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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Refinadora Costarricense de Petróleo, S.A.

Opinion

We have audited the accompanying financial statements of Refinadora Costarricense de Petróleo, S.A. ("RECOPE" or "the Company"), which comprise the statements of financial position as of December 31, 2022 and 2021, the corresponding statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, as well as the notes to the financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Refinadora Costarricense de Petróleo, S.A. as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of RECOPE in accordance with the Code of Professional Ethics of the Association of Certified Public Accountant of Costa Rica and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Audit Approach on Key Audit Matter
Inventories - Inventories as of December 31, 2022, amount to US$411,012,648 representing 23.18% of total assets (US$414,680,135, 23.22% of total assets in 2021), which are recognized at the lower of cost or net realizable value (Note 4). The company mainly imports 4 types of fuels (Super gasoline, diesel, plus 91 gasoline and jet A-1) and distributes them through its plants located in certain areas of the country. International fuel prices have increased as a result of the military events that affected Europe during 2022; however, such prices are subject to the interaction of the world supply and demand. These market conditions may erode commercial margins due to high and low inventories as a result of changes in prices and consumption. These factors impact fuel inventory costs versus the realizable value and are considered a key audit issue.	We tested the value of fuel inventories at net realizable value by comparing the estimated selling price of the inventory, obtained from the latest price list, with the cost of fuels on hand and verified that the inventories are valued at the lower of cost or net realizable value.

Other Information

Management is responsible for the other information. Other information includes the explanatory notes of the financial indicators obtained before issuing the financial statements and is included in pages 62 to 66. Our opinion on the financial statements does not include the other information, and we do not express any form of conclusion or assurance on it.

In relation to the audit of financial statements, it is our responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. If, based on the work we have performed on the information we have obtained before issuing the report, we identify material inconsistencies on the other information, we must report them to you. We have nothing to report on this regard.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the RECOPE's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RECOPE or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the RECOPE's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RECOPE's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to matters or conditions that may cast significant doubt on RECOPE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions could make RECOPE cease operations as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Gustavo Arias Valerio - C.P.A. No.2661
Insurance Policy No.0116 FIG 7
Expires: September 30, 2023
Revenue law stamp for ¢1.000, law No.6663
La Ribera de Belén, Heredia, Costa Rica

June 29, 2023

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1c, 2	US$ 208,236,288	US$ 233,131,627
Accounts receivable	1d, 3	8,052,146	4,826,784
Supplier advances		1,956,546	3,578,875
Inventories	1e, 1f, 1g, 4	411,012,648	414,680,135
Prepaid expenses	5	15,056,930	2,496,167
Total current assets		644,314,558	658,713,588
LONG-TERM ACCOUNTS RECEIVABLE	1d, 3	40,896	95,434
PROPERTY, PLANT, VEHICLES AND EQUIPMENT - Net	1h, 1i, 1j, 1k, 6	1,042,654,709	999,368,953
INVESTMENT IN FINANCIAL ASSETS	7	60,773,490	106,445,706
OTHER ASSETS	8	24,787,323	21,460,995
TOTAL		US$1,772,570,976	US$1,786,084,676
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term bonds	12		US$ 50,102,420
Current portion of the long-term debt	11	US$ 1,607,051	1,579,599
Accounts payable	9	229,589,379	396,400,859
Deferred income	1n	20,021,448	12,489,907
Accumulated expenses and other liabilities	1p, 1q, 1r, 1s, 1t, 10	25,753,815	10,042,608
Total current liabilities		276,971,693	470,615,393
LONG-TERM DEBT	11	5,528,597	7,108,196
LONG-TERM BONDS PAYABLE	12	133,269,651	130,335,274
DEFERRED INCOME TAX	1n, 13	161,243,171	148,432,670
ALLOWANCE FOR EMPLOYEES' LEGAL BENEFITS	1o, 1p, 20	6,149,867	6,395,816
Total liabilities		583,162,979	762,887,349

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	Notes	2022	2021
STOCKHOLDERS' EQUITY:			
Capital stock	15	US$ 370,515,185	US$ 370,515,185
Legal reserve	1u	16,170,238	11,921,807
Surplus from revaluation	1h	570,554,210	584,480,877
Reserve Act 7722 & Act 7593		61,956,469	
Retained earnings		561,426,305	531,513,432
Foreign exchange translation reserve	1b	(391,214,410)	(475,233,974)
Total stockholders' equity		1,189,407,997	1,023,197,327
TOTAL		US$1,772,570,976	US$1,786,084,676

(Concluded)

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	Notes	2022	2021
SALES	1x, 17	US$ 3,643,827,343	US$ 2,585,405,248
COST OF SALES	1y, 1z	(3,384,048,244)	(2,300,272,016)
GROSS PROFIT		259,779,099	285,133,232
OPERATING EXPENSES	1aa, 17	(159,086,143)	(145,983,316)
FINANCIAL EXPENSES		(16,171,382)	(14,683,936)
FINANCIAL PRODUCTS		9,362,396	9,455,567
EXCHANGE RATE DIFFERENCES - Net		12,510,344	(1,929,243)
EXTERNAL TRANSFERS	1q, 17	(13,792,599)	(22,689,308)
OTHER INCOME		2,404,216	955,510
OTHER EXPENSES - Net		(5,171,161)	(3,147,125)
PROFIT BEFORE INCOME TAXES		89,834,770	107,111,381
INCOME TAXES	1m, 13	(4,866,156)	(25,977,520)
NET PROFIT		US$ 84,968,614	US$ 81,133,861

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in United States Dollars)

	Notes	2022	2021
NET PROFIT		US$ 84,968,614	US$ 81,133,861
OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss:			
Increase in surplus due to asset revaluation			38,497,924
Foreign currency translation adjustment	1b	84,019,564	(43,084,260)
Item not to be reclassified to profit or loss:			
Deferred tax liability from reappraisal of land	1g, 1*l*, 14	(2,693,367)	(11,544,478)
COMPREHENSIVE INCOME FOR THE YEAR		US$166,294,811	US$ 65,003,047

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	Notes	Capital Stock	Legal Reserve	Surplus from Revaluation	Reserves Law 7722 & Law 7593	Retained Earnings	Foreign Exchange Translation Reserve	Total
BALANCES, DECEMBER 31, 2020		US$370,515,185	US$ 6,722,053	US$569,155,242		US$443,966,758	US$(432,149,714)	US$ 958,209,524
Comprehensive income for the year						81,133,861	(43,084,260)	38,049,601
Increase in legal reserves	1u		5,199,754			(5,199,754)		
Transfer from surplus to retained earnings	1i			(11,627,828)		11,612,565		(15,263)
Surplus for appraisal of fixed assets	6			38,497,940				38,497,940
Deferred tax liability for revaluation of fixed assets	1v, 13			(11,544,478)				(11,544,478)
BALANCES, DECEMBER 31, 2021		370,515,185	11,921,807	584,480,877		531,513,432	(475,233,974)	1,023,197,327
Comprehensive income for the year						84,968,614	84,019,564	164,988,178
Increase in legal reserves			4,248,431			(4,248,431)		
Reserves Law7722 & Law 7593	16				US$61,956,469	(61,956,469)		
Transfer from surplus to retained earnings				(11,233,300)		11,233,300		
Deferred tax liability adjustment	1v, 13			(2,693,367)		(84,141)		(2,777,506)
BALANCES, DECEMBER 31, 2022		US$370,515,185	US$16,170,238	US$570,554,210	US$61,956,469	US$561,426,305	US$(391,214,410)	US$1,189,407,997

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	Notes	2022	2021
OPERATING ACTIVITIES			
Net profit of the year		US$ 84,968,613	US$ 81,133,861
Deferred taxes	13	(1,193,374)	2,065,219
Income tax expense		6,111,743	23,912,301
Loss from asset disposal	6	2,546,333	1,153,928
Impairment of assets - long term	9	720,429	1,926,582
Interest expense		16,171,382	14,683,936
Interest income		(9,362,396)	(9,455,567)
Depreciation and amortization	6	47,566,267	49,158,152
Estimated expected credit loss		8,524	(47,126)
Obsolete estimation		87,159	221,423
Unrealized exchange rate differences		(4,922,926)	2,644,369
Changes in operating assets and liabilities:			
Accounts receivable		(3,316,446)	(3,289,754)
Inventories		32,022,375	(217,801,992)
Supplier advances and prepaid expenses		(9,640,321)	1,331,513
Accounts payable		(164,763,900)	248,310,283
Deferred income		6,068,280	1,649,890
Accumulated expenses and other liabilities		10,514,265	14,359,467
Employees' legal benefits		(670,060)	(14,914,513)
Cash provided by operating activities		12,915,948	197,041,972
Tax paid		(22,431,110)	(11,444,882)
Net cash (used in) provided by operating activities		(9,515,165)	185,597,090
INVESTMENT ACTIVITIES			
New investments of financial assets	8		(21,870,707)
Additions of fixed assets	6	(22,241,756)	(26,237,172)
Return of investment		44,661,897	
Interest charged		10,093,599	10,621,014
Other assets		(723,812)	(3,497,992)
Net cash provided by (used in) investment activities		31,789,928	(40,984,857)
FINANCING ACTIVITIES			
Debt amortization		(1,578,566)	(1,563,601)
Amortization of long-term bonds		(46,750,129)	
Interest paid		(13,000,448)	(11,014,583)
Net cash used in financing activities		(61,329,143)	(12,578,184)

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

	2022	2021
NET CHANGES IN CASH AND CASH EQUIVALENTS	US$ (39,054,377)	US$ 132,034,049
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	233,131,627	108,222,957
EFFECTS ON EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,159,038	(7,125,379)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	US$ 208,236,288	US$ 233,131,627

(Concluded)

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in United States Dollars)

1. NATURE OF THE BUSINESS, PRESENTATION BASIS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Refinadora Costarricense de Petróleo, S.A. (“RECOPE”, or the “Company”) was incorporated in accordance with the laws of the Republic of Costa Rica by means of a notarial instrument. As stipulated in Law Number 5508 of April 19, 1974.

Through Executive Order No. 7927-H of December 15, 1977, RECOPE is regulated as a state-owned company structured as a trading company supervised by the Comptroller General's Office of the Republic. The main offices are located in Barrio Tournón, San José, Costa Rica.

In accordance with Law Number 6588 of August 13, 1981, its main objectives are the following:

- Refining and processing of oil, gas, and other hydrocarbons, as well as their derivatives
- Manufacturing of petrochemical products and that of the directly or indirectly related products
- Commercializing and transporting oil and its derivatives by bulk
- Maintaining and developing the necessary facilities
- Executing, as appropriate and subject to prior authorization by the Office of the Comptroller General of the Republic, development plans for the energy sector in accordance with the Plan for National Development

Among other matters, the above law prohibits RECOPE, without prior legal authorization, from doing the following:

- Grant loans
- Make donations
- Award subsidies or grants
- Build inter-oceanic pipelines

Law No.7356 published in the official newspaper La Gaceta of September 6, 1993 states that RECOPE is declared a monopoly on behalf of the State to import, refine and distribute crude oil, derivative fuels, asphalt and naphtha. Article No.2 of the law establishes that the State grants the monopoly’s administration to RECOPE, provided that its capital stock entirely belongs to the State. Likewise, the State shall not be able to assign, dispose, or give in guarantee any representative share of RECOPE.

RECOPE, S.A. is an entity regulated by the General Superintendence of Securities (SUGEVAL), the National Stock Exchange (Bolsa Nacional de Valores de Costa Rica, S.A.), and the Securities Market Regulatory Law, and it was authorized through resolution SGV-R-2702 of August 27, 2012, in order to issue debt securities to be marketed in the brokerage market of Costa Rica.

Presentation Basis - The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the IASB.

The financial statements have been prepared on the historical cost basis (except for property, plant, vehicles and equipment, which are shown at their fair values). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and, measurements that have some similarities to fair value but are not fair value, such as net realizable value under IAS 2 or value in use under IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- **Level 1** - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- **Level 2** - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- **Level 3** - Inputs are unobservable inputs for asset or liability.

Significant Accounting Policies - The significant accounting policies used in the preparation of the financial statements are summarized as follows:

a. ***Currency and Transactions in Foreign Currency*** - Management has determined that the Costa Rican colon is RECOPE's functional currency. The transactions denominated in US dollars are registered at the exchange rates in force as of the date of the transaction; RECOPE's assets are registered at the purchasing exchange rate and liabilities at the selling exchange rate. Exchange rate differences originated from the liquidation of assets and obligations denominated in such currency, as well as the adjustment of balances as of closing date, are registered as part of RECOPE's results. As of December 31, 2022 and 2021, the exchange rate of the colon regarding the US dollar for companies of the non-banking public sector was ¢597,64 and ¢642,66 for selling transactions, respectively, and ¢597,04 and ¢642,02 for purchasing transactions, respectively.

