



**CONDENSED INTERIM FINANCIAL  
STATEMENTS**  
Instituto Costarricense de Electricidad  
and Subsidiaries



**Group ICE**  
ICE  
CNFL  
RACSA  
CRICSA  
Gestión Cobro

**March 2021**  
Financial Management



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

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

<u>Assets</u>	<u>Note</u>	<u>31 March 2021</u>	<u>31 December 2020 (Audited)</u>
<b>Non-current assets:</b>			
Property, plant and equipment, net	5 ¢	5,380,763	5,427,354
Intangible assets, net	6	106,630	107,612
Other assets		14,396	15,230
Equity investments		7,322	7,305
Notes and other accounts receivable, net		181,316	184,684
Investments in financial instruments	7	271,258	266,745
<b>Total non-current assets</b>		<b>5,961,685</b>	<b>6,008,930</b>
<b>Current assets:</b>			
Inventories	8	42,310	56,455
Notes and other accounts receivable, net		52,482	55,464
Investments in financial instruments	9	194,669	212,416
Trade receivables, net		177,606	175,829
Prepaid expenses		11,656	18,836
Other assets		2,011	3,708
Cash and cash equivalents		393,130	311,743
Assets held for sale		94	150
<b>Total current assets</b>		<b>873,958</b>	<b>834,601</b>
<b>Total assets</b>	<b>¢</b>	<b>6,835,643</b>	<b>6,843,531</b>
<b><u>Liabilities and equity</u></b>			
<b>Equity:</b>			
Paid-in capital	¢	155	155
Reserves		2,386,420	2,384,278
Retained earnings		319,600	319,371
Equity attributable to owners of Grupo ICE		2,706,175	2,703,804
Non-controlling interests		5,993	5,989
<b>Net equity</b>		<b>2,712,168</b>	<b>2,709,793</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bonds payable	10	721,848	720,010
Loans payable	10	1,406,126	1,435,803
Lease liabilities	10	356,381	375,391
Employee benefits	11	444,247	436,657
Accounts payable		140,063	145,283
Contract liabilities		63,102	62,839
Deferred income - Government grants		14,961	15,203
Deferred tax liabilities		92,869	94,365
Provisions	12	25	25
<b>Total non-current liabilities</b>		<b>3,239,622</b>	<b>3,285,576</b>
<b>Current liabilities:</b>			
Bonds payable	10	379,098	380,870
Loans payable	10	132,374	131,408
Lease liabilities	10	39,625	38,953
Employee benefits	11	74,826	98,086
Accounts payable		182,247	137,489
Contract liabilities		11,479	12,564
Deferred income - Government grants		281	281
Income tax payable		585	3,283
Accrued interest payable		34,157	14,412
Provisions	12	7,987	9,710
Other liabilities		21,194	21,106
<b>Total current liabilities</b>		<b>883,853</b>	<b>848,162</b>
<b>Total liabilities</b>		<b>4,123,475</b>	<b>4,133,738</b>
<b>Total liabilities and equity</b>	<b>¢</b>	<b>6,835,643</b>	<b>6,843,531</b>

Preliminary translation

The notes on pages 1 to 26 are an integral part of these consolidated condensed financial statements.

Hazel Cepeda Hodgson  
General Manager

Juan Carlos Pacheco Romero  
Head of the Finance Department

Jeimy Sánchez Umaña  
Accounting Process Coordinator

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

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

For the three period enden March 31, 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>(Restated)</i>
<b>Revenue</b>	€	<b>324,893</b>	<b>355,328</b>
Operating costs:			
Operation and maintenance		122,384	124,508
Operation and maintenance of leased assets		17,359	16,607
Purchases and supplemental services		43,030	41,294
Costs of sale		15,513	12,938
Production management		22,548	20,004
Technical service center		8	99
Total operating costs	27	<u>220,842</u>	<u>215,450</u>
<b>Gross surplus</b>		<u><b>104,051</b></u>	<u><b>139,878</b></u>
Other income	28	<u>7,377</u>	<u>9,083</u>
Operating expenses:			
Administrative expenses		30,560	33,953
Selling expenses		30,459	33,666
Preliminary studies		5,703	6,134
Supplemental expenses		1,103	525
Impairment loss on trade receivables		1,100	1,483
Other expenses		8,154	6,102
Total operating expenses	27	<u>77,079</u>	<u>81,863</u>
<b>Operating surplus</b>		<u><b>34,349</b></u>	<u><b>67,098</b></u>
Finance income and finance costs:	29		
Investment income		8,641	12,052
Finance costs		(60,009)	(71,091)
Foreign exchange differences, net		16,673	(21,567)
<b>Net finance costs</b>		<u><b>(34,695)</b></u>	<u><b>(80,606)</b></u>
<b>(Loss) profit before tax</b>		<u><b>(346)</b></u>	<u><b>(13,508)</b></u>
Income tax:		1,463	(250)
<b>(Profit) loss for the period, net</b>	€	<u><b>1,117</b></u>	<u><b>(13,758)</b></u>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Effect of actuarial (gains) losses for the year	€	<u>152</u>	<u>-</u>
		<u><b>152</b></u>	<u><b>-</b></u>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Fair value measurement of investments in associates E.P.R	€	(152)	(7)
(Loss) gain on fair value of cash flow hedges		<u>5,130</u>	<u>(6,487)</u>
		<u><b>4,978</b></u>	<u><b>(6,494)</b></u>
<b>Other comprehensive income for the year, net of tax</b>		<u><b>5,130</b></u>	<u><b>(6,494)</b></u>
<b>Total comprehensive income for the period</b>	€	<u><b>6,247</b></u>	<u><b>(20,252)</b></u>
<b>Profit attributable to:</b>			
Owners of Grupo ICE	€	1,113	(13,775)
Non-controlling interests		<u>4</u>	<u>17</u>
	€	<u><b>1,117</b></u>	<u><b>(13,758)</b></u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of Grupo ICE		6,247	(20,252)
	€	<u><b>6,247</b></u>	<u><b>(20,252)</b></u>
Preliminary translation			

