed below:

	As of March 31,			As of December 31,		
	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Severance benefits (1)	¢ 61,347	6,818	68,165	60,661	7,485	68,146
ICE Guarantee and Savings Fund (2):						
Employer contribution	390,542	47,430	437,972	390,205	46,630	436,835
ICE Employer obligations:						
Vacations	-	22,347	22,347	-	22,130	22,130
Back-to-school bonus (3)	-	4,951	4,951	-	19,487	19,487
Statutory Christmas bonus (4)	-	7,545	7,545	-	1,561	1,561
Third and fifth biweekly salary	-	-	-	-	812	812
Occupational hazard insurance	-	288	288	-	465	465
	¢ <u>451,889</u>	<u>89,379</u>	<u>541,268</u>	<u>450,866</u>	<u>98,570</u>	<u>549,436</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

As of March 31, 2023, the main transactions in the employee benefit account are described below:

- (1) A net increase of ¢19 in benefits derived from increases in the accrual of this liability during the period of ¢5,409 (of which an amount of ¢ 5,109 pertains to the payroll of permanent employees) and from a decrease in the provision in the amount of ¢5,390.
- (2) Increase in ICE's contribution to the Guarantee and Savings Fund in the amount of ¢1,137.
- (3) Net decrease of ¢14,536 pertaining to ¢19,586 for the payment of the *salario escolar* [school aid, in English], as well as an increase in the accrual of such benefit for ¢5,050.
- (4) Net decrease of ¢6,142, pertaining to ¢158 for the payment of the *aguinaldo* [Christmas bonus, in English].

Note 12. Income from ordinary activities

a) Revenue streams

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:

	For the three-month period ending March 31,	
	2023	2022
Electricity services	¢ 198,501	206,078
Telecom services	137,753	142,028
	<u>336,254</u>	<u>348,106</u>
Others income		
Construction Services	2,662	2,727
Infrastructure operation and maintenance services	438	472
Communication services	398	459
	<u>3,498</u>	<u>3,658</u>
	¢ <u>339,752</u>	<u>351,764</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(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 (see note 17).

	<u>Electricity Segment</u>		<u>Telecom Segment</u>		<u>Total</u>	
	For the three-month period ending March 31,					
	2023	2022	2023	2022	2023	2022
Geographical markets:						
Local	¢ 194,648	198,464	136,802	141,388	331,450	339,853
Foreing	3,853	7,614	951	639	4,804	8,253
	¢ <u>198,501</u>	<u>206,078</u>	<u>137,753</u>	<u>142,028</u>	<u>336,254</u>	<u>348,106</u>
Products/lines of service:						
Electricity	¢ 175,663	180,506	-	-	175,663	180,506
Transmission charges	14,872	17,393	-	-	14,872	17,392
Public lighting	4,728	5,375	-	-	4,728	5,375
Services and others	3,238	2,805	-	-	3,238	2,805
Telecom		-	137,753	142,028	137,753	142,028
	¢ <u>198,501</u>	<u>206,078</u>	<u>137,753</u>	<u>142,028</u>	<u>336,254</u>	<u>348,106</u>
Timing of renewe recognition:						
Services transferred over time	¢ 198,501	206,078	116,265	121,749	314,766	327,827
Products transferred at a point in time		-	21,488	20,279	21,488	20,279
	198,501	206,078	137,753	142,028	336,254	348,106
Other income						
	3,498	3,659	-	-	3,498	3,659
	¢ <u>201,999</u>	<u>209,737</u>	<u>137,753</u>	<u>142,028</u>	<u>339,752</u>	<u>351,765</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

c) Contract balances

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

	<u>As of March 31,</u>	<u>As of December 31,</u>
	<u>2023</u>	<u>2022</u>
Trade receivables	¢ 253,249	235,633
Contract liabilities	¢ (72,606)	(72,040)

An amount of ¢5,823 that was recognized under the contractual liabilities as of December 31, 2022, has been recognized as ordinary revenue in 2023 (¢5,667 included in the three-month period ended on March 31, 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 (or that have not been satisfied at all) on the date of the report for the Telecommunications Business is included in the following table:

	<u>Year 2023</u>	<u>Year 2024</u>
Mobiles telecom services	¢ <u>75,612</u>	<u>57,167</u>

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:

(1) 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 statement of profit or loss as end users use the services.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)(2) Postpaid services

This is the revenue received in relation to fixed and mobile telephony services. The revenue received for postpaid 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 these services.