As of the date of issue of the financial statements, the current exchange rate of the Central Bank of Costa Rica was ¢549,57 and ¢542,90, for selling and purchasing transactions, respectively.

b. ***Currency Translation into U.S. Dollars*** - The financial statements originally issued in Spanish and in Costa Rican colones (functional currency) have been translated into English and into US dollars for the convenience of the readers outside of Costa Rica. The Company's functional currency is the Costa Rican colón (¢). Accordingly, the local currency financial statements were translated into United States Dollars using the following basis: assets and liabilities were translated at the closing exchange rate, stockholder's equity was measured using the historical exchange rates prevailing when each transaction took place. Income and expense items were translated at the weighted average rate for the period. The effect of translation is charged to stockholder's equity in a separate item denominated Foreign Exchange Translation Reserve.

c. ***Cash and Cash Equivalents*** - Cash and cash equivalents include balance of cash on hand and due from banks, deposits at sight, and short-term (high liquidity) investments with an original maturity equal to or less than three months.

d. ***Financial Instruments*** - Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- **Financial Assets** - All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

  All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

  Classification of Financial Assets - Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized Cost and Effective Interest Method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

- The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

- Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the “financial income” line item.

Impairment of Financial Assets - The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, trade accounts receivable and contractual assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes expected lifetime credit losses for trade accounts receivable and contractual assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an evaluation of both current and expected future conditions as of the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk - In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to RECOPE’s core operations.

Measurement and Recognition of Expected Credit Losses - The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

- **Financial Liabilities** - All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

  The effective interest method is a method for calculating the amortized cost of a financial liability and for allocating interest expenses during the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, at the amortized cost of a financial liability.

  The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

e. ***Inventories*** - Inventories are valued at the lower of cost or net realizable value. The net realizable value is the estimated selling price of a product in the normal course of operation, less the estimated necessary costs to perform the sale and a reasonable percentage of profit.

Finished product and works in progress are registered at the average manufacturing cost. The raw materials, materials, supplies, and spare parts are registered at the average cost, and merchandise in transit is registered at cost according to the suppliers' invoice. The raw materials inventory (petroleum and other raw materials), as well as materials and supplies are valued at the average weighted cost.

The following are recognized as direct shipping costs (CIF and other costs):

- Value of the invoice
- Cost of maritime freight
- Insurance cost
- Payment of single fuel tax, according to Law No.8114
- Payment of port services: JAPDEVA and independent inspectors

f. ***Allowance for Obsolete Inventory*** - The amount is calculated based on the materials declared obsolete by the user in coordination with the warehouse department and according to a projection from the warehouse department regarding the lines declared obsolete in respect of the total of lines existing in the inventory.

g. ***Single Fuel Tax*** - Upon enactment and enforcement of the Tax Simplification and Efficiency Law (Law No.8114), a single tax is instituted on fuel type - both domestically produced and imported fuel. The taxable event - as set forth in Article No.1 of this Law - takes place on two occasions:

- Upon import of finished goods prior to customs clearance.
- For local production, manufacturing, cracking or refining, RECOPE shall settle and pay this tax within the first 15 calendar days of each month.

RECOPE is the single taxpayer and records this tax in its financial statements, as the taxable event takes place as part of Account 2102020401 Accounts Payable - Single Tax, and when imported as finished product, in account 1111060094 Prepaid Expenses-Single Tax.

The tax on fuel type is updated on a quarterly basis, subject to changes in the Consumer Price Index determined by the National Statistics and Censuses Institute (INEC). Under no circumstances shall the quarterly adjustment be above 3%.

The current decree for the rate is No.42674-H, published in Digital Supplement No.214 of November 05, 2021, effective from November 1, 2021 to January 31, 2022, which made an adjustment (0.70%).

This tax by product is broken down as follows:

Fuel	Tax by Liter (¢)	
	2022	2021
91 Plus gasoline	266,75	255,75
Premium gasoline	279,00	267,75
Diesel	157,75	151,25
Asphalt	54,25	52,00
Asphalt emulsion	41,00	39,25
Bunker (Fuel Oil)	25,75	24,75
G.L.P	24,00	52,00
Jet Fuel A1	160,00	153,50
Av Gas	266,75	255,75
Kerosene	76,00	73,00
Heavy diesel (gasoil)	52,25	50,00
Heavy naphtha	38,75	37,00
Light naphtha	38,75	37,00

The following are exempted from this tax payment (Article No.1 of Law No.8114):

- Fuel designated to supply commercial airlines and merchant ships or commercial passenger shipping lines, all providing international services.

- Fuels used by the National Fishing Fleet, for non-sports fishing, in accordance with Law No.7384.

- Product allocated for export.

- Products sold to companies that enjoy the export free zone regime benefits.

- Products sold to companies using the tax exemption benefit, under the specific legislation, in order to cover road construction service agreements.

- Fuel purchased by international missions, embassies, the Red Cross, and the Fire Department.

h. ***Property, Plant, Vehicles and Equipment*** - These assets are originally recorded at cost of acquisition and construction, as it corresponds, afterwards, any revaluation, less the accumulated depreciation or impairment of those assets is charged to such cost, so that they represent their fair value.

The land, the Moín port complex, the facilities, buildings, and heavy equipment and machinery kept for using in the production or supply of goods and services, or for administrative purposes, are shown in the statement of financial position at their revalued amounts, calculating the fair value as of the date of revaluation, less the subsequent depreciation or accumulated impairment losses. The revaluations will be done within a term of no less than five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

i. ***Depreciation*** - Depreciation on the revalued amounts and the historical cost is charged to the results of the period. The depreciation of fixed, historical and revalued assets is calculated using the straight-line method, taking technical useful life as a basis, as determined by expert appraisers for the accounts of property, plant and machinery. Whereas for the accounts of vehicles, furniture, and equipment, the useful life stated in the Regulations to the Income Tax Law is used. For the calculation of depreciation, the basis will be 100% of the cost, in accordance with an administrative decision related to the Integrated Management System.

Detail	Depreciation
Moín port complex	40 years
Facilities	21 years
Building	37 years
Heavy machinery and equipment	18 years
Furniture and equipment	10 years
Vehicles	10 years

Depreciation expense registration has been separated into assets registered at historical cost and expense of the revalued assets.

The Company has the policy of transferring from the revaluation surplus account to retained earnings, the difference between the depreciation calculated according to the revalued carrying amount of the asset and that calculated according to its original cost.

j. ***Borrowing Cost*** - RECOPE capitalizes the interest on fixed assets in progress in accordance with IAS 23, which states that "borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset".

k. ***Income Taxes*** - It is determined according to the provisions established by the Income Tax Law No.7092 and Law No.7722 "Law on the Obligation of Government Institutions to Income Tax Payment." Should any tax result from this calculation, it is charged to the results and credited to a liability account.

Deferred income tax is applied to those temporary differences between the carrying value of the assets and liabilities and the values used for tax purposes. A deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference. The asset or liability is not recognized if the temporary difference is originated from goodwill or from the initial registration of an asset or liability (different from a business combination) that does not affect the tax or accounting profit.

Deferred tax assets are originated from the deductible temporary differences associated with accounting provisions and estimates. The deferred tax liability is recognized by tax differences associated with the revaluation of fixed assets. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The registered value of the deferred tax asset is reviewed as of the date of each balance sheet and adjusted if it is estimated that it is not likely to obtain enough taxable income or other sources of income that allow to recover the asset fully or partially.

Deferred income tax assets and liabilities are measured at the rate of tax which is expected to be applied during the period in which the asset will be realized, or the liability paid. Deferred income tax assets and liabilities are shown net since they relate to the same fiscal entity and the right exists, and RECOPE expects to pay its tax liabilities and assets in a net way.

l. ***Deferred Income*** - It corresponds to deposits made by the clients on behalf of RECOPE, which will be applied once the product is sold.

m. ***Collective Bargaining Agreement*** **-** The Company entered into a Collective Bargaining Agreement with its employees, in effect for 2021-2024, which was published in Supplement No. 115 of La Gaceta No. 108 of June 7, 2021.

n. ***Employees' Legal Benefits*** - In accordance with transitory XXVII of Law No.9635 published in Scope No.202 to Gazette No.225 of December 4, 2018 and the criteria of the Company's Legal Department, according to official letter P-DJ-0019-2019, it is recommended, in order to safeguard public funds, to make the severance payment with an amount not greater than 12 years in accordance with a restrictive interpretation of the indicated transitory.

In accordance with the provisions of Article 75 of the RECOPE 2021-2024 Collective Labor Agreement, published in Scope No.115 to La Gaceta No.108 of June 7, 2021, it is established that RECOPE workers will have right to receive compensation for unemployment benefits as established in the Labor Code. The limit to recognize will be 8 years according to the limit established by the Law of Salaries of the Public Administration at the time of the negotiation of this Collective Agreement.

RECOPE registers a monthly provision charging operating expense for each cost center from which salaries are disbursed, calculated as 5.33% of same. In addition, 3% of monthly salaries are transferred to different pension funds selected for employees, and they will be deducted from the final termination payment made to employees.

According to the policy, the Company retained an actuarial study for the calculation of retained earnings from employees' legal benefits as of December 31, whose primary objective is to obtain the amount of the coverage of the Actuarial Liability, including actuarial profits and losses, conclusions on the actuarial situation of the benefit plan and recommendations on adjustments to the provisions from Employees' Legal Benefits.

o. ***Contribution to the Costa Rican Social Security Fund Law No.9583 and Contribution to the National Emergency Commission Law No.8488*** - In accordance with Law No.9583, an amendment was made to Article 78 of Law No.7983 Funds for the Strengthening of the Disability, Old Age and Death Regime to establish a contribution of fifteen percent (15%) of the net profit of governmental public entities, whether or not in a competition regime, calculated in accordance with the annual Audited Financial Statements, as published in Supplement No.169 to La Gaceta No.176 of September 25, 2018.

According to decree No.41282-MP, Regulations to Article 46 of the National Emergency and Risk Prevention Law No.8488, all public entities will pay a fee of three percent (3%) in accordance with Supplement No.170 to La Gaceta No.176 of September 25, 2018. To enforce such provision, the triggering event will be the generation of budget surplus throughout the fiscal year, or the profits, as applicable, generated during the respective fiscal year, and RECOPE establishes the net profit of the audited financial statements as the criteria for the calculation of this obligation.

Both payments must be made each year in the period between January 1 and March 31 of each year.

p. ***School Supplies Bonus*** - It is calculated in accordance with the decrees issued by the Ministry of Labor every time there is a salary increase, and it is paid in January according to existing regulations. For 2021, 8.23% of the monthly payroll was provisioned, according to D.E. No.39202-MTSS-H published in the official newspaper La Gaceta No.170 of September 1, 2015.

q. ***Christmas Bonus*** - RECOPE makes a monthly provision corresponding to payment of Christmas bonus to its employees in December, as established in the Code of Labor, such provision corresponds to 8.33% per month.

r. ***Employees' Vacation*** - RECOPE records the provision for vacations, in accordance with the studies conducted by the Compensation and Incentives Division of the Human Resources Department and the provisions of Article 27 of the collective bargaining agreement in force.

s. ***Legal Reserve*** - The commercial legislation of Costa Rica (Law No.3284 "Code of Commerce of Costa Rica." article No.143) establishes that every corporation must reserve 5% from its net profit up to reaching 20% of its capital stock.

t. ***Investment Reserve*** - It corresponds to the reserves authorized by ARESEP with the aim to sustain the investment programs in compliance with Law 7722 and Law 7593 of ARESEP, Note 18.

u. ***Revenue Recognition*** - The sales of hydrocarbons are in cash, by which revenues are recognized when RECOPE has transferred to the buyer all significant risks and benefits related to the ownership of the sold fuels. RECOPE does not keep for itself any association with the common management of the goods sold. The amount of revenue can be reliably measured. It is probable that RECOPE receives the economic benefits associated with the sale, and the transaction costs can be reliably measured. Therefore, RECOPE records its income in accordance with IFRS 15.

This account records revenue from sales of hydrocarbons, which prices are defined by the Regulatory Authority. The following describes the procedure to establish the prices of fuels:

Price Adjustment - To modify the selling price of domestic fuels, RECOPE has two mechanisms:

- Normal price study.
- Extraordinary procedure using an adjustment formula.

These mechanisms are described in the following regulations:

- *Law No.6588 August 13, 1981.*
- *Law No.7593 of the Regulatory Authority for Public Services.*

The normal price study must be applied at least once a year, as well as when RECOPE may consider it necessary, this mechanism seeks to maintain prices to cover costs and expenses required for ordinary company activities.

The extraordinary adjustment formula is a mechanism to adjust sales prices that seeks to recover in the short term the funds necessary to cover the increased costs related to the import of crude oil and petroleum by products. This adjustment does not affect the operating costs and expenses of the Company.

The resolutions of extraordinary and ordinary adjustments to the institutional prices are made according to the model established by the Regulatory Authority, published in the official newspaper La Gaceta. The extraordinary adjustments through which the prices of all products are adjusted every second Friday of each month are resolved and applied one month later.

The latest price resolution in effect for this month is RE-0082-IE-2022 published in Supplement 264 of La Gaceta N°234 of December 8, 2022.

v. ***Cost of Sales*** - The cost of sale represents an issue of inventories intended for sale. The cost of inventory includes overall hydrocarbon production or purchase costs sold by RECOPE. Such sale results in regular income to RECOPE. Assessing inventory costs requires the moving average cost method, for it keeps costs as updated as possible, given inventory turnover and volatility of international hydrocarbon prices.

w. ***Mixing Unit*** - This unit combines products to produce marine fuel and commercial gasoline among others. The costs obtained from the units above corresponding to new product are averaged products prepared from this mixing process include:

- Regular gasoline (Gas Ron 91 + colorants and additives).
- Premium gasoline (M Gas Ron 95 + colorants and additives + MTBE).