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

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

For the three period enden March 31, 2021

	Reserves								Retained earnings				Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity	
	Paid-in capital	Legal reserve	Project development reserve	Actuarial gains (losses)	Valuation of equity investments at FVOCI	Valuation of non-derivative financial instruments and hedges	Development reserve	Capital reserve	Restricted profit from the capitalization of investment in subsidiary	Total	Retained earnings on subsidiaries	(Profit) loss for the period				Total
Balance as of January 1, 2020	155	3,328	71	(12,213)	579	1,995	2,439,905	12,717	62,380	2,508,762	309,802	-	309,802	2,818,719	6,083	2,824,802
Comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	2,236	(16,011)	(13,775)	(13,775)	17	(13,758)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit on fair value of cash flow hedges	-	-	-	-	-	(6,487)	-	-	-	(6,487)	-	-	-	(6,487)	-	(6,487)
Valuation of equity instruments at FVOCI	-	-	-	-	(7)	-	-	-	-	(7)	-	-	-	(7)	-	(7)
Total other comprehensive income for the period (restated)	-	-	-	-	(7)	(6,487)	-	-	-	(6,494)	2,236	(16,011)	(13,775)	(20,269)	17	(20,252)
Comprehensive income for the period:	-	-	-	-	-	-	-	217	-	217	-	-	-	217	-	200
Appropriation to reserves	-	-	-	-	-	-	(16,011)	-	-	(16,011)	-	16,011	16,011	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	(16,011)	217	-	(15,794)	-	16,011	16,011	217	-	200
Total comprehensive income for the period:	155	3,328	71	(12,213)	572	(4,492)	2,423,894	12,934	62,380	2,486,474	312,038	-	312,038	2,798,667	6,083	2,804,750
Balance as of March 31, 2020 (restated)	155	3,328	71	(12,213)	572	(4,492)	2,423,894	12,934	62,380	2,486,474	312,038	-	312,038	2,798,667	6,083	2,804,750
Balance as of January 1, 2021	155	3,739	71	(16,996)	1,032	(10,634)	2,331,676	13,010	62,380	2,386,420	319,371	-	319,371	2,703,804	5,989	2,709,793
Comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	165	948	1,113	1,113	4	1,117
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of actuarial loss for the year	-	-	-	152	-	-	-	-	-	152	-	-	-	152	-	152
Net profit on fair value of cash flow hedges	-	-	-	-	-	5,130	-	-	-	5,130	-	-	-	5,130	-	5,130
Valuation of equity instruments at FVOCI	-	-	-	-	-	(152)	-	-	-	(152)	-	-	-	(152)	-	(152)
Total other comprehensive income for the period	-	-	-	152	-	4,978	-	-	-	5,130	165	948	1,113	6,243	4	6,247
Comprehensive income for the period:	-	-	-	-	-	-	-	12	-	12	-	-	-	12	-	12
Appropriation to reserves	-	-	-	-	-	-	-	948	-	948	64	(948)	(884)	64	-	64
Transfer to capital reserve	-	-	-	-	-	-	(3,948)	-	-	(3,948)	-	-	-	(3,948)	-	(3,948)
Audit adjustments to be recorded	-	-	-	-	-	-	(3,000)	12	-	(2,988)	64	(948)	(884)	(3,872)	-	(3,872)
Total comprehensive income for the period:	155	3,739	71	(16,844)	1,032	(5,656)	2,328,676	13,022	62,380	2,386,420	319,600	-	319,600	2,706,175	5,993	2,712,168
Balance as of March 31, 2021	155	3,739	71	(16,844)	1,032	(5,656)	2,328,676	13,022	62,380	2,386,420	319,600	-	319,600	2,706,175	5,993	2,712,168

The notes on pages 1 to 26 are an integral part of these consolidated condensed financial statements.

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

Condensed consolidated statement of cash flows  
(In millions of colones)