(3) Security deposits

Security deposits, in the case of the Electricity Business, are charges made to clients and equivalent to one month of energy and power billing, as a means to guarantee the payment of the electricity services; and in the case of the Telecommunications Business, these are amounts requested to clients to guarantee the rendering of mobile, fixed, and roaming telephony services.

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)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

Note 13. Management of financial risk

a) Accounting classifications and fair value

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.

		March 31, 2023									
		Carrying amount					Fair value				
	Note	<u>Fair value - hedging instruments</u>	<u>FVCORI – Debt and equity instruments</u>	<u>Financial assets at amortized cost</u>	<u>Financial assets at FVTPL</u>	<u>Other financial liabilities</u>	Total	Level 1	Level 2	Level 3	Total
<i><u>Financial assets</u></i>											
Equity investments		¢ -	4,603	-	-	-	4,603	-	-	4,603	4,603
Notes and other receivables, net		-	-	243,340	-	-	243,340	-	-	-	-
Investments in financial instruments	7 y 9	-	341,503	162,033	30,317	-	533,853	-	371,820	-	371,820
Trade receivables, net		-	-	189,325	-	-	189,325	-	-	-	-
Cash and cash equivalents		-	-	414,203	-	-	414,203	-	-	-	-
		¢ -	346,106	1,008,901	30,317	-	1,385,324	-	371,820	4,603	376,423
<i><u>Financial liabilities</u></i>											
Financial debt	10	¢ -	-	-	-	2,207,789	2,207,789	-	1,933,196	-	1,933,196
Accounts payable		-	-	-	-	280,707	280,707	-	-	-	-
Derivative financial instruments		3,331	-	-	-	-	3,331	-	3,331	-	3,331
		¢ 3,331	-	-	-	2,488,496	2,491,827	-	1,936,527	-	1,936,527

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

December 31, 2022										
Carrying amount							Fair value			
		FVCORI –	Financial							
	Fair value -	Debt and	assets at	Financial assets	Other	Total	Level 1	Level 2	Level 3	Total
Note	hedging	equity	amortized	at FVTPL	financial					
	instruments	instruments	cost		liabilities					
<i>Financial assets</i>										
	¢	4,603	-	-	-	4,603	-	-	4,603	4,603
		-	242,260	-	-	242,260	-	-	-	-
7 y 9		351,090	177,724	22,379	-	551,193	-	373,469	-	373,469
		-	175,028	-	-	175,028	-	-	-	-
		-	338,778	-	-	338,778	-	-	-	-
	¢	355,693	933,790	22,379	-	1,311,862	-	373,469	4,603	378,072
<i>Financial liabilities</i>										
10	¢	-	-	-	2,322,166	2,322,166	-	2,014,934	-	2,014,934
		-	-	-	237,829	237,829	-	-	-	-
		3,313	-	-	-	3,313	-	3,313	-	3,313
	¢	3,313	-	-	2,559,995	2,563,308	-	2,018,247	-	2,018,247

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

*(in millions of colones)**As of March 31, 2023*Fair value of financial instruments

As of March 31, 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.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(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 March 31, 2023, a discount rate between 4.40% and 9.10% in colones, and 5.50% and 6.30% 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 three-month period ended on March 31, 2023, is detailed below:

		March 31, 2023			
		Trade receivables	Non-trade receivables	Notes receivables	Total
Opening balance	¢	60,605	1,503	4,759	66,867
Amounts written off		(584)	(83)	(174)	(841)
Recognized		3,360	113	(444)	3,029
Reclassification adjustment		543	(543)	-	-
Closing balance	¢	<u>63,924</u>	<u>990</u>	<u>4,141</u>	<u>69,055</u>

The increase in the impairment loss is attributed to an increase in the aging of the portfolio. The methodology to compute such estimate is the same one that is described in the last annual consolidated financial statements.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)ii) Impairment of financial assets

During the nine months ended on March 31, 2023, the Grupo ICE recognized an impairment charge in the amount of ¢126, 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)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)*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 March 31, 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.

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 March 31, 2023, and December 31, 2022. Financial assets and financial liabilities, as well as derivatives, are included with their face value.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

In millions of dollars	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
<hr/>		
March 31, 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
<hr/>		

Note 14. Contingencies

Grupo ICE is a party to several lawsuits that have been estimated in the amount of ¢61,217 as of March 31, 2023. The total amount of the provisions linked to these lawsuits is ¢24,878 (¢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.

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

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

	Por cobrar		Por pagar	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2023	2022	2023	2022
Government entities	61,966	54,403	8,021	6,935
Autonomous institutions	11,752	8,832	-	-
State financial entities	3,599	3,840	-	-
Empresa Propietaria de la Red, S.A.	1,388	1,672	-	-
	<u>¢ 78,705</u>	<u>68,747</u>	<u>8,021</u>	<u>6,935</u>

As of March 31, 2023, Grupo ICE maintained a total of ¢384,587 (¢400,725 in 2022) in bonds payable, as well as a total of ¢770,566 (¢777,471 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 March 31,	As of December 31,
	2023	2022
Cash equivalents	¢ 22,754	19,728
Investments in financial instruments	466,158	488,054
	<u>¢ 488,912</u>	<u>507,782</u>

As of March 31, 2023, interest receivable from securities issued by state-owned financial entities amount to a total of ¢923 (¢492 in 2022).

As of March 31, 2023, investments in the share capital of autonomous and non-governmental entities amount to ¢7,880 (¢5,727 in 2022).

Compensation of management's key staff

The compensation of directors and other key members of management during the three-month period ended on March 31, 2023, and 2022, respectively, was as follows:

	For the three-month period ended March 31,	
	2023	2022
Short-term benefits	¢ 1,307	1,643
Post-employment benefits	33	41
Other long-term benefits	97	93
	<u>¢ 1,437</u>	<u>1,778</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(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.

Note 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:

Resultados por segmento	For the three months ended March 31,					
	Electricity Segment		Telecom Segment		Consilated total	
	2023	2022	2023	2022	2023	2022
External revenues	¢ 198,501	206,078	137,753	142,028	336,254	348,106
Inter-segment revenue	1,434	1,886	372	470	1,805	2,356
	¢ <u>199,935</u>	<u>207,964</u>	<u>138,125</u>	<u>142,498</u>	<u>338,059</u>	<u>350,462</u>
Profit (loss), net	¢ 118,394	(49,686)	6,954	4,986	125,348	(44,700)

Note 13 breaks down such revenue by product.

(d) Assets and liabilities by segments

Segment profit or loss	Electricity		Telecom		Consilated total	
	As of March 31, 2023	As of December 31, 2022	As of March 31, 2023	As of December 31, 2022	As of March 31, 2023	As of December 31, 2022
	Assets	¢ 5,041,060	5,012,375	1,467,500	1,471,788	6,508,560
Liabilities	¢ 2,911,659	3,002,974	664,215	677,527	3,575,874	3,680,501

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)

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.

Note 17. Note 19. Subsequent events*i. Settlement of F-3 National Bonds*

On April 03, 2023, the Institution settled the entire amount of the F-3 National Bonds issued by paying ¢27,456 to the Costa Rican Central Bank.