The costs of the mixed products are averaged after with the initial inventory costs that correspond to the previous period. The usual losses in the products are part of the cost of sales.

x. ***Expense Recognition*** - Expenses are recognized on the accrual basis, as goods or services acquired are received or as accounting amortizations and reserves are registered, such as depreciation, asset impairment and provisions for losses.

y. ***Leases*** - The Company assesses whether a contract contains a lease at its origin. If any, the Company recognizes a right-of-use asset and a corresponding lease liability regarding all leases in which it is the lessee, except for short-term leases (12 months or less) and low-value assets (such as electronic tablets, personal computers and small pieces of office furniture and telephones). For these leases, the Company recognizes rental payments as an operating expense under the straight-line method over the term of the lease unless another method is more representative of the timing pattern of the economic benefits derived from the use of the leased assets. As of year-end, the Company does not have any leases for which it is required to recognize a right-of-use asset and a lease liability.

z. ***Asset Impairment*** - As of year-end, RECOPE evaluates the registered value of its assets to determine if there is any indication that such assets have suffered any impairment loss. When there exists such indication, the recoverable amount of the assets is estimated, in order to determine the amount of the loss, if any.

aa. ***Use of Estimates*** - The financial statements are prepared according to International Financial Reporting Standards, and consequently, they include amounts that are based on management's best estimate and judgment. The actual results could differ from such estimates. Estimates made by management include the useful life of property, plant, vehicles, and equipment, as well as the determination of provisions.

bb. ***Critical Accounting Judgments and Key Sources of Estimation Uncertainties*** - In applying the Entity's accounting policies, which are described in Note 1, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the financial statements. The estimates and assumptions are based on experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized in the year in which the change is made and in future periods if the change affects both current and subsequent years.

- **Critical Judgments in Applying Accounting Policies -**

  – *Business Model Assessment* - The classification and assessment of financial assets depends on the SPPI result and the business model test (Note 18). The Company determines the business model at a level that reflects when groups of financial assets are managed together to achieve a particular objective. This task includes judgments that reflect all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of assets and how assets are managed and how asset managers are compensated. The Company monitors financial assets measured at amortized cost that were derecognized prior to maturity to understand the reason for derecognition and whether the reasons are consistent with the business objective for which the assets are held. Monitoring is part of the Company's ongoing assessment of whether the business model for the remaining financial assets is appropriate and if not appropriate whether there has been a change in the business model and a prospective change should be made to those assets. No such changes were necessary during the periods presented.

– *Significant Increase in Credit Risk* - As explained in Note 1.c, an expected credit loss is measured as an allocation equal to 12 months of the total expected loss for stage-1 assets, the total life of the total expected loss for stage 2 or 3 assets. An asset is moved to stage 2 when the credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In considering whether the credit risk has increased significantly, the Company takes into account quantitative and qualitative forward-looking information.

- **Key Sources of Estimation Uncertainty -** The following is an explanation of key assumptions regarding the future and other key sources of estimation uncertainty at the end of the reporting period that have a risk of resulting in adjustments to the fair values of assets and liabilities to be disclosed in the next year.

  Fair Value Measurement and Valuation Processes - Some of the Company's assets and liabilities are measured at fair value for disclosure purposes.

  In estimating the fair value of an asset or liability, the Company uses observable market data to the extent available. When Level 1 outcomes are not available, the Company will engage external appraisers to establish an appropriate valuation technique.

cc. ***New And Revised International Financial Reporting Standards ("IFRS" Or "IAS") That Are Mandatorily Effective for The Current Year*** -

Adoption of New and Revised International Financial Reporting Standards ("IFRS" or "IAS") that are Mandatorily Effective for the Current Year - Their adoption has not had a material impact on the disclosures or amounts reported in these consolidated financial statements.

- *Amendments to IFRS 3 - References to the Conceptual Framework* - The Company has adopted the amendments to IFRS 3 *Business Combinations* for the first time this year. The amendments update IFRS 3 as it relates to the *2018*

Conceptual Framework instead of the *1989 Conceptual Framework*. They also added a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a buyer applies IAS 37 to determine whether at the acquisition date it is a present obligation or exists as a result of a past event. For levies that are within the scope of IFRIC 21 *Levies*, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred at the acquisition date.

- *Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use* - the Company has adopted the amendments to IFRS 16 *Property, Plant and Equipment* for the first time this year. The amendments prevent deducting any revenue from the sale of goods produced before they are ready for use from the cost of an asset of property, plant and equipment, for example, revenue generated while the asset is being brought to a location and the necessary refurbishment is being carried out to make it operational in the manner intended in accordance with management's intentions. Therefore, a company should recognize those sales revenues and costs in the profit or loss. the Company measures the costs of those goods produced in accordance with IAS 2 *Inventories*.

  The amendments also clarify the meaning of "testing whether the asset is functioning properly". IFRS 16 now specifies this as an assessment of whether the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other, or administrative purposes.

  If not presented separately in the statement of comprehensive income, the financial statements should disclose the amounts of revenue and costs in the income statement related to items that are not an outflow from the company's ordinary activities, in the line item(s) in the statement of comprehensive income where the revenue and costs are included.

Annual Improvements to IFRS 2018-2021 Cycle - the Company has adopted the amendments included in the Annual Improvements to IFRSs 2018-2020 Cycle for the first time in the fiscal year. The Annual Improvements include amendments to four standards:

- *IFRS 1 First-Time Adoption of International Financial Reporting Standards* - The amendment provides additional relief to a subsidiary that is an early adopter later than its parent with respect to accounting for cumulative translation differences. As a result of the amendments, a subsidiary that uses the exemption in IFRS 1: D16(a) may now also elect to measure the cumulative translation effects of foreign operations at the carrying amount that would have been included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if there were no adjustments for consolidation procedures and for the effects of business combinations in which the parent acquired the subsidiary. A similar election is available for an associate or joint venture that uses the exemption in IFRS 1: D16(a).

- *IFRS 9 Financial Instruments* - The amendment clarifies that in applying the "10%" test for assessing whether to derecognize a financial liability, a company includes only fees paid or received between the company (the borrower) and the lender, including fees paid or received by the company or by the lender for the benefit of another.

- *IFRS 16 - Leases* - The amendments remove the reimbursement for leasehold improvements.

- *IAS 41 - Agriculture* - The amendments remove the requirement in IAS 41 for entities to exclude cash flows for tax purposes when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value* Measurement to be consistent with cash flows and discount rates and allows preparers to determine whether cash flows and discount rates are used on a pre-tax or after-tax basis as is more appropriate to estimate fair value.

  The adoption of this standard has no impact on the Company's consolidated financial statements.

Standards Issued but not yet Effective - A number of new standards are applicable for annual periods beginning after January 1, 2023 and early adoption is permitted; however, the following new standards or amendments thereto have not been adopted early by the Company in the preparation of these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements of the Company.

- *IFRS 17 (Including June 2020 and December 2021 Amendments)* - Insurance Contracts.

- *Amendments to IFRS 10 and IAS 28 (Amendments)* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- *Amendments to IAS 1* - Classification of Liabilities as Current or Non-Current.

- *Amendments to IAS 1 and Practice Statement 2* - Disclosure of Accounting Policies.

- *Amendments to IAS 8* - Definition of Accounting Estimates.

- *Amendments to IAS 12* - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

Management does not expect that the adoption of the aforementioned standards will have a material impact on the Company's consolidated financial statements in future periods, except as follows:

- *Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current and Non-Current* - The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current and non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expense, or the disclosures about those items.

  The amendments clarify that the classification of liabilities as current and non-current should be based on rights that are in existence at the end of the reporting period, specify that the classification is not affected by expectations about whether the company will exercise its right to defer settlement of a liability, explain that rights exist if covenants are met at the end of the reporting period and introduce the definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or other services.

  The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The IASB is currently considering further amendments to the requirements of IAS 1 regarding the classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

  the Company’s management anticipates that the adoption of these amendments may have an impact on the Company’s consolidated financial statements in future periods.

- *Amendments to IAS 1 and Practice Statement 2: Making Materiality Judgments - Disclosure of Accounting Policies* - The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the term “significant accounting policies” with “material accounting policy disclosures”. Accounting policy disclosures are material when they are considered, in conjunction with other information included in a company’s financial statements, to be reasonably expected to influence the decision-making of primary users of general-purpose financial statements that they make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 are amended to clarify that accounting policies that relate to immaterial transactions, other events or conditions are immaterial and need not be disclosed. Information relating to accounting policies may be material because of the nature of the related transactions, other events and conditions, even if the amounts in the related transactions, other events and conditions are immaterial. However, not all information about accounting policies relating to material transactions or other events or conditions is itself material.

  The IASB has developed guidance and examples to explain and demonstrate the application of the “four-step process for determining materiality” described in the Practice Statement 2.

The amendments to IAS 1 will be effective for annual periods beginning on January 1, 2022, with an option for early adoption and will be applied prospectively. The amendments to Practice Statement 2 do not contain an effective date or transition requirements.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* - The amendments supersede the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty".

  The definition of a change in accounting estimates was removed. However, the IASB retained the concept of changes in accounting estimates in the standard with the following clarifications:

  – A change in an accounting estimate that results from new information or new developments, not the correction of an error.

  – The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  The IASB added two examples (examples 4 and 5) for IAS 8 Implementation Guidance accompanying the standard. The IASB has removed one example (example 3) as it could cause confusion in relation to the amendments.

  The amendments will be effective for annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates occurring on or after the beginning of that period with an option for earlier application.

  the Company's Management anticipates that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods, in the event of a change in accounting estimates. As of the date of the report there is no knowledge or intention to make any changes to the Company's accounting estimates.

- *Amendments to IAS 12 Deferred Tax - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* - The amendments introduced an additional exception other than the initial recognition exemption. In the amendments, a company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in a transaction that is not a business combination and does not affect accounting and taxable profit. For example, it may occur with the recognition of a lease liability and a corresponding right-of-use asset applying IFRS 16 *Leases* at the commencement date of a lease.

Following the amendments to IAS 12, a company is required to recognize relative deferred tax assets and liabilities, considering that the recognition of any deferred tax asset is subject to the recoverability requirement in IAS 12.

The IASB also added an illustrative example to IAS 12 explaining how the amendments apply.

The amendments apply to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period a company recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:

  i. Right-of-use assets and lease liabilities.

  ii. Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments will be effective for annual periods beginning January 1, 2023, with an option for earlier application.

the Company's management anticipates that the adoption of these amendments may have an impact on the Company's consolidated financial statements in future periods if such transactions arise.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 is broken down as follows:

	2022	2021
Cash on hand and due from banks	US$208,236,288	US$233,131,627

As of December 31, 2022 and 2021, RECOPE does not maintain cash equivalents.

3. ACCOUNTS RECEIVABLE

A detail of accounts receivable is the following:

	Note	2022	2021
Short term:			
Government	15	US$7,196,799	US$3,160,765
Autonomous institutions	15		466,530
Clients		1,814	1,836
Employees		46,994	43,345
Others		806,540	1,154,308
Total short term		8,052,146	4,826,784
Long term:			
Related parties	15	561,405	570,859
Others			
Subtotal		561,405	570,859
Estimated credit loss		(520,509)	(475,425)
Total long term		40,896	95,434
Total account receivable		US$8,093,042	US$4,922,218

The group of accounts receivable from the Government includes the account receivable from the Ministry of Finance, which contains the amounts of balances in favor of the Ministry for income advances, 2% withholdings and interest withholdings on investments.

The average credit period granted to customers, especially central government entities, ranges from 30 to 60 days. Accounts receivable do not accrue interest.

The Company regularly measures the expected loss allowance for trade accounts receivable at an amount equal to the expected credit losses (ECL) over the life of the asset. Expected credit losses on trade accounts receivable are estimated using a provision matrix based on experience in default behavior. The Company recognized an allowance for losses of 92.72% of long-term accounts receivable.

It is worth mentioning that a significant percentage of customers are public sector companies, thus minimizing the problems of balance recovery.

The following table shows the risk profile of trade accounts receivable according to the Company's provision matrix:

	December 31, 2022 Accounts Receivable – Overdue Days					
	Not Overdue	1-90	91 - 180	181 - 365	More than 365	Total
Customers	US$808,354	US$7,196,799	US$46,993		US$ 561,405	US$8,613,551
Allowance for expected credit losses					(520,509)	(520,509)
Total	US$808,354	US$7,196,799	US$46,993	US$	US$ 40,896	US$8,093,042

	December 31, 2021 Accounts Receivable – Overdue Days					
	Not Overdue	1-90	91 - 180	181 - 365	More than 365	Total
Customers	US$1,156,035	US$3,627,296	US$43,453		US$ 570,859	US$5,397,643
Allowance for expected credit losses					(475,425)	(475,425)
Total	US$1,156,035	US$3,627,296	US$43,453	US$	US$ 95,434	US$4,922,218

The movement in the allowance for expected credit losses is shown below:

	2022	2021
Balance at the beginning of the year	US$475,425	US$543,944
Increase / (decrease) of the allowance	8,524	(47,126)
Translation adjustment	36,560	(21,393)
Balance at the end of the year	US$520,509	US$475,425

4. INVENTORIES

The inventory account is broken down as follows:

	2022	2021
Raw materials	US$ 3,996,354	US$ 4,128,698
Finished product	354,104,816	344,458,042
Semi-finished product	3,041,147	1,008,664
Inventory in transit	42,085,458	57,598,086
Material inventory (net of allowance for obsolete inventory for US$72,313 in 2021 and US$178,947 in 2020)	7,784,873	7,486,645
Total	US$411,012,648	US$414,680,135

During 2022 y 2021, obsolete material was recognized directly in the income of the period of US$87,159 and US$221,423 as of December 31, 2022 and 2021, respectively.