For the three month period ended March 31

	2021	2020 (Restated)
Cash flows from operating activities		
<b>Profit (loss) for the period</b>	¢ 1,117	(13,758)
Adjustments for:		
Depreciation	85,673	77,243
Amortization	5,755	6,913
Amortization of contract liabilities	11,475	8,642
Net realizable value of inventories	-	(461)
Net finance costs	51,368	59,039
Impairment loss on trade receivables	1,100	1,483
Investment participation recognized using the method of participation, net of tax.	(17)	(37)
Loss on disposal of assets	5,156	2,005
Employee benefits	5,008	5,673
Income taxes	(1,463)	250
Foreign exchange differences	(16,927)	22,289
	<b>148,245</b>	<b>169,281</b>
Changes in:		
Cash and other accounts receivable	7,197	(4,974)
Trade receivables	(2,354)	(30,018)
Inventories	14,210	3,522
Accounts payable	39,541	114,431
Contract liabilities	(12,297)	(7,292)
Employee benefits and other provisions	(29,602)	(85,540)
Other liabilities	124	(1,045)
<b>Cash flows from operating activities</b>	<b>165,064</b>	<b>158,365</b>
Income taxes paid	(2,731)	(6,513)
<b>Net cash from operating activities</b>	<b>162,333</b>	<b>151,852</b>
Cash flows from investing activities		
Interest received	7,251	10,049
Investments in financial instruments	14,727	(14,019)
Additions to property, plant and equipment	(38,567)	(28,568)
Additions to intangible assets	(5,894)	(1,465)
Government grants	(242)	(180)
Other assets	7,324	3,063
<b>Net cash used in investing activities</b>	<b>(15,401)</b>	<b>(31,119)</b>
Cash flows from financing activities:		
Increase in bonds payable	4,619	-
Amortization of bonds payable	-	(285)
Increase in loans payable	4,644	26,579
Amortization of loans payable	(20,530)	(23,396)
Amortization of lease liabilities	(16,028)	(15,336)
Interest paid	(38,503)	(45,144)
<b>Net cash used in financing activities</b>	<b>(65,799)</b>	<b>(57,583)</b>
Net increase in cash and cash equivalents	81,133	63,150
Cash and cash equivalents at 1 January	311,743	197,366
Effect of movements in exchange rates on cash held	254	(722)
<b>Cash and cash equivalents at 31 March</b>	<b>¢ 393,130</b>	<b>259,795</b>

Preliminary translate.

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# INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

## **Nota 1. Reporting entity**

The *Instituto Costarricense de Electricidad* [the Costa Rican Institute of Electricity, in English] and its Subsidiaries (hereinafter jointly referred to as “Grupo ICE”), is an autonomous entity that is part of the Costa Rican state and that was organized under the laws of the Republic of Costa Rica through Executive Order No. 449 of April 8, 1949, and Act 3226 of October 22, 1963. Its main offices are located in Sabana Norte, district of Mata Redonda, in the city of San José.

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

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

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

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

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

- Radiográfica Costarricense, S.A.

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

- Compañía Radiográfica Internacional Costarricense, S.A.

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

- Cable Visión de Costa Rica

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

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

As of March 31, 2021, *Cable Visión de Costa Rica* (CVCR) is a company that registers no commercial activity.

- Gestión de Cobro Grupo ICE, S.A.

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

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

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 2. Basis of accounting**

These interim financial statements, which cover the period ended on March 31, 2021, were prepared in accordance with the IFRS, specifically IAS 34 Interim Financial Reporting, and should be read in conjunction with the last annual financial statements of Grupo ICE, prepared as of December 31, 2020, and for the year then ended. Interim financial statements do not include all of the information required to prepare complete annual financial statements in accordance with the IFRS. In accordance with IAS 34, only explanatory notes concerning the events and transactions that are relevant to understand the changes in financial position and the performance of Grupo ICE as of the date of the last annual financial statements have been included.

These interim consolidated financial statements were authorized for issue on June 30, 2021.

**Nota 3. Use of judgments and estimates**

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

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

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

*(i) Measurement of fair values*

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

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

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

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

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

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

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

Note 13 “Institutional Financial Risk Management” includes additional information about the assumptions used to measure fair values.

**Nota 4. Changes to significant accounting policies**

Except for what is described below, the accounting policies applied in these interim financial statements are the same as those applied to the separate financial statements of Grupo ICE as of December 31, 2020.

The change in accounting policies shall also be reflected in the consolidated financial statements of Grupo ICE as of December 31, 2021.

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

If the basis to determine the contractual cash flows of a financial asset or liability measured at amortized cost changes as a result of the reform to the benchmark interest rate, then Grupo ICE shall update the effective interest rate of the financial asset or liability to reflect the change required by the reform. The reform of the benchmark interest rates requires a change in the basis to determine the contractual cash flows if the following conditions are met:

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

If changes are made to the financial assets or financial liabilities in addition to changes to the basis to determine the contractual cash flows required by the reform to the benchmark interest rate, then Grupo ICE shall first update the effective interest rate of the financial asset or financial

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

liabilities to reflect the change that the reform to the benchmark interest rate requires. Subsequently, Grupo ICE shall apply the accounting policies of the reforms described above to the additional changes.

Grupo ICE has started the negotiation processes with its counterparties to substitute the Libor benchmark interest rate as of January 1, 2021.

**Nota 5. Property, plant, and equipment - net**

During the three months ending on March 31, 2020, the Grupo ICE recorded a total of ¢16,048 in capitalization of assets for the RANGE II project.

**Nota 6. Intangible assets, net**

Reconciliation of book value, as of March 31, 2021:

	As of March 31, 2021				
	<u>Licenses, svstems, and applications</u>	<u>Submarine cable right of use</u>	<u>Rights of way and easements</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>					
Balance as of January 1, 2021	¢132,940	70,451	34,910	2,813	241,114
Additions and capitalizations	5,907	-	1	-	5,908
Transfers	(1,090)	-	-	-	(1,090)
Write-offs	(14)	-	-	-	(14)
Balance as of March 31, 2021	137,743	70,451	34,911	2,813	245,918
<u>Accumulated amortization</u>					
Balance as of January 01, 2021	84,073	49,429	-	-	133,502
Amortization - expenses	4,512	1,243	-	-	5,755
Amortization - investments	45	-	-	-	45
Transfers	-	-	-	-	-
Write-offs	(14)	-	-	-	(14)
Balance as of March 31, 2021	88,616	50,672	-	-	139,288
	¢49,127	19,779	34,911	2,813	106,630

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 7. Investments in financial instruments**

Investments in financial instruments are described below:

	At fair value through other comprehensive income	At fair value through profit or loss
Fixed rate colones bonds	149,663	-
Variable rate colones bonds	66,697	-
Fixed rate dollar bonds	41,539	-
Fixed rate bonds UDES	994	-
Closed dividend fund	-	12,365
As of March 31, 2021	€ 258,893	12,365

The variation of €4,513 is the result of the increase in financial assets measured at fair value with changes recorded in the statement of other comprehensive income, which are comprised mostly of investments in financial instruments destined for the specific operation of the Guarantee and Savings Fund of ICE.

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

Issuer	Type of financial instrument	Currency	As of March 31, 2021		
			Balance	Interest rate	Maturity
<b>At fair value through other comprehensive income</b>					
<b>Public financial entities</b>					
Bonds	Fixed rate instruments	Colones	€ 8,622	5,46% al 15,71%	2022 al 2024
Bonds	Fixed rate instruments	US dollars	628	2,50% al 5,53%	2022
Bonds	Variable rate instruments	Colones	5,607	4,61% al 11,05%	2022 al 2023
<b>Public non-financial entities</b>					
Bonds	Fixed rate instruments	US dollars	1,703	5,99%	2028
<b>Government</b>					
Bonds	Fixed rate instruments	Colones	131,933	8,46% al 34,79%	2022 al 2031
Bonds	Fixed rate instruments	US dollars	34,186	6,53% al 19,93%	2022 al 2030
Bonds	Fixed rate instruments	UDES	994	3,39%	2026
Bonds	Variable rate instruments	Colones	58,771	3,17% al 5,94%	2022 al 2044
<b>Private financial entities</b>					
Bonds	Fixed rate instruments	Colones	8,271	4,97% al 13,80%	2022 al 2024
Bonds	Fixed rate instruments	US dollars	1,804	4,74%	2023
Bonds	Variable rate instruments	Colones	506	5,49% al 5,65%	2023 al 2027
<b>Private non-financial entities</b>					
Bonds	Fixed rate instruments	Colones	838	8,62%	2023
Bonds	Fixed rate instruments	US dollars	3,217	6,52% al 7,06	2022 al 2027
Bonds	Variable rate instruments	Colones	1,813	4,97%	2023
			€ 258,893		
<b>At fair value through profit or loss</b>					
<b>Public financial entities</b>					
Bonds	Dividend closed fund	US dollars	€ 7,366	0,28% al 10,06%	
<b>Private financial entities</b>					
Bonds	Dividend closed fund	US dollars	4,999	4,19% al 9,61%	
			€ 12,365		
			€ 271,258		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 8. Inventories**

As of March 31, 2021, the inventory accounts evidence a reduction of ¢31,726 in their net realizable value.

In 2021, an amount of ¢32,205 in inventories was recognized as part of the operating management of the Institution, in the different operating costs and expenses accounts, as applicable, depending on the use or destination given to such inventories.

**Nota 9. Investments in financial instruments**

Net temporary investments are described below:

	At amortized cost	At fair value through other comprehensive income	At fair value through profit or loss
Fixed rate dollar bonds	53,507	54,006	15,657
Fixed rate colones bonds	15,254	23,038	16,468
Variable rate dollar bonds	2,700	-	-
Variable rate colones bonds	269	-	13,770
As of March 31, 2021	<u>71,730</u>	<u>77,044</u>	<u>45,895</u>

The following table contains a detailed description of the temporary investments:

Issuer	Type of financial instrument	Currency	As of March 31, 2021		
			Balance	Interest rate	Maturity
<b>At amortized cost</b>					
<b>Public financial entities</b>					
Bonds	Fixed rate instruments	US dollars	41,203	1,15% - 4,77%	2021
Bonds	Fixed rate instruments	Colones	10,165	3,18% - 3,57%	2021
Bonds	Variable rate instruments	US dollars	2,700	1,35% - 4,75%	2021
Bonds	Variable rate instruments	Colones	269	4,5% - 8,25%	2021
<b>Government</b>					
Bonds	Fixed rate instruments	US dollars	5,111	4,16% - 5,67%	2021
<b>Private financial entities</b>					
Bonds	Fixed rate instruments	US dollars	7,193	3,18%	2021
Bonds	Fixed rate instruments	Colones	4,986	1,75% - 3,25%	2021
Bonds	Investment fund	Colones	103	1,01%	2021
			<u>71,730</u>		
<b>At fair value through other comprehensive income</b>					
<b>Government</b>					
Bonds	Fixed rate instruments	US dollars	50,912	3,96% - 8,46%	2021
Bonds	Fixed rate instruments	Colones	6,022	8,98%	2021
<b>Public financial entities</b>					
Bonds	Fixed rate instruments	US dollars	3,094	2,01% - 5,53%	2021
Bonds	Fixed rate instruments	Colones	17,016	12,41% - 39,63%	2021
			<u>77,044</u>		
<b>At fair value through profit or loss</b>					
<b>Government</b>					
Bonds	Fixed rate instruments	US dollars	15,046	1,15% - 9,31%	2021
Bonds	Variable rate instruments	Colones	10,261	3,13%	2021
Bonds	Fixed rate instruments	Colones	491	2,30% - 2,40%	2021
<b>Public financial entities</b>					
Bonds	Fixed rate instruments	Colones	14,977	2,15% - 9,44%	2021
Bonds	Variable rate instruments	Colones	2,113	5,29% - 6,23%	2021
Bonds	Fixed rate instruments	US dollars	611	3,07%	2021
<b>Private financial entities</b>					
Bonds	Variable rate instruments	Colones	1,396	4,72% - 4,78%	2021
Bonds	Fixed rate instruments	Colones	1,000	5,25%	2021
			<u>45,895</u>		
			<u>194,669</u>		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)**Nota 10. Financial debt**