Production costs included as part of the cost of inventories and the cost of sales amount to US$6,198,306 and US$5,851,032 as of December 31, 2022 and 2021, respectively.

Fuel costs recognized as part of the cost of inventories and the cost of sales amount to US$3,384,048,244 and US$2,300,272,016, during 2022 and 2021, respectively.

5. PREPAID EXPENSES

Prepaid expenses are detailed as follows:

	2022	2021
Tax advances	US$11,554,818	
Insurance	1,658,645	US$1,390,602
Patents	1,769,258	1,072,046
Others	74,209	33,519
Total	US$15,056,930	US$2,496,167

6. PROPERTY, PLANT, VEHICLES AND EQUIPMENT

The detail of property, plant, vehicles and equipment as of December 31, 2022 is the following:

Description	Initial Balance	Additions	Disposals	Capitalizations	Adjustments and Reclassifications	Foreign Exchange Translation Reserve	Final Balance
Fixed assets at cost:							
Properties	US$ 9,732,629			US$ (904)		US$ 733,161	US$ 10,464,886
Moín Port complex	99,230,095					7,475,830	106,705,925
Facilities	433,338,511		US$ 20,731,655	(147,064)	US$ 57,222	34,446,527	488,426,851
Building	70,842,652		3,813,339		8,043	5,670,310	80,334,344
Heavy machinery and equipment	48,864,601	US$ 1,730,419	634,342	(2,244)	10,248	3,888,232	55,125,598
Furniture and equipment	67,672,806	2,184,615	2,699,425	(640,432)	137	5,468,321	77,384,872
Vehicles	22,942,013	164,655		(344,377)		1,712,744	24,475,035
Works in progress	85,653,207	18,162,067	(27,878,761)	(514)	(7,408,880)	4,959,942	73,487,061
Total at cost	838,276,514	22,241,756		(1,135,535)	(7,333,230)	64,355,067	916,404,572
Revalued fixed assets:							
Properties	146,413,086			(955)		11,030,435	157,442,566
Moín Port complex	11,257,315					848,107	12,105,422
Facilities	265,166,468			(68,395)	(172,896)	19,956,164	284,881,341
Building	70,356,173					5,300,517	75,656,690
Plant machinery and equipment	15,020,757				(8,723)	1,129,933	16,141,967
Furniture and equipment	2,515,674			(149,137)		155,745	2,522,282
Vehicles	2,483,160			(117,037)		198,601	2,564,724
Revalued total	513,212,633			(335,524)	(181,619)	38,619,502	551,314,992
Subtotal fixed assets	1,351,489,147	22,241,756		(1,471,059)	(7,514,849)	102,974,569	1,467,719,564
Depreciation at cost:							
Moín Port complex	(9,085,043)	(2,629,870)				(913,721)	(12,628,634)
Facilities	(132,527,168)	(14,566,057)	(14,009)	35,585	73,036	(11,245,938)	(158,244,551)
Building	(17,900,772)	(1,942,824)	(21,574)			(1,519,908)	(21,385,078)
Plant machinery and equipment	(18,835,794)	(3,034,273)		2,114	(357)	(1,683,427)	(23,551,737)
Furniture and equipment	(43,986,352)	(4,983,941)	21,574	580,002		(3,695,908)	(52,064,625)
Vehicles	(17,279,427)	(1,602,988)		326,138		(1,413,117)	(19,969,394)
Works in progress	(57,307)	(14,310)	14,009	24,311		(2,224)	(35,521)
Total accumulated depreciation of assets at cost	(239,671,863)	(28,774,263)		968,150	72,679	(20,474,243)	(287,879,540)
Revalued depreciation:							
Moín Port complex	(3,397,929)	(686,920)			131,726	(304,396)	(4,257,519)
Facilities	(80,494,682)	(9,484,356)		47,504		(6,887,028)	(96,818,562)
Building	(16,743,492)	(4,183,043)				(1,626,098)	(22,552,633)
Plant machinery and equipment	(6,915,455)	(1,045,686)		(221)	6,321	(611,629)	(8,566,670)
Furniture and equipment	(2,410,539)	(6,674)		143,607		(169,669)	(2,443,275)
Vehicles	(2,486,234)			116,710		(177,131)	(2,546,656)
Total accumulated depreciation of revalued assets	(112,448,331)	(15,406,679)		307,600	138,047	(9,775,951)	(137,185,315)
Total depreciation	(352,120,194)	(44,180,942)		1,275,750	210,726	(30,250,194)	(425,064,855)
Total depreciation	US$ 999,368,953	US$(21,939,186)	US$	US$ (195,309)	US$(7,304,123)	US$ 72,724,375	US$1,042,654,709

The detail of property, plant, vehicles and equipment as of December 31, 2021 is the following:

Description	Initial Balance	Additions	Disposals	Capitalizations	Adjustments and Reclassifications	Foreign Exchange Translation Reserve	Final Balance
Fixed assets at cost:							
Properties	US$ 10,169,902		US$ (11,505)			US$ (425,768)	US$ 9,732,629
Moín Port complex	103,569,556					(4,339,461)	99,230,095
Facilities	444,284,285		(26,579)	US$ 7,697,160	US$ 233,118	(18,849,473)	433,338,511
Building	67,992,877			5,855,664	17,116	(3,023,005)	70,842,652
Heavy machinery and equipment	48,864,322	US$ 956,783	(100,237)	1,237,924	15,759	(2,109,950)	48,864,601
Furniture and equipment	66,330,962	3,500,821	(449,236)	1,195,137	277	(2,905,156)	67,672,806
Vehicles	22,959,531	973,329				(990,848)	22,942,013
Works in progress	85,509,506	20,819,394		(16,555,636)	(423,400)	(3,696,658)	85,653,207
Total at cost	849,680,942	26,250,328	(587,558)	(569,750)	(157,130)	(36,340,319)	838,276,514
Revalued fixed assets:							
Properties	136,720,169	15,893,571	(880)			(6,199,774)	146,413,086
Moín Port complex	17,732,756	(5,907,662)				(567,779)	11,257,315
Facilities	265,473,282	11,168,156	(21,318)			(11,453,652)	265,166,468
Building	51,654,532	21,503,655				(2,802,014)	70,356,173
Plant machinery and equipment	19,903,904	(4,172,952)				(710,195)	15,020,757
Furniture and equipment	2,626,606		(906)			(110,025)	2,515,674
Vehicles	2,612,840		(20,822)			(108,858)	2,483,160
Revalued total	496,724,089	38,484,769	(43,926)			(21,952,298)	513,212,633
Subtotal fixed assets	1,346,405,031	64,735,096	(631,484)	(569,750)	(157,130)	(58,292,617)	1,351,489,147
Depreciation at cost:							
Moín Port complex	(6,707,243)	(2,740,091)				362,291	(9,085,043)
Facilities	(122,807,390)	(15,333,562)	19,87	(5,850)		5,599,847	(132,527,168)
Building	(16,806,880)	(1,853,040)				759,148	(17,900,772)
Plant machinery and equipment	(17,051,322)	(2,592,063)	19,611	(2,831)		790,809	(18,835,794)
Furniture and equipment	(40,674,254)	(5,543,611)	380,209	(6,224)		1,857,528	(43,986,352)
Vehicles	(16,122,630)	(1,888,322)				731,525	(17,279,427)
Works in progress	(47,039)	(27,518)		14,905		2,345	(57,307)
Total accumulated depreciation of assets at cost	(220,216,757)	(29,978,205)	419,607	5,369		(10,103,492)	(239,671,863)
Revalued depreciation:							
Moín Port complex	(2,895,511)	(642,801)				140,383	(3,397,929)
Facilities	(73,198,648)	(10,690,781)	11,064			3,383,682	(80,494,682)
Building	(13,958,422)	(3,472,911)				687,841	(16,743,492)
Plant machinery and equipment	(6,002,682)	(1,200,704)	839			287,091	(6,915,455)
Furniture and equipment	(2,524,772)	(11,230)	19,936			105,527	(2,410,539)
Vehicles	(2,594,961)					108,726	(2,486,234)
Total accumulated depreciation of revalued assets	(101,174,996)	(16,018,426)	31,840			4,713,251	(112,448,331)
Total depreciation	(321,391,753)	(45,996,632)	451,447			14,816,743	(352,120,194)
Total depreciation	US$1,025,013,278	US$ 18,738,465	US$(180,036)	US$ (569,750)	US$(157,130)	US$(43,475,874)	US$ 999,368,953

Fixed Asset Appraisal - The appraisal included the taking of physical inventory in accordance with the breakdown of assets and with the level of detail that allows an adequate reconciliation between the physical dimension and the accounting dimension, and the accounting reconciliation of the results of the physical inventory was also carried out:

Name of Account	Carrying Amount Net Appraised Assets	Adjustment from Appraisal as of 06.30.2021	Carrying Amount 06.30.2021
Land	US$140,735,523	US$15,422,211	US$156,157,733
Moín Port Complex	105,417,173	(5,732,456)	99,684,717
Operations and warehousing facilities	338,600,916	(1,122,034)	337,478,883
Pipeline facilities	137,480,769	11,958,972	149,439,741
Buildings	83,465,301	20,865,914	104,331,215
Heavy machinery and equipment	40,974,174	(4,049,193)	36,924,981
Totals	US$846,673,855	US$37,343,413	US$884,017,268

RECOPE's valuations focused on a macro analysis of investment costs for the variety of equipment according to its technology, capacity and technical characteristics. In addition, information from recent construction contracts for plants, storage tanks, LPG spheres, truck loading docks, as well as information from budgets, quotations and invoices for investment projects carried out in the past were analyzed.

The study applies mainly two methodologies to determine the fair value:

- **Depreciated Replacement Cost -** It was used for assets that due to their nature are classified in the classes of buildings, storage equipment, refining process equipment, pumping equipment, control and monitoring equipment, water treatment equipment, among others.

  According to this criterion, once the replacement value and remaining life of the asset is obtained, the present value of the minimum future benefits that such asset is expected to generate will be calculated. For assets that due to their nature are classified in the classes of buildings and civil works, machinery and equipment, and polyducts, the valuation of assets was carried out in accordance with the depreciated replacement cost methodology.

- **Market Value -** For all the assets covered by the project, the new values were studied and were preferably based on information available to RECOPE, consisting of updated quotations, price lists, asset acquisition values, project budgets, among others.

  For assets that due to their nature are classified in the account of major equipment, mobile support equipment, and land, the Market Approach methodology (market value) was developed, which is based on multiples or prices of market transactions involving the sale of comparable assets. This methodology assumes the existence of a market of frequent and verifiable transactions.

Any increase in the revaluation of such assets is recognized in other comprehensive income and accumulated in equity, except if it reverses a decrease in the revaluation of such assets previously recognized in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the previous decrease. A decrease in the carrying amount of the revaluation of such assets is recorded in the profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve related to a previous revaluation of such asset.

Property used during the construction for management, production, supply and administrative purposes, called "fixed assets under construction", are recorded at cost less any recognized impairment loss. Cost includes professional fees and, in the case of qualifying assets, borrowing costs capitalized in accordance with RECOPE's accounting policy. Such properties are classified in the proper categories of property, plant and equipment at the time of capitalization and when ready for their intended use. Depreciation of these assets, as in the case of other property assets, begins when the assets are ready for their intended use.

Depreciation of revalued buildings is charged to the profit or loss. In the event of a subsequent sale or retirement of revalued properties, the revaluation surplus attributable to the remaining property revaluation reserve is transferred directly to retained earnings.

The asset revaluation surplus that RECOPE has made over the years is recognized and represents the net increase in the value of the assets resulting from the revaluation, less the annual transfers of the revaluation depreciation expense, net of the deferred income tax recorded against retained earnings. Currently, the amount reflected in this account corresponds to the revaluation of furniture, equipment and vehicles.

This account also includes the surplus for the increase in the value of assets determined by the technical appraisers in June 2021.

Land is not depreciated.

Furniture, equipment and vehicles are expressed at cost less the accumulated depreciation and any recognized impairment losses.

An item of property, plant and equipment is derecognized upon disposal or when future economic benefits are no longer expected to arise from the continued use of the asset. The profit or loss arising from the retirement or disposal of an item of property, plant and equipment is calculated as the difference between the sales proceeds and the carrying amount of the asset and recognized in the profit or loss.