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

	Liabilities			
	Bonds payable	Loans payable	Lease liabilities	Total
Balance as of January 1, 2021	¢ 1,100,880	1,567,211	414,344	3,082,435
Disbursements	4,619	4,644	-	9,263
Amortization	-	(20,530)	(16,028)	(36,558)
Effect of exchange rate fluctuations	(4,553)	(12,825)	(2,309)	(19,687)
Balance as of March 31, 2021	¢ 1,100,946	1,538,500	396,006	3,035,452

The characteristics of the financial debt are the following:

	Bonds payable	Loans payable	Lease liabilities
Currency	¢ - US\$	¢ - US\$ - JPY	¢ - US\$
Current interest rate	Variable between 5,00% and 10,71% and Fixed between 6,38% and 7,65%.	Variable between 1,12% and 10,71% and Fixed between 0,60% and 7,91%.	Variable between 4,9% and 23,14% and Fixed between 6,13% and 9,30%.
Maturity	2021-2043	2021-2057	2021-2033

**Nota 11. Employee Benefits**

As of March 31, 2021, as a result of the payment of the *salario escolar* [school aid] and of the severance arising out of the voluntary termination of employment/early retirement, a provision in the amount of ¢29,522 was settled.

**Nota 12. Provisions****A. Litigation**

As of December 31, 2020, a provision of ¢4,668 pertaining to the ordinary proceeding filed by RANGE against the contractor, Huawei (contested sites) was recognized. During the first quarter of 2021, this provision was reduced in the amount of ¢1,403 as a result of the agreement made and entered by both parties, under which it is established that as sites are delivered, all to ICE's satisfaction, certificates of acceptance shall be issued, and the corresponding payments shall be made.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 13. Income from ordinary activities***a) Revenue streams*

The Institute generates revenues from the sale of electric power as well as from the sale of telecommunications services. Other sources of revenue include the sale of construction and engineering services.

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

	For the period ended March	
	31	
	<u>2021</u>	<u>2020</u>
Electricity services	¢ 181,093	213,628
Telecom services	<u>143,800</u>	<u>141,699</u>
	¢ <u>324,893</u>	<u>355,327</u>
Others income		
Engineering services	1,894	1,765
Infrastructure operation and maintenance services	493	865
Communication services	<u>444</u>	<u>232</u>
	¢ <u>2,831</u>	<u>2,862</u>
	¢ <u><u>327,724</u></u>	<u><u>358,189</u></u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)b) *Disaggregation of ordinary revenue from contracts with clients*

The following table breaks down the ordinary revenue from contracts with clients relating to electricity and telecommunication services by geographical markets, main products and service lines, and opportunities to recognize ordinary revenue. The table also includes a reconciliation of the disaggregated ordinary revenue with the segments about which the Grupo ICE must report (see note 12).

	Electricity Segment		Telecom Segment		Total	
	For the three months ended March 31				2021	2020
	2021	2020	2021	2020		
Geographical markets:						
Local	¢ 175,748	209,519	138,969	133,784	314,717	343,303
Foreing	5,345	4,110	4,831	7,915	10,176	12,025
	¢ <u>181,093</u>	<u>213,629</u>	<u>143,800</u>	<u>141,699</u>	<u>324,893</u>	<u>355,328</u>
Products/lines of service:						
Electricity	¢ 157,143	188,519	-	-	157,143	188,519
Transmission charges	16,504	16,718	-	-	16,504	16,718
Public lighting	4,736	5,283	-	-	4,736	5,283
Services and others	2,710	3,108	-	-	2,710	3,108
Telecom	-	-	143,800	141,699	143,800	141,699
	¢ <u>181,093</u>	<u>213,629</u>	<u>143,800</u>	<u>141,699</u>	<u>324,893</u>	<u>355,328</u>
Timing of revenue recognition:						
Services transferred over time	¢ 181,093	213,629	125,677	125,301	306,770	338,930
Products transferred at a point in time	-	-	18,123	16,398	18,123	16,398
	<u>181,093</u>	<u>213,629</u>	<u>143,800</u>	<u>141,699</u>	<u>324,893</u>	<u>355,328</u>
Other income	2,831	2,862	-	-	2,831	2,862
	¢ <u>183,924</u>	<u>216,491</u>	<u>143,800</u>	<u>141,699</u>	<u>327,724</u>	<u>358,190</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

	As of March 31	As of December 31
	<u>2021</u>	<u>2020</u>
Trade receivables	224,463	223,482
Contract liabilities	<u>(74,581)</u>	<u>(75,403)</u>
	¢ <u>149,882</u>	<u>148,079</u>

An amount of ¢11,475 that was recognized under the contractual liabilities account as of December 31, 2019, has been recognized as ordinary revenue in 2020 (¢8,642 in 2020).

d) Price of the transaction assigned to remaining performance obligations

The revenue expected to be recognized in the future in relation to performance obligations that have not been satisfied (or that have not been satisfied at all) on the date of the report for the Telecommunications Business is:

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

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

e) Performance obligations and ordinary revenue recognition policies

Ordinary revenue is measured on the basis of the compensation specified in a contract with the customer. The ICE recognizes ordinary revenue when it transfers control over a good or service to a customer. On the effective date of each agreement, the ICE determines whether it will meet the performance obligations over time or at a specific time.

The Electricity Business drives revenue mainly through the sale of electric energy generation, transmission, and distribution services. The “Costa Rican Public Service Regulation Authority [ARESEP, its Spanish acronym] Act”, No. 75933, dated August 9, 1996, establishes that the ARESEP will set the prices and rates of utilities, specifically with respect to the generation, transmission, distribution, and sale of electric energy.

The Telecommunications Business drives revenue mainly through the sale of mobile telephony (prepaid and postpaid); data and IP services, including internet and television; mobile units or devices; and fixed, universal, and interconnection telephony services. In relation to mobile services and devices, these can be sold separately (independent) or as a bundle.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

The following table presents summarized information on the nature and opportunity of meeting performance obligations on customer contracts, including significant payment terms, both for the Electricity and the Telecommunications businesses.

<u>Type of service</u>	<u>Nature and opportunity of meeting performance obligations, including significant payment terms</u>	<u>Revenue recognition policy</u>
Sale of electricity services	The revenue from the sale of electricity services includes one single performance obligation (sale of electricity), as the ICE has determined that contracts with clients do not include the supply of different goods and services. Control, including the title and risk of loss related with electricity, is transferred to the client upon delivery of electricity in a single point within the electric grid. Bills are due in 30 days and no significant financial component exists.	The performance obligation related to the delivery of electricity is usually satisfied throughout time, when the client receives and simultaneously consumes the benefits associated to the electricity services provided. Revenue is recognized as electricity services are rendered, based on the monthly billing cycles.
Sale of telecommunications services	Telecommunications services revenue include telephony, voice, data, and messaging services. Services are billed and collected on a monthly basis, and no significant financial component exists. Performance obligations related to the delivery of these services are satisfied throughout time, when the client receives and, simultaneously, consumes the benefits linked to the telecommunications services, which are identified in different performance obligations, in accordance with the type of service (mobile, fixed, data, messaging, access costs, etc.).	In relation to bundles, the ICE accounts for individual products and services separately if these are different; that is to say, if a product or service can be identified separately from other products or services under a contract and if a client can benefit from the product or service itself. The consideration is assigned to the separate products or services in a package, based on their individual sales prices. Individual sales prices are determined based on a list of prices for mobile services, devices, and other telecommunications services that is established by the ICE. The ICE recognizes such revenue as the services are rendered.
Mobile devices.	The performance obligation related to mobile devices is recognized as revenue at a specific moment, when control over the product is transferred to the client, which occurs when the	The ICE recognizes the revenue from the sale of mobile devices when control over the device is transferred to the client, which occurs when the

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

<u>Type of service</u>	<u>Nature and opportunity of meeting performance obligations, including significant payment terms</u>	<u>Revenue recognition policy</u>
	client signs the agreement and takes possession of the product.	client signs the agreement and takes possession of the product.
	In the case of mobile devices that are sold separately, clients pay the entire sales price at the point of sale. Regarding devices sold as a bundle, clients usually pay a fixed amount each month, either during 12 or 24 months.	

It is not customary for Grupo ICE to negotiate warranties separately, or otherwise to offer extended warranties to its clients, when selling mobile devices or products. Warranty periods are usually established at a contractual level with the suppliers of these goods, based on what local laws establish. These warranties generally cover a period of up to one year. The ICE has a policy of recording a provision in its financial statements to address future warranty claims.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)**Nota 14. Management of financial risk**a) Accounting classifications and fair value

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

March 31, 2021

Note	<u>Carrying amount</u>					<u>Fair value</u>				
	<u>Fair value - hedging instruments</u>	<u>FVCORI – Debt and equity instruments</u>	<u>Financial assets at amortized cost</u>	<u>Financial assets at FVTPL</u>	<u>Other financial liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets</i>										
Equity investments	¢ -	5,564	-	-	-	5,564	-	-	5,564	5,564
Notes and other receivables, net	-	-	233,798	-	-	233,798	-	-	-	-
Investments in financial instruments	7 y 9 -	335,937	71,730	58,260	-	465,927	-	394,197	-	394,197
Trade receivables, net	-	-	177,606	-	-	177,606	-	-	-	-
Cash and cash equivalents	-	-	393,130	-	-	393,130	-	-	-	-
	¢	<u>341,501</u>	<u>876,264</u>	<u>58,260</u>	<u>-</u>	<u>1,276,025</u>	<u>-</u>	<u>394,197</u>	<u>5,564</u>	<u>399,761</u>
<i>Financial liabilities</i>										
Financial debt	10 ¢	-	-	-	2,639,446	2,639,446	-	2,637,491	-	2,637,491
Accounts payable	-	-	-	-	322,313	322,313	-	-	-	-
Derivative financial instruments		4,141	-	-	-	4,141	-	4,141	-	4,141
Total financial liabilities	¢	<u>4,141</u>	<u>-</u>	<u>-</u>	<u>2,961,759</u>	<u>2,965,900</u>	<u>-</u>	<u>2,641,632</u>	<u>-</u>	<u>2,641,632</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

December 31, 2020

		Carrying amount					Fair value			
Note	Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>										
	¢	-	6,202	-	-	6,202	-	-	6,202	6,202
			-	240,149	-	240,149	-	-	-	-
	7 y 9	-	356,950	85,242	36,969	479,161	-	393,919	-	393,919
		-	-	175,829	-	175,829	-	-	-	-
		-	-	311,743	-	311,743	-	-	-	-
	¢	<u>-</u>	<u>363,152</u>	<u>812,963</u>	<u>36,969</u>	<u>1,213,084</u>	<u>-</u>	<u>393,919</u>	<u>6,202</u>	<u>400,121</u>
<i>Financial liabilities</i>										
	10 ¢	-	-	-	-	2,668,091	-	2,609,874	-	2,609,874
		-	-	-	-	282,772	-	-	-	-
		2,491	-	-	-	2,491	-	2,491	-	2,491
	¢	<u>2,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,863</u>	<u>-</u>	<u>2,612,365</u>	<u>-</u>	<u>2,612,365</u>

(Continued)

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

Fair value of financial instruments

As of March 31, 2021, Grupo ICE has made no transfers between fair value levels.