7. INVESTMENTS IN FINANCIAL ASSETS

A detail of investments in financial assets is as follows:

	Note	2022	2021
Financial assets measured at amortized cost:			
Securities in colones, interest between 4.32% and 13.05% (2021: 34.32% and 13.32%) per annum and maturing between March 21, 2025 and June 15, 2026 (2021: January 25, 2021 and June 15, 2026)		US$28,781,891	US$ 26,765,428
Securities in dollars, interest between 5.18% and 9.59% (2021: 2.32% and 9.59%) per annum and maturing between March 30, 2028 and June 29, 2029 (2021: February 12, 2022 and June 29, 2029)		31,991,599	79,680,278
Total	15	US$60,773,490	US$106,445,706

These investments have been made by the Company to anticipate the reserve of funds to be used at the time the bonds mature (Note 13). With Official Communication JD-0274-2017 the agreement reached by the Board of Directors is communicated, according to article 6 of the ordinary meeting #5013-219 held on December 18, 2017, and with official letter GG-1116-2017, and with the official letter “Proposal for the formation of a bond payment fund”, in which it establishes in its point 2: Authorize the formation of a Fund for the Amortization of Bonds (in hereinafter FAB) issued by RECOPE in Program A, which was authorized by SUGEVAL, according to official letter SGV-R-2702 of August 27, 2012, whose initial amount is ¢9.175 million and to which an amount will be allocated annually that will be determined from according to financial and economic conditions.

The movement of investments of the year is as follows:

	2022	2021
Initial balance	US$106,445,706	US$ 85,299,684
Investment increase		21,222,080
Investment maturity	(48,555,460)	
Exchange rate translation effect	2,883,244	(76,058)
Final balance	US$ 60,773,490	US$106,445,706

8. OTHER ASSETS

Other assets are broken down as follows:

	2022	2021
Software licenses	US$ 27,164,245	US$ 19,874,054
Security deposits	4,152,343	3,605,552
Idle assets	13,304,247	13,981,391
Others	651,231	604,338
Subtotal	45,272,066	38,065,335
Accumulated amortization of software	(20,484,743)	(16,604,340)
Total	US$ 24,787,323	US$ 21,460,995

Security deposits in other government institutions amount to ¢375.886.000 and US$3,579,997 (2021: ¢376.037.742 and US$3,049,382).

Non-operating assets correspond mainly to service stations that are out of service due to pending lawsuits filed by former users of the stations. These assets are shown net of impairment.

The movement of idle assets is as follow:

	2022	2021
Initial balance	US$13,981,391	US$17,932,415
Allowance for impairment	(783,234)	(1,869,445)
Retirement		(227,224)
Adjustments and reclassifications	37,974	
Accumulated depreciation	(906,215)	(1,103,005)
Foreign exchange translation reserve	974,331	(751,350)
Final balance	US$13,304,247	US$13,981,391

During 2022 and 2021, based on the appraisal performed by the Company, an impairment of non-operating assets was recognized for ¢467.622.307 and ¢1.200.221.065, respectively, and assets were retired for ¢147.861.606 in 2021.

Licenses are amortized over 3 years.

	2022	2021
Software licenses	US$ 27,164,245	US$ 19,874,054
Accumulated software amortization	(20,484,743)	(16,604,340)
Total	US$ 6,679,502	US$ 3,269,714

The movement of the year is as follows:

	2022	2021
Initial balance	US$ 3,269,714	US$ 3,057,193
Additions	5,944,331	2,317,829
Disposals	(85,745)	(21,726)
Adjustments and reclassifications	105	12,346
Amortization expenses	(2,479,110)	(2,027,980)
Foreign exchange translation reserve	30,207	(67,948)
Final balance	US$ 6,679,502	US$ 3,269,714

9. ACCOUNTS PAYABLE

Accounts payable are broken down as follows:

	Note	2022	2021
Supplier of oils and byproducts		US$184,351,982	US$278,961,623
Law No.8114 Single Tax	15	43,271,277	94,262,996
Public institutions			15,321,276
C.C.S.S		521,121	5,362,084
Trade		112,336	1,692,903
Others		1,332,663	799,977
Total		US$229,589,379	US$396,400,859

10. ACCUMULATED EXPENSES AND OTHER LIABILITIES

The accumulated expenses account is broken down as follows:

	2022	2021
Provision for school supplies bonus	US$ 3,845,618	US$ 3,648,770
Provision for Christmas bonus	324,683	280,962
Provision for vacations	2,519,049	2,555,892
Provision for contribution to the CCSS Law 7983-Art 78	14,178,628	
Provision for contribution to the CNE Law 8488 Art 46	1,441,926	
Accumulated interest	3,443,911	3,556,984
Total	US$25,753,815	US$10,042,608

During 2022, the Company records the provisions for the CCSS Contribution Law 7983 Art 78 and CNE Contribution Provision Law 8488 Art 46; in 2021, these obligations were shown as part of Note 9, in the lines of Government Institutions US$14,924,800 and the Single Tax Law No. 8114 US$2,492,616, respectively.

11. LONG-TERM DEBT

A detail of the long-term debt is presented as follows:

	Note	2022	2021
BNP Paribas, in dollars, interest rate of, Libor rate at six months plus 2.75%, maturity in 2027, guaranteed through insurance	21.1	US$ 7,135,648	US$ 8,687,795
Subtotal		7,135,648	8,687,795
Less: Current portion of the long-term debt		(1,607,051)	(1,579,599)
Total		US$ 5,528,597	US$ 7,108,196

Scheduled maturities of long-term debt as of December 31 are the following:

Year	2022	2021
2022		US$1,579,599
2023	US$1,607,051	1,579,599
2024	1,698,589	1,579,599
2025 and thereafter	3,830,008	3,948,998
Total	US$7,135,648	US$8,687,795

12. LONG-TERM BONDS PAYABLE

Long-term bonds payable as of December 31 are described below:

	2022	2021
Series A1 bonds payable		US$ 50,000,000
Premium in placement		102,420
Series A2 bonds payable	US$ 50,000,000	50,000,000
Premium in placement	56,433	64,770
Series A4 bonds payable	40,000,000	40,000,000
Discount in placement	(37,509)	(42,915)
Series A5 bonds payable	33,465,731	31,121,607
Premium in placement	302,614	373,668
Series A6 bonds payable	9,482,297	8,818,038
Premium in placement	85	106
Sub - total	133,269,651	180,437,694
Less: Current portion of long-term bonds		(50,102,420)
Total	US$133,269,651	US$130,335,274

RECOPE, S.A. is an entity regulated by the General Superintendence of Securities (SUGEVAL), the Bolsa Nacional de Valores de Costa Rica, S.A. (Costa Rica's National Stock Exchange) and the Securities Market Regulation Law, and it was authorized through Resolution SGV-R-2702 of August 27, 2012, *public offer and registration in the National Registry of Securities and Intermediaries* to issue standardized debt bonds for US$200 million dollars to be traded in the stock market of Costa Rica for the financing of a program of strategic investments. It is also authorized in the secondary market by the Financial System Superintendence of El Salvador per Certification No. SAVC-025917. The following is a detail of the characteristics of bonds payable:

Instrument	ISIN Code	Series in Placement	Amount Auctioned	Risk Rating	Issue Date	Maturity Date	Term of Issue	Face Value	Value Traded	Type of Rate	Gross Interest Rate	Net Interest Rate	Weighted Yield
Standardized Bonds	CRRECOPB0020	Series A2 (3)	US$ 50,000,000	(1)	04/03/2013	04/03/2028	15 years	US$1,000	US$1,000	Fixed	6.36%	(2)	5.83%
Standardized Bonds	CRRECOPB0046	Series A4 (3)	US$ 40,000,000	(1)	07/02/2014	07/02/2029	15 years	US$1,000	US$1,000	Fixed	7.07%	(2)	6.50%
Standardized Bonds	CRRECOPB0053	Series A5 (3-4-5)	¢20.000.000.000	(1)	03/24/2015	03/24/2025	10 years	¢1.000,00	¢1.000,00	Fixed	11.96%	(2)	10.99%
Standardized Bonds	CRRECOPB0061	Series A6 (6)	¢ 5.667.000.000	(1)	06/16/2016	06/16/2026	10 years	¢1.000,00	¢1.000,00	Fixed	9.946%	(2)	9.150%

Notes:

(1) AAA (cri) FITCH Costa Rica, AAA Pacific Credit Rating El Salvador.

(2) Net interest rate: Gross rate less income tax (DGT-951-2012),

(3) According to the Regulations on the Public Offer of Securities and Official Communication DCP-211-2013, RECOPE allocated the totality of Series A2.

(4) It corresponds to the second placement of the issue of Series A5, amounting to ¢4.020.000.000 (US$6,591,569) and made on August 25, 2015, complementing the first placement for ¢12.000.000.000 (US$19,676,324) made on March 24, 2015.

(5) It corresponds to the third placement of the issue of Series A5, amounting to ¢3.928.000.000 made on November 23, 2015, complementing the first and second placements for ¢16.020.000.000 made on March 24, 2015 and August 25, 2015.

(6) It corresponds to the first placement of the issue of Series A6, amounting to ¢5.667.000.000 made on June 16, 2016.

The risk rating, on a national scale, AA+ (cri) and AAA (slv), refers to issues or obligations based on the expectation of default risks with respect to all other issues or obligations in the country. These ratings were granted by FITCH COSTA RICA, S.A. and PACIFIC CREDIT RATINGS, S.A. DE C.V., updated by them in September 2022.

As of December 31, 2022 and 2021, there have been no new bond placements.

The scheduled maturities of bonds are as follows:

Year	2022	2021
2022		US$ 50,102,420
2025	US$ 33,767,576	31,494,323
2026	9,483,150	8,819,096
2028	50,056,433	50,064,770
2029	39,962,492	39,957,085
Total	US$133,269,651	US$180,437,694

13. INCOME TAXES

Based on the ruling of the Administrative Tax Court No.TFA-504-2011, the provisions established in Law No.7092 "Income Tax Law", published in the official newspaper La Gaceta No.96 of May 19, 1988 and Law No.7722 "Obligation of Government Agencies to Pay Income Tax", published in the official newspaper La Gaceta No.10 of March 15, 1998, regarding the obligation of RECOPE to pay income tax, were ratified at the administrative channels. For those matters not included in this law (7722), the application of the tax will be governed by the Income Tax Law No.7092. Regarding the income tax returns of the last two fiscal years (2017-2018), they were timely filed in accordance with the current regulations.

Based on official communication No.DGT-1195-2019, of November 21, 2019, the Attorney General's Office of the Republic files an ordinary proceeding leading to a declaratory judgement (damage lawsuit) against the Company, against the resolution of the Administrative Tax Court mentioned above. Furthermore, RECOPE answered negatively to such lawsuit, on December 19, 2019. On January 17, 2020, the Contentious Court ruled on the matter and summoned the parties to a preliminary, oral and public hearing, indicating September 14, 2020 as the date for the hearing.

On September 28, 2020, a preliminary hearing was held where RECOPE's appraisal report contained in file 19-007658-1027-CA-1 was admitted as evidence, and on December 12, 2022, the Oral and Public Trial was held in the Administrative Contentious Court. At the end of December 2022, no rulings have been issued by such Court.

Income Tax Calculation - Income tax is calculated on the net profit, less non-taxable income plus non-deductible expenses, less the investment reserve at the end of the fiscal year to get the net income (taxable income or taxable surplus) to which 30% is applied and corresponding to the current rate. It is filed and paid in March of the following year.

	2022	2021
Profit (Loss) before income tax	US$ 89,834,770	US$107,111,381
Plus: Nondeductible expenses	45,849,114	50,867,385
Less: Other deductible	(73,162,534)	(74,952,077)
Less: Nontaxable income	(16,682,673)	(3,319,020)
Taxable gain	US$ 45,838,677	US$ 79,707,668

(Continues)

	2022	2021
Current income tax	US$ 13,751,602	US$ 23,912,301
Adjustment of 2021 income tax	(7,692,072)	
Deferred tax	(1,193,374)	2,065,219
Total income tax	US$ 4,866,156	US$ 25,977,520

In addition to the amount charged to profit or loss, the following tax-related amounts have been recognized in other comprehensive income:

	Notes	2022	2021
Deferred tax			
Item to be reclassified to profit:			
Deferred tax liability from asset revaluation	1g, 1j, 13	US$(2,693,367)	US$(11,544,478)
Total corporate income tax recognized in other comprehensive income		US$(2,693,367)	US$(11,544,478)

As of December 31, 2022 and 2021, the Company's Management considers that the items included in the calculation of the tax base for the calculation of the income tax will not generate any uncertainty with respect to the income tax treatment as required by *IFRIC 23 - Uncertainty over Income Tax Treatments*.

Details of Income Tax Expenses - The changes in income tax expenses are as follows:

	2022	2021
Current income tax expenses	US$13,751,602	US$23,912,301
Adjustment to 2021 income tax	(7,692,072)	
Income tax expenses in profit or loss	US$ 6,059,530	US$23,912,301

In 2022 an adjustment to the income tax provision for 2021 of US$7,692,072 is calculated, impacting the expense account of the current period; therefore, the income tax expense for 2022 decreases resulting in a balance in the account for US$6,059,530, which differs from that determined in the year for US$13,751,602.

Income Tax Payable - The movement of the income tax payable is as follows:

	2022	2021
Initial balance payable	US$ 12,817,903	
Current income tax	13,751,602	US$ 23,912,301
Adjustment to 2021 income tax	(7,692,072)	
Tax paid	(24,362,141)	(11,094,398)
Income tax (receivable) payable	US$ (5,484,708)	US$ 12,817,903

Income taxes credits or payable are included in accounts receivable Government (Note 3) and accounts payable Single tax Law No. 8114 (Note 9).

Deferred Income Tax Asset - The movement of the deferred income tax assets are detailed below:

	2022	2021
Balance at the beginning of year	US$1,918,745	US$ 6,529,592
Translation adjustment	127,233	(136,493)
Severance benefit accrual	(201,018)	(4,474,354)
Balance at the end of year	US$1,844,960	US$ 1,918,745

Deferred Income Tax Liability - The movement of the deferred income tax liability are detailed below:

	2022	2021
Balance at the beginning:	US$(150,351,415)	US$(147,681,991)
Effect from revalued fixed assets	(2,693,367)	(11,544,479)
Effect from depreciation expenses on revalued assets	4,778,212	4,976,814
Exchange rate differences in depreciation rates and recognized in results	(3,383,820)	(2,567,679)
Translation adjustment	(11,437,741)	6,465,920
Deferred income tax liability of the year	US$(163,088,131)	US$(150,351,415)
Deferred income tax liability of the year - net	US$(161,243,171)	US$(148,432,670)

As of December 31, 2022 and 2021, the Company's Management has estimated that it will have future taxable income against which to charge the deductible temporary differences existing at that date, in addition, the Company's Management considers that it still has the legal power and rights to use and apply these deductible temporary differences.

Transfer Pricing - The resolution denominated Transfer Pricing Informative Return No.DGT-R-44-2016, published in Digital Supplement No.182 of September 13, 2016, states in Article 1 that taxpayers required to file an annual income tax return as stipulated in Article 2 of this resolution must file an annual transfer pricing informative return with the Tax Authorities in accordance with the sample return and instructions given therein and in accordance with the following statement: “Taxpayers classified as “national large taxpayers” or “large territorial companies” that perform national or cross-border operations with related parties”.

Regarding the foregoing, RECOPE’s Management has not filed any annual transfer pricing informative return because it considers that it would not apply, so it will submit an explanation about the filing of such return to the corresponding authorities, based on the following:

a. The Company does not conduct transactions with related parties and has not maintained any type of commercial relationship through the purchase or sale of goods and services.

b. Fuel sales are governed by the Public Services Regulatory Authority (ARESEP); therefore, RECOPE does not have the power to set the prices to sell its products, whether with related or unrelated parties.

c. The purchases are made from entities with which it has no relationship under the terms set forth by Transfer Pricing Decree No.37898. It should be clarified that neither the Costa Rican Transfer Pricing regulations, nor the OECD Transfer Pricing Guidelines, on which the local regulations are based. These guidelines are not designed for the evaluation of governmental entities, which makes it difficult to interpret the term "related parties" in the public sector. However, the interpretation is that RECOPE's operations with entities of the Central Government or Local Government do not constitute related transactions.

d. Prices are governed by another governmental institution (ARESEP), so they do not require a Transfer Pricing analysis; therefore, it would not be necessary to file an informative return.

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties are broken down as follows:

	Notes	2022	2021
Investment in financial assets:			
Ministry of Financing	7	US$60,773,490	US$106,445,706
Account receivable:			
Ministry of Financing	3	US$ 7,196,799	US$ 3,160,765
JAPDEVA	3		466,530
Total		US$ 7,196,799	US$ 3,627,295
Account receivable - long term:			
JAPDEVA		US$ 51,409	US$ 95,434
National Concession Board		509,997	475,534
Total	3	US$ 561,406	US$ 570,968

The account receivable from JAPDEVA corresponds to a payment for using a tow truck, which generates an interest equal to the basic borrowing rate set by the Central Bank of Costa Rica of 4,53% (2021:4.53%).

For the other accounts receivable, there is no expiration date or guarantee of their balance, and they do not earn interest.

	2022	2021
Accounts payable:		
Ministry of Financing	US$43,271,277	US$ 94,262,996
C.C.S.S	521,121	5,362,084
Public Institutions		15,321,276
Total	US$43,792,398	US$114,946,356

Accounts payable to the Ministry of Finance include the Single Tax Law No.8114 (Note 10), income tax payable and 2% withholdings.

The transactions with related parties are the following:

	2022	2021
Sales:		
Costa Rican Institute of Electricity	US$22,713,628	US$ 75,031
To the Ministries of the Government of Costa Rica	280,444	235,963
Total	US$22,994,072	US$ 310,994
Cost of sales:		
Costa Rican Institute of Electricity	US$21,094,307	US$ 67,418
To the Ministries of the government of Costa Rica	260,450	208,675
Total	US$21,354,757	US$ 276,093
Expenses:		
Seating fees to the Board of Directors	US$ 23,911	US$ 33,356
Salaries to directors and managers	1,232,593	1,349,964
Total	US$ 1,256,504	US$1,383,320

15. CAPITAL STOCK

RECOPE’s capital stock amounts to US$370,515,185 (¢200.103.000.000), represented by 30,000 common and nominative shares of US$12,350.51 (¢6.670.100) each.

16. INVESTMENT RESERVE

Through resolution TFA No.428-P-2018 of July 24, 2018, the Administrative Tax Court notifies RECOPE about the resolution adopted by that instance regarding the deductibility of the Investment Reserve in the determination of the Income Tax, concluding that such total deduction is appropriate, according to the amount approved by ARESEP.

As of December 31, the Administration has been authorized by ARESEP to create the investment reserve for the 2021 fiscal period, for an amount of ¢40.215 million, based on resolution RE-0048-IE-2019, issued by the Regulatory Authority of Public Services

(ARESEP), published in Scope No.165 of La Gaceta No.135, of July 18, 2018, in accordance with the provisions of Article No.2 of Law No.7722 "Subjection of State Institutions to the Payment of Income Tax".

It is kept as part of the accumulated profits.

17. SALES, OPERATING EXPENSES AND EXTERNAL TRANSFERS

The sales are as follows:

	2022	2021
Diesel	US$1,415,520,882	US$ 957,486,842
91 Plus gasoline	791,522,728	621,229,048
Premium gasoline	819,812,125	631,498,757
JET - 1	327,765,789	141,136,178
Other derivatives	289,470,243	234,542,498
Total sales	3,644,091,767	2,585,893,323
Refunds	(264,424)	(488,075)
Total	US$3,643,827,343	US$2,585,405,248

Operating expenses by nature are as follows:

	2022	2021
Salaries	US$ 57,489,801	US$ 64,879,933
Non-personal services	39,578,663	35,705,473
Materials and supplies	12,767,379	8,794,160
Depreciation and amortizations	47,566,267	49,158,152
Current transfers	1,684,033	(12,554,402)
Total	US$159,086,143	US$145,983,316

Current transfers include expenses for benefits, subsidies and severance, among others.

Transfers are detailed as follows:

	2022	2021
Canon Civil Aviation	US$ 1,834,163	US$ 1,411,764
Canon ARESEP	1,488,925	2,854,510
Contributions to Local Governments municipalities)	1,408,738	1,514,972
Law 8488 National Emergency Commission	(710,034)	2,391,230
Law # 7983 Contributions to C.C.S.S.	9,565,794	14,317,740
Others	205,013	199,093
Total	US$13,792,599	US$22,689,308

In 2022, an adjustment to the provision of Law 8488 National Emergency Commission and Law # 7983 C.C.S.S. Contributions for 2021 is made for US$(2,037,899) and US$(3,488,985), impacting the expense account for the current reporting period; therefore, the expense of Law 8488 National Emergency Commission and Law # 7983 C.C.S.S. Contributions for 2022 decreases leaving a balance in the account of US$(710,034) and US$9,565,794, which differ from that determined in the year by US$1,327,865 and US$13,054,779, respectively; see details of the movement:

The movement of the expense from Law 8488 National Emergency Commission is as follows:

	2022
Expense of the year	US$ 1,327,865
Adjustment for FY 2021	(2,037,899)
Total	US$ (710,034)

The movement in the expense from Law # 7983 C.C.S.S. Contributions is detailed below:

	2022
Expense of the year	US$13,054,779
Adjustment for FY 2021	(3,488,985)
Total	US$ 9,565,794

18. FINANCIAL INSTRUMENTS

A summary of the principal disclosures regarding RECOPE's financial instruments is the following:

18.1 Significant Accounting Policies

Significant accounting policies and adopted methods, including the criteria for recognition, basis for measurement, and basis on which income and expenses for each type of financial asset and liability is recognized are indicated in Note 1 to the financial statements.

18.2 Financial Instruments - Categories

Financial instruments are categorized as follows:

	2022	2021
Financial assets:		
Cash	US$208,236,288	US$233,131,627
At amortized cost:		
Accounts receivable	8,093,042	4,922,218
Investments on financial assets	60,773,490	106,445,706
Total assets	US$277,102,820	US$344,499,551

(Continues)

	2022	2021
Financial liabilities:		
At amortized cost:		
Accounts payable	US$229,589,379	US$396,400,859
Long term debt	7,135,648	8,687,794
Long term bonds payable	133,269,651	180,437,695
Total liabilities	US$369,994,678	US$585,526,348

The reconciliation of liabilities arising from financing activities, detailing the changes in liabilities arising from financing activities, including changes in cash and non-cash:

			Cash	No - Cash		
	Notes	Balance as of 31/12/2021	Flows of cash from Financing	Effect of Differential Exchange	Transactions that do not involve Cash	Balance as of 31/12/2022
Long term bonds payable	13	US$180,437,694	US$(50,825,740)	US$3,657,697	US$	US$133,269,651
Long term debt	12	US$ 8,687,795	US$ (1,716,184)	US$ 164,037	US$	US$ 7,135,648

A summary of the main risks associated with these financial instruments and Company risk management policies are described below:

a. ***Credit Risk*** - Financial instruments that potentially subject RECOPE to credit risk mainly consist of cash, cash equivalents, accounts receivable and investments in financial assets. Cash and cash equivalents are maintained at a strong financial institution. These are payable on demand with minimum recovery risk. The Investment in Financial Assets is held in securities of the Ministry of Finance and the recovery risk is deemed minimal.

   In general, accumulation of credit risk in connection with receivables is limited, for most of RECOPE sales are in cash, as provided in Law No.6588 "RECOPE Incorporation Act" Only the Central Government is granted a sixty-day term. The remaining accounts receivable are assessed on a qualitative experience-based scale. Having balances receivable from related parties carries no risk, for no default problems have been detected over time.

b. ***Exchange Rate Risk*** - RECOPE makes transactions in US dollars. This currency shows regular fluctuations against the Costa Rican colón in accordance with monetary and exchange policies by the Central Bank of Costa Rica. Accordingly, any fluctuation of the US dollar against the Costa Rican colón affects results, financial position, and cash flows. The Company is constantly monitoring net exposure in US dollars. This risk is reduced through the pricing formula, showing monthly currency variation in sales price adjustment. Assets and liabilities in foreign currency are described as follows:

	2022	2021
Assets:		
Cash and cash equivalents	US$ 142,950,182	US$ 201,152,636
Investments in financial assets	90,018,924	79,319,844
Accounts receivable	3,245,639	5,032,723
Total assets	236,214,745	285,505,203
Liabilities:		
Accounts payable	(207,381,696)	(303,446,122)
Debt	(97,154,572)	(148,812,070)
Total liabilities	(304,536,268)	(452,258,192)
Net exposure	US$ (68,321,523)	US$(166,752,989)

The sales operation, as well as the rotation of inventories, generates the necessary funds for the Company to promptly attend to the purchase of foreign currency to attend to its liabilities. On the other hand, the maturities of the bonds are associated with purchases and the maturities of investments in financial assets that are denominated in the same currency (Notes 8 and 13).

Exchange Rate Sensitivity Analysis - The following description shows sensitivity to decrease or increase in foreign exchange rate. The sensitivity rate used by Management is 2%, accounting for the best estimate of exchange rate variation.

Sensitivity to Increase / Decrease in Exchange Rate -

Net exposure	US$(68,321,523)
Closing exchange rate	¢ 597,64
Exchange rate variation of 2%	11,95
Loss / profits	¢ (816.633.498)

c. ***Liquidity Risk*** - Liquidity risk is the risk if RECOPE fails to meet all its obligations in the agreed terms. RECOPE maintains liquid financial assets for transactions. In addition, a methodological request for adjustment of fuel prices is made to reduce the risk of significant differences between fuel price and sales price. Sales to third parties are in cash, as provided in Law No.6588, reducing default risk. Credit lines are also available for fuel purchase in order to reduce liquidity.

RECOPE is managing liquidity risk by maintaining proper cash reserves. Additionally, RECOPE is constantly monitoring cash flows and maturity matching analysis, allowing for timely issue of short and medium-term obligations.