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

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

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

ii. Investments in equity securities

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

iii. Investments in financial instruments

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

iv. Derivative financial instruments - cash flow hedges

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

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

To determine the fair value of long-term debt as of March 31, 2021, a discount rate between 4.64% and 15.96% in colones, and 1.00% and 23.14% in US dollars (between 4.80% and 15.96% in colones, and between 0.78% and 23.14% in US dollars, in 2020), the rates available to Grupo ICE, were used.

i) Credit risk

The strategy of ICE to continue driving an equal or greater amount of revenue has resulted in a slight increase in its trade receivables. As of March 31, 2021, these accounts showed an increase of ¢1,777 million.

The transactions to estimate the impairment of trade receivables are detailed below:

	As of March 31, 2021
Opening balance	¢ 47,653
Used	(1,373)
Recognized	577
Closing balance	¢ <u>46,857</u>

Consistency in the impairment estimate is attributed to the low increase in accounts receivable as of March 31, 2021. The methodology to compute such estimate is the same one that is described in the last annual financial statements.

ii) Impairment of assets

During the three months ended on March 31, 2020, the Grupo ICE recognized an impairment charge in the amount of ¢71 million, related with representative values of financial assets valued at amortized cost. Impairment charges are recognized as financial costs in the statement of profit or loss.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)iii) Management of the reform to the benchmark rate and associated risks*General vision*

The fundamental reform to the most significant benchmark interest rate is currently underway at a global level and includes the replacement of certain rates offered at an interbank level (IBOR rates) with alternative, almost risk-free, rates (known as the IBOR reform). Nevertheless, uncertainty exists in the general market in relation to the transition methods.

Last March 5, 2021, the Financial Conduct Authority (FCA), which supervises the manager of the USD LIBOR, issued a public announcement stating the future cessation or loss of representativeness, as of December 31, 2021, of the 1-week and 2-month LIBOR rates. The same will occur with other LIBOR terms as of June 30, 2023.

Grupo ICE has exposure to the IBOR rates, specifically to the LIBOR (London Interbank Offered Rate) rate, in its financial instruments, which shall be replaced or reformed, as part of these initiatives that will affect the entire market. This process is expected to end with the change of the contractual terms or the application of the adequate reserve provisions, in response to the IBOR reform, in the mid-term.

At an institutional level, the IBOR reform is expected to have an effect in risk management and derivative accounting. The main risks to which the ICE is exposed to as a result of the IBOR reform are operational. For example, renegotiation of credit agreements through bilateral negotiation with counterparties; implementation of new reserve clauses with the derivative counterparty; updating of contractual terms; and review of operational controls relating to the reform. The financial risk is predominantly limited to the interest rate risk.

Likewise, the progress in the transition from the IBORs to the new benchmark rates is being supervised by means of the revision of the total contract amounts that are yet to transition to an alternative benchmark rate and the amounts of any contracts that include an appropriate reserve clause. A contract is considered to be pending the transition to the alternative benchmark rate when the interest under the contract are indexed using a benchmark rate that is still subject to the IBOR reform, even if it includes a reserve clause that refers to the cessation of the existing IBOR (known as “contract pending reform”).

The Financial Management monitors and manages the transition process of Grupo ICE to these alternative rates. The extent to which contracts refer to LIBOR cash flows is assessed, including if these contracts will require amendments as a result of the LIBOR reform and how to manage the communication on the LIBOR reform with the counterparties.

IFRS 7 requires that companies disclose quantitative information about the financial instruments that have not been transitioned to an alternative benchmark rate as of the date of presentation of the reports, which should separate non-derivative financial assets and liabilities from derivative financial assets and liabilities. The standard does not specify the type of quantitative information that should be disclosed.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
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The following table shows the total amounts of Grupo ICE that have not been reformed, as well as those with an adequate reserve clause as of January 1, 2021, and March 31, 2021. Amounts of financial liabilities and financial assets are shown as their book values, in dollars, considering the valid exchange rate as of the reporting date, while derivatives are shown with their theoretical amounts.

In thousands of dollars	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 March 2021		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	711	711
Derivatives		
Interest rate swaps	36	36
31 December 2020		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	720	720
Derivatives		
Interest rate swaps	43	43

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
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**Nota 16. Contingencies**

As of March 31, 2021, Grupo ICE has several open cases related to proceedings arising out of its ordinary line of business and that show no significant changes in relation to what was disclosed as of December 31, 2020.

The main proceedings in relation to which an estimate of amounts has been made, and in relation to which the Management has yet to recognize a provision in its financial statements, given the uncertainty in the final result of such litigation, is described below:

- a) The P.H. Capulín Project is a hydroelectric project started by the company P.H. Hidrotárcoles, S.A. This project was contemplated in a power purchase agreement entered by and between that company and ICE on April 24, 2012. According to the terms of this agreement, once the start order was given, such company had to start building the power plant on August 2012, and the commissioning of the plant had to take place on August 2015. Nevertheless, due to delays in the construction process, on December 2015, the ICE started an administrative proceeding to settle the agreement and declare a penalty against the company Hidrotárcoles, S.A., for its breach of the guaranteed commissioning date, as only 20% of the works had been completed as of the date it had to start operating.