Expected recovery of principal financial assets as of December 31, 2022 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between 0.12% and 13.32%	US$208,236,288			US$60,773,490	US$269,009,778
Non-interest rate bearing instruments			US$8,052,146		40,896	8,093,042
Total		US$208,236,288	US$8,052,146	US$	US$60,814,386	US$277,102,820

Scheduled payments of principal financial liabilities as of December 31, 2022 are as follows:

Financial Liabilities	Interest Rate	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between Libor six Months 2.75% and 11.96%		US$ 1,607,051	US$138,798,248	US$140,405,298
Interest payable and undiscounted future cash flow					
Non-interest rate bearing instruments		US$135,326,384	94,262,996		229,589,379
Total		US$135,326,384	US$95,870,046	US$138,798,248	US$369,994,678

Expected recovery of principal financial assets as of December 31, 2021 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between 0.12% and 13.32%	US$233,131,627		US$39,732,407	US$66,713,299	US$339,577,333
Non-interest rate bearing instruments			US$4,826,784		95,434	4,922,218
Total		US$233,131,627	US$4,826,784	US$39,732,407	US$66,808,733	US$344,499,551

Scheduled payments of principal financial liabilities as of December 31, 2021 are as follows:

Financial Liabilities	Interest Rate	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between Libor six Months 2.75% and 11.96%		US$ 51,682,019	US$137,443,470	US$189,125,489
Interest payable and undiscounted future cash flow		US$3,395,263	10,089,316	68,963,371	82,447,951
Non-interest rate bearing instruments			357,061,277	39,289,827	396,351,103
Total		US$3,395,263	US$418,832,612	US$245,696,667	US$667,924,543

d. ***Interest Rate Risk*** - RECOPE maintains significant liabilities mainly consisting of bank loans subject to interest rate variation. RECOPE hopes that its interest rates are not significantly increased in the short term. In case of the investments in financial assets and long-term bonds payable, it is important to mention that this is a fixed rate loan, thus reducing this risk. In regard to the remaining existing loans. RECOPE is currently reviewing interest rates and renegotiating financial conditions.

RECOPE issues bank bonds bearing interest at variable rates. Accordingly, it is subject to interest rate fluctuation. This risk is considered normal within RECOPE financing structure, for loans are arranged at market rates. Given net borrowing as of December 31, 2022. Management has developed a sensitivity analysis on potential interest rate variations. The table below shows annual profits (losses) that may result from interest rate variation of 1 and 2 percentage points, respectively:

	Variable Interest Rate Borrowing	1%	2%
Increase	US$7,135,648	US$(71,356)	US$(142,713)
Decrease	US$7,135,648	US$ 71,356	US$ 142,713

e. ***Capital Management Policy*** - Capital Management Policy is contained in different regulations of RECOPE, including, inter alia, Law No.6588 "RECOPE Incorporation Act," Law No.8131 "Law of Financial Administration and Public Budgets." and Law No.7593 "Law of the Public Services Regulating Authority". Law No.7010 "Public Indebtedness Law". Law No.5525 "National Planning Law", among others and the respective regulations.

f. ***Market Risk*** - Market risk refers to international price variations of crude oil and petroleum by-products. International price variations from increased world demand for hydrocarbons always have an impact on the financial situation of RECOPE.

To reduce this risk, RECOPE has used a monthly sales price formula, demanding price adjustment to the Regulatory Authority while covering import price and exchange rate variations every time it is methodologically determined (on a monthly basis) that international price variations of crude oil and by-products have given rise to the need for price review. Historically, price adjustments have not necessarily been adjusted to the requests of RECOPE in terms of amounts and time. Therefore, variations in purchase of raw material and finished goods maintain the market risk inherent in the product and the need for price adjustment.

Based on a domestic sales price formula, RECOPE hedges price and exchange rate risk. It also reduces the market supply risk with different hydrocarbon suppliers and agreements therewith for different finished goods and crude oils.

Market Risk Sensitivity Analysis - In connection with the sensitivity analysis to assess the impact on RECOPE projected financial statements, different hydrocarbon "cocktail" price scenarios as well as product demand and purchase projection scenarios are used, thus. RECOPE conducts this type of analysis of its finances on an ongoing basis, using cash flow projections, income statements, and statements of financial position, taking into consideration, among others, price markets of hydrocarbon futures, local sale prices, which are monthly adjusted according to the behavior of fuel prices in the international market.

For the sales projections and demand analysis, multi-variable and co-integrated econometric models, least squares, and surveys are used among important clients with the consumption expectations of some clients, among others.

For the import's projections, which is one of the items with the greater impact in determining the cost of sales, daily consultation in specialized sources of information of present and future hydrocarbon international prices is made.

Market sensitivity is mainly conducted for the previous factors because they are the ones with the greater impact in RECOPE's financial projections, in addition to the use of historical analysis and the future needs of the different premises of RECOPE.

Taking into consideration the above, under the assumption of a variation of 1% in the international prices of hydrocarbons, changes could occur in the national sales prices for US$19,000,000 for a year. These variations in the price of hydrocarbons in the international market, as well as in the exchange rate, are considered in the price adjustment formula that is monthly applied using the definition of prices made by ARESEP.

18.3 LEVERAGE RISK MANAGEMENT

In the normal course of operations, RECOPE is exposed to a variety of financial risks, which it tries to minimize through the application of risk management policies and procedures. These policies cover market risk, liquidity risk, exchange rate risk, and interest rate risk. In addition, RECOPE manages its capital structure with the objective of achieving a profitability that will allow it to expand its business in accordance with national long-term development plans.

The capital structure used consists of the net debt (debt less cash and cash equivalents) and stockholders' equity, including capital stock, reserves, and retained earnings, RECOPE's leverage index is the following:

	2022	2021
Notes payable, bank debt and long-term bonds payable	US$ 140,405,298	US$ 189,125,489
Investments in financial assets	(60,773,490)	(106,445,706)
Cash and cash equivalents	(208,236,288)	(233,131,627)
Net debt	US$ (128,604,479)	US$ (150,451,844)
Stockholders' equity	US$1,189,407,997	US$1,023,197,327
Leverage index	(0.11)	(0.15)

18.4 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

Estimates of market fair value are made at a specific time, and they are based on relevant market information and information related to the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at a certain time a financial instrument.

The fair value of financial instruments negotiated in active markets is determined based on market price quotes as of the date of the financial statements.

The fair value of financial instruments not negotiated in active markets is determined based on valuation techniques and assumptions based on the market conditions as of the date of the financial statements.

These estimates are subjective by nature; they involve uncertainty and great judgment; therefore, they cannot be accurately determined. Any change in the assumptions or criteria can affect these estimates.

The accounts receivable and payable are non-derivative assets and liabilities with fixed or determined payments, and they are not quoted in an active market. It is assumed that their book value, less the allowance for impairment, if any, is approximate to their fair value.

The market value of financial assets and liabilities on the short term is approximate to their respective book value, mainly due to their maturity. The methods and assumptions used by RECOPE to establish fair market value of the financial instruments are detailed as follows:

a. ***Cash, Cash Equivalents*** - Book value of these assets is approximate to their fair value due to their current nature.

b. ***Investments in Financial Assets*** - Book value as of December 31, 2022 is US$60,773,490 and its fair value as of that date is US$60,062,607. Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date (Level 1).

c. ***Accounts Receivable and Accounts Payable*** - Book value of these financial assets and liabilities at less than one year is approximate to their fair value due to their short-term nature.

d. ***Notes Payable and Long-Term Debt*** - Rates of the loan are agreed at market value, and they are adjustable so that they can remain always at fair value; therefore, their market value is approximate to their reasonable value.

19. AGREEMENTS

19.1 LOAN AGREEMENTS WITH BNP PARIBAS FORTIS SOCIÉTÉ GÉNÉRALE

On September 22, 2015, RECOPE and BN PARIBAS FORTIS SOCIETE GENERALE enter into a loan agreement for the amount of US$19,000,000 (nineteen million dollars), legal tender of the United States of America, to build four spherical tanks for the storage of LPG (YT-7712, YT-7713, YT-7714, YT-7715) in the refinery of Moín, in regard to public tender No.2011LN-00009-02.

Term and Amortization - 10 years including a two-year grace period, 20 biannual payments, after the grace period with maturity in September 2027.

Interest Rate - Payable biannually when due, calculated on the basis of 360 days (at six-month Libor rate + 2.75%).

Method of Interest Payment - The last day of each interest period, the borrower must pay the interest accrued on the loan to which the borrower relates for that period of interest.

Interest in Arrears - 2% on applicable interest rate (IR+2.0%).

Fees and Commissions -

a. **Commitment Fee** - 1.10% per year on undrawn balance, starting on the date the loan agreement is signed and payable biannually.

b. **Structure Fee** - 1.0% flat on the loan full amount, payable at once upon signing the loan agreement.

c. **Agency Fee** - 0.645% flat on the loan full amount, payable to the Agent at once upon signing the loan agreement.

d. **CESCE Fee** - 5.9% flat, CESCE will cover Banks for 99% of political and commercial risks on the loan principal plus accrued interest.

Advanced Payments and Voluntary Settlement - Subject to the prior written consent of CESCE, the Borrower may pay in advance any Loan on a Date of Interest Payment after the last day of the Availability Period, either in full or in part (subject to a minimum of five million dollars (US$5,000,000)), provided that the borrower submits prior notice to the Agent with at least thirty (30) Business Days in advance.

Any amount previously paid may not be reimbursed and will be applied to Installment Fees in reverse chronological order.

Subject to the prior written consent of CESCE, the Borrower may-submitting prior notice to the Agent with at least thirty (30) Business Days in advance, settle the total or any part of the loan (being five million dollars (US$5,000,000) the minimum amount.

Special Obligations -

a. **Financial Definitions -**

- In this Clause 18 (Financial Covenants): "Certificate of Compliance" means a certificate mainly along the lines of the format provided in Exhibit 7 (Format of the Certificate of Compliance) or according to any other format agreed upon between the Borrower and the Agent.

- "Current Assets" means the total amount shown as current assets in the balance sheet of RECOPE prepared pursuant to IFRS.

- "Current Liabilities" means the total amount shown as current liabilities in the balance sheet of RECOPE prepared pursuant to IFRS.

- "Current Ratio" (or Liquidity Ratio) means, in regard to any Relevant Period, the coefficient of Current Assets for that Relevant Period relative to the Current Liabilities for that same period.

- "EBITDA" (abbreviation of "Earnings before Interest, Taxes, Depreciation and Amortization," that is, profits before Interest, Taxes, Depreciation and Amortization). It means, relative to the Company, for any period, the addition (determined without duplication) of: (a) the Operating Income for that period plus (b) depreciation and amortization to the extent that they are deducted to determine the Operating Income for said period.

- "Financial Charges" means the total amount of accrued interest, commissions, discounts, prepayment fees, hedge fees or charges and other financial payments relative to financial indebtedness, which must be paid by RECOPE in cash or capitalized within the twelve months following the date of calculation:

  – Excluding initial fees or costs that are included as part of the effective adjustments to the interest rate;

  – Including the interest elements (but not the principal) of payments with regard to financial leases; and

  – Including any commissions, professional fees, discounts, and other financial payments which must be paid (deducting all amounts that must be paid to RECOPE) by RECOPE in accordance with any interest rate hedge agreement,

- "Financial Lease" means any lease agreement or installment sale agreement that, according to IFRS, would be treated as a financial or capital lease.

- "Net Debt Coverage Ratio" means, relative to any relevant period, the proportion of total net debt in the last day of that relevant period in EBITDA (abbreviation of "Earnings before Interest, Taxes, Depreciation and Amortization", that is, profits before Interest, Taxes, Depreciation and Amortization) for that relevant period.

- "Operating Income" means, for any period, the operating income of RECOPE.

- "Relevant Period" means: (i) with respect to the Net Debt Coverage Ratio, each twelve-month period that ends on the last day of the fiscal year or around that date, and each twelve-month period ending the last day of each fiscal quarter or around that date; and

  With respect to the Current Ratio, each twelve-month period that ends on the last day of the fiscal year or around that date, and each twelve-month period ending the last day of each fiscal quarter or around that date.

- "Total Net Debt" means, at any moment, the total amount of all the obligations of the Company in relation to Financial Indebtedness in that moment, but:

  – Including, in the case of Financial Leases only, their capitalized value; and

  – Deducting the total amount of RECOPE's Investments in Cash and in Cash Equivalents at that moment and in a way that no amount is included or excluded more than once.

  The Borrower must ensure that:

  – The Net Debt Coverage Ratio for any Relevant Period is not higher than 3.00:1.00.

  – The Current Ratio for any Relevant Period is not less than 1.20:1.00.

  – Data of the Net Debt Coverage Ratio and the Current Ratio for previous accounting periods must be provided with respect to the most recently ended Relevant Period by reference to each one of the financial statements submitted per Section (a) (i) of Clause 17.1 (Financial Statements) and to each Certificate of Compliance submitted per Clause 17.2 (Certificate of Compliance).

b. **Breach of Contract** -

Failure to pay.

Illegal origin.

Corrupt practices.

Unlawfulness.

Rejection - The Borrower rejects a Transaction Document or shows its intention to reject a Transaction Document.

The Borrower is in breach of the agreement in any substantial manner.

The Borrower does obtain (as applicable) all Authorizations required per any term or condition of the Agreement entered into with the Contractor relative to the Borrower's registration and compliance, and the validity and enforceability of the transactions contained in the Agreement with the Contractor, or such Authorizations are not or stop being in force.

As of December 31, 2022 and 2021, the Company is in compliance with the contract clauses and contract obligations.

20. EMPLOYEES' LEGAL BENEFITS

As of December 31, 2022 and 2021, Recope commissioned an actuarial study to calculate the accrued benefits from the employees' legal benefits whose primary objective was to obtain the amount of the coverage of the Actuarial Liabilities, including actuarial profit and loss, conclusions about the actuarial situation of the benefit plan and the recommendations for adjustments to the allowance for employees' legal benefits.

The target population of the study includes all active employees, with a cutoff as of the date of the actuarial study of the liabilities, with a total number of 1,626 and 1,706 employees, respectively.

The hypothesis used for the study refers to a pension at the age of 62 years for men and 60 years for women, based on an early retirement plan set forth in the Costa Rican laws. Under such a base scenario, the effects of the following alternative interest rates or alternative salary increase rates are applied:

Interest Rate - 7,85% (5,75% for 2020).
Salary Increase Rate - 0,00% (2,20% for 2021).
Long-term Inflation Rate - 3,00% (2,00% for 2021).

At the same time, the variability in the pool of employees resulting from the termination of employment is not deemed an actuarial variable; therefore, the actuarial approach is not applicable. Its specific circumstances can be estimated by weighting the calculation of previous fiscal years and the global macroeconomic situation or the situation of the Company.

The payments related to the provision for severance pay are considered in the Company's Budget submitted to the Office of the Comptroller General each year, and the amount includes an estimated number of all the employees who would be using such benefit that year, so when submitting the price request to ARESEP, they are considered so that they can be recognized in the price and be able to make such payments. To date, a threshold of 12 years is considered for the calculation of such provision, as defined by the Constitutional Chamber of the Supreme Court *(Sala IV*).

A comparative chart to show the sensitivity of the main variables used in the actuarial studies of 2022 and 2021 is shown as follows:

Sensitivity Analysis to Compare 2022 and 2021			
Account	**%**	**2022**	**2021**
Severance pays		US$6,147,680	US$22,712,102
Employees' death benefit		2,187	14,461
Family members' death benefit			127,029
Severance pays balance		**US$6,149,867**	**US$20,853,591**
Measurement unit			
Discount rate		7.85%	5.75%
Salary increase		0.00%	2.20%
Long-term inflation		3.00%	2.00%
Measurement unit			
		7.85%	5.75%
Variation of Salary Increase Rate	0.00%	0	155
	0.00%	0	171
	0.00%	0	187
Measurement unit			
		7.85%	8.75%
Variation of Long-Term Inflation	2.00%	122,997	134
	3.00%	184,496	155
	4.00%	245,995	171

A sensitivity analysis is carried out regarding the variables of the salary increase and the inflation rate for the period 2022 and 2021, showing the impact of these two units of measurement in a possible variation of 0.20% in social charges.

It is important to point out that, for 2022 and 2021, the analysis was conducted under the assumption that the severance payment was established in 12 years because, according to transitional provision XXVII of Law No.9635 published in Supplement No.202 to official newspaper La Gaceta No.225 of December 4, 2018 and the criteria of the Company's Legal Department, according to official communication P-DJ-0019-2019, to safeguard public funds, a severance payment not greater than 12 years is recommended in accordance with a restrictive interpretation of such transitional provision.

21. CONTINGENT LIABILITIES

Municipal Permit Tax - The municipal tax returns of the last five fiscal years are available to the municipalities where the Company operates. Management considers that the municipal tax returns, as they have been filed, will not be significantly adjusted as a result of a future review.

Litigations and Judicial Proceedings - The information about important judicial proceedings sent by the Legal Department through communication AJ-0133-2022, with a cutoff as of December 2022, is as follows:

Summary of Judicial Proceedings in Force as of December 31, 2022				
Contingent Liabilities - Lawsuits Filed Against Recope				
Proceeding	**Amount**	**Relevant Cases**	**Amount**	**Claimed Amount**
Ordinary Contentious	29			US$42,044,903
		Dragados Hidraulicos, S.A.	US$ 4,845,285	
		ISIVEN	1,699,600	
		Alonso Chaves Fernández	3,365,308	
		ISIVEN, S.A.	3,825,791	
		International Costa Painter S.A.	3,763,422	
		I.C.E.	9,462,564	
		Consorcio ICA-MECO	3,950,550	
Labor	5			267,919
Total	**34**		**US$30,912,520**	**US$42,312,822**

The amounts of the cases in dollars are updated at the selling exchange rate of the non-banking public sector of ¢642,66.

Summary of Judicial Proceedings in Force as of December 31, 2022				
Contingent Assets - Lawsuits Filed by Recope				
Proceeding	**Amount**	**Relevant Cases**	**Amount**	**Claimed Amount**
Ordinary Contentious	52			US$14,916,457
		Euromat. y Equipos de Construc, S.A.	US$ 1,843,533	
		Novum Energy Trading Corp.	9,555,886	
		HL INGENIEROS, S.A.	1,997,992	
Traffic				
Labor	13			44,763
Total	**65**		**US$13,397,411**	**US$14,961,220**

The cases include contentious-administrative litigation related to supplier claims for construction and property, plant and equipment maintenance services, as well as minor labor and criminal litigation. Possibilities of loss are not estimated, consequently, no provisions have been recognized.

Income Tax **-** Income tax for 2013 and 2014

Nature of the Lawsuit - Contentious Proceeding of Injury filed by the General Attorney's Office of the Republic on behalf of the interests of the Government, before the Contentious-Administrative and Civil Court of the Treasury against RECOPE.

1. Court proceeding before the Civil and Administrative Contentious Court of the Treasury under File No.19-007658-1027-CA.

   Amount of the Proceeding:

Fiscal Year	Tax	Interest	Penalty	Total
2013	US$ 7,357,928	US$ 7,704,462	US$3,678,964	US$18,741,355
2014	9,086,343	8,363,003	4,543,172	21,992,518
Total	US$16,444,271	US$16,067,465	US$8,222,136	US$40,733,873

Fiscal Year	Tax	Interest	Penalty	Total
2013	US$ 7,187,983	US$ 7,526,513	US$3,593,991	US$18,308,487
2014	8,876,477	8,169,843	4,438,238	21,484,559
Total	US$16,064,459	US$15,696,357	US$8,032,230	US$39,793,046

Probability of Success: We believe that the Company's success outcome in defending its positions after the completion of the litigation proceedings in court is between 50% and 70%.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by RECOPE's management on June 29, 2023.

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REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

FINANCIAL RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Figures Expressed in Dollars of the United States of America)

The explanatory notes and financial ratios are calculated at Management's request and are not mandatory in accordance with the International Financial Reporting Standards. However, for their calculation, the figures of the financial statements are used, which are presented in accordance with this accounting basis.

1. FINANCIAL WORKING CAPITAL

The financial working capital is determined by the following way: current assets, less cash and cash equivalents. The current liabilities are deducted from this result, net of the current portion of the long-term debt.

	2022	2021
Current assets	US$ 644,314,558	US$ 658,713,479
Cash and cash equivalents	(208,236,288)	(233,131,627)
Current liabilities (does not include current portion)	(278,578,744)	(418,933,374)
Financial working capital	US$ 157,499,526	US$ 6,648,478

The main current asset items have decreased, a fact that is directly related to changes in the exchange rate, which has an impact on the domestic selling price and the value of inventory. The decrease in cash is mirrored in the current liabilities, which have also decreased due to an increase in the payment period for gasoline, diesel and jet fuel imports, from 30 to 45 days. The working capital has increased due to a mismatch in pricing, making it necessary to refund funds to consumers.

2. LIQUIDITY RATIO

The liquidity ratio shows that RECOPE's capacity to generate cash from its most liquid assets and cover its short-term obligations. It is measured dividing the total of current assets among the current liabilities:

	2022	2021
Current assets	US$644,314,558	US$658,713,479
Current liabilities	US$276,971,693	US$470,615,393
Current assets/ Current liabilities	233%	140%

Current assets covered current liabilities at least once; nevertheless, the ratio increased by 49%, due to the fact that current liabilities decreased more than current assets, as a result of the decrease in the suppliers item, arising from the behavior of international prices, which affects the value of imports and the Government item due to a lower payment of the single tax on fuels. It should be noted that the payment period of the oil invoice for gasoline is 45 days, while diesel and jet fuel is 30 days. It should be noted that due to the characteristics of the inventory (oil by-products) and the monopoly condition, its realization is extremely fast.

3. TOTAL ASSET TURNOVERS

It indicates the relation of the assets total and income by showing the number of times that RECOPE uses them to generate that income.

	2022	2021
Sales	US$3,643,827,343	US$2,585,405,248
Assets	US$1,772,570,976	US$1,786,084,676
Sales/assets	US$ 2.06	US$ 1.45

The turnover of total assets increases, which represents an improvement in business efficiency, since the company turned over its assets 2.06 times by December 2022; in other words, for each colón invested in assets, 2.06 were generated in sales, while by December 2021, 1.45 were generated; although there is an increase in fuel sales, the main factor for this result was the increase in the average selling price.

4. FIXED ASSETS TURNOVER

This financial index determines the level of efficiency reached by the investments in properties, plant and equipment, in its function of generating income:

	2022	2021
Sales	US$3,643,827,343	US$2,585,405,248
Property, plant, vehicles and equipment - net	US$1,042,654,709	US$ 999,368,953
Sales/ property, plant, vehicles and equipment – net	US$ 3.49	US$ 2.59

The turnover of fixed assets showed significant variations, since the percentage variation of income was 46.8%, while the variation of average assets was 1.77%. The result obtained as of December 2022 reflects an increase of 1.29 mainly justified by the average price and volume of sales.

5. DEBT RATIO

It represents the proportion in which the existing assets have been financed by other persons, different from RECOPE:

	2022	2021
Liabilities	US$ 583,162,979	US$ 762,887,348
Assets	US$1,772,570,976	US$1,786,084,676
Liabilities/assets	32.90%	42.71%

In December 2022, 32.90% of the company's assets were financed from external sources. The ratio decreased by 0.10%, due to the fact that the variation of total liabilities was 29.4% and total assets 7.7%. The oil and byproduct suppliers, the government, other accounts payable and long-term bank accounts are the ones that contribute to the reduction of total liabilities, while inventories and cash and cash equivalents justify the decrease in total assets.

6. DEBT RATIO (COST)

It indicates the proportion in which the existing resources have been financed by long-term loans.

	2022	2021
Long term debt	US$ 140,405,299	US$ 137,443,470
Assets	US$1,772,570,976	US$1,786,084,676
Long term debt/assets	7.92%	7.70%

In 2022, the long-term debt financed 7.92% of the total assets, and the remaining 92.16% was contributed by RECOPE.

7. PROFIT MARGIN ON SALES

This indicator shows the percentage obtained from the period's profit in relation to RECOPE's net sales.

	2022	2021
Net (loss) profit	US$ 84,968,614	US$ 81,133,861
Sales	US$3,643,827,343	US$2,585,405,248
Net (loss) profit/sales	2.33%	3.14%

This indicator shows a decrease of 0.77% compared to 2021, due to favorable results in 2022, which grew by 10%, impacted by the 46.84% increase in the sales volume.

8. YIELD ON THE INVESTMENT

The yield on the investment measures the final profitability obtained on the total investment in RECOPE's assets. This index shows how satisfactory is the level of net income obtained in relation to the total investments in assets made by RECOPE.

	2022	2021
Net (loss) profit	US$ 84,968,614	US$ 81,133,861
Assets	US$1,772,570,976	US$1,786,084,676
Net (loss) profit/assets	4.79%	4.54%

The yield went from 4.54% in December 2021 to 4.79% in December 2022. In December 2022, an increase was recorded as a result of the impact caused by the average selling price, the volume sold and the variations applied to the exchange rate of the colón against the US dollar.

9. PROFIT MARGIN ON EQUITY

This indicator estimates the yield obtained by the equity investors (the State).

High profitability of the equity means that RECOPE generates a high level of net income in relation with the investment of the State.

	2022	2021
Net (loss) profit	US$ 84,968,614	US$ 81,133,861
Stockholders' equity	US$1,189,407,997	US$1,023,197,327
Net (loss) profit/equity	7.14%	7.93%

This indicator shows a slight improvement of 0.16% as compared to 2021, due to favorable results in 2022.

10. OPERATIONS / SALES EXPENSES

This ratio allows to measure the level of efficiency of a Company, which is related directly to the policies and measures imposed to control the growth of the operative expenses.

	2022	2021
Operating expenses	US$ 159,086,143	US$ 145,983,316
Sales	US$3,643,827,343	US$2,585,405,248
Operating expenses/sales	4.37%	5.65%

This ratio decreased compared to the previous period, which is presented by the increase in sales compared to those of 2022. Most of these expenses do not have a direct and immediate relationship with the sales activity.

11. COVERAGE OF EXPENSES

The ratio between Adjusted EBITDA and financial expenses is defined as coverage of financial expenses. For the effects of the calculation, it will be understood for Adjusted EBITDA the sum of the operative income, the depreciation and the amortization of intangibles; and for financial expenses the sums paid for interests of the long-term debt.

	2022	2021
Operating profit	US$245,301,335	US$227,117,177
Depreciation and amortization	47,566,267	49,158,152
Total Adjusted EBITDA	US$292,867,602	US$276,275,329
Financial expenses	US$ 16,171,382	US$ 14,683,936
Adjusted EBITDA/financial expenses	US$ 18.11	US$ 18.81

This ratio shows that RECOPE keeps the coverage percentages of financial expenses of the long-term debt.

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