On February 21, 2017, the Court of Appeals of Contentious-Administrative Matters, finally rejected the injunctive measure filed by the company, and, as of that resolution, Grupo ICE was allowed to continue with the aforementioned procedure. During the course of such proceeding, the company Hidrotárcoles also attempted to stop it on several occasions, with repeated actions to challenge the members of such body. It even filed a lawsuit against the officers that comprised such body, although all of the challenges were rejected, and the lawsuit was declared inadmissible by the Contentious Administrative Court in January 2018.

In addition, the main proceeding that the Management considers will likely be settled in ICE's favor is described below:

The Hydroelectric Power Plant Chucás is a hydroelectric project located in the counties of Mora and Atenas, provinces of San José and Alajuela, respectively. Its construction began on 2011, reason why its commissioning was expected for September 2014. However, due to delays in the construction process, the hydroelectric power plant was ready to start operating until November 2016. Due to this delay, and as stated in the power purchase agreement executed on February 3, 2011, the ICE proceeded to issue a fine for US\$9.4 (approximately ₡5,092).

Thereafter, the company started an arbitration proceeding before the International Center for Conciliation and Arbitration [CICA, its Spanish acronym], an entity that is affiliated to the US-Costa Rican Chamber of Commerce (AmCham), claiming that excess costs incurred during the construction of the hydroelectric power plant had not been recognized, and that it be declared that Grupo ICE had no right to collect such fine, as the delay was caused by Force Majeure. The alleged excess costs amounted to the sum of US\$173 (the budget allocated for the construction was US\$107, even though the final cost reported to the Arbitration Tribunal

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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was approximately US\$280), which, according to the company, were caused by unforeseeable events such as geological changes, among others. In November 2017, the CICA issued an arbitration award in favor of P.H. Chucás, S.A., stating that the Grupo ICE had to pay the amount claimed for alleged excess costs, professional fees, among others. In addition, it declared that the ICE had no right to collect the criminal clause (the aforementioned penalty). The main argument used to sentence the Grupo ICE to pay the excess costs in the mentioned legal proceeding pointed out that the Grupo ICE was under the obligation of paying for the actual cost or value, to reestablish the financial equilibrium of the agreement and avoid the alleged enrichment, without cause, of Grupo ICE. The sentence stated that Grupo ICE had to pay US\$112.7 and ¢6,328.

On December 15, 2017, the Grupo ICE filed an Appeal for Annulment of an Arbitration Award before the First Chamber of the Supreme Court of Justice, alleging that certain defects that rendered the award null existed, such as: conflict of interest of the arbitrators, violation of due process, violation of the principle of impartiality, violation of arbitration procedural rules by refusing to grant the right to hear evidence and unfair treatment, lack of consensus in the case law, violation of rules of public order, among others. According to the Alternate Dispute Resolution Act, the filing of this appeal for annulment does not suspend the execution of the Award and, therefore, the contractor could request the enforcement thereof, even though, for such purposes, the contractor would have to file a judicial proceeding to "enforce the award" against Grupo ICE and this would necessarily entail that ARESEP be a part thereof, as the entity that regulates the business of electricity and that is responsible for setting rates.

As of June 27, 2019, the First Chamber of the Supreme Court of Justice admitted the appeal for annulment filed by Grupo ICE and annulled the Award, thus waiving the payment obligation.

On July 31, 2020, Grupo ICE received a notice from the International Center for Conciliation and Arbitration (CICA) of the Costa Rican-American Chamber of Commerce, with a new Arbitration Request made by P.H. Chucás, S.A.

On May 19, 2021, Chucás formally filed an arbitration claim. The ICE has 20 natural days to contest such claim. The original term expired on June 16, even though it was extended until June 23, given the complexity and volume of the lawsuit, as well as the high volume of evidence to collect to defend ICE, which included documentary, expert, and testimonial evidence, and certified translations.

The management of Grupo ICE and its legal advisors expect a positive outcome given the arguments in the appeal for annulment that was filed before the First Chamber of the Supreme Court of Justice and the criminal claim filed against the arbitrators in the Public Prosecution Office. They expect that the case will be finally settled in favor of ICE and, therefore, do not consider necessary to record any provision.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)**Nota 15. Balances and transactions with related parties**

The Grupo ICE is indirectly controlled by the public administration of the Government of Costa Rica. As part of its normal course of business, the Grupo ICE makes transactions to distribute electrical energy, sell telecommunications services, and, to a lesser extent, sell construction services to related companies with the public administration. The monies from these services are not guaranteed and are liquidated in cash. Maturities and payments thereof are under normal payment conditions.

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

	Receivable		Payable	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Government entities	52,189	46,866	-	-
Autonomous institutions	5,778	5,207	10,168	10,201
State financial entities	3,147	2,887	-	-
Empresa Propietaria de la Red, S.A.	2,871	2,022	-	-
¢	<u>63,984</u>	<u>56,982</u>	<u>10,168</u>	<u>10,201</u>

As of March 31, 2021, Grupo ICE maintained a total of ¢464,715 (¢499,015 in 2020) in bonds payable, as well as a total of ¢627,488 (¢503,854 in 2020) of debts payable to state financial entities.

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

	As of March 31, 2021	As of December 31, 2020
Cash equivalents	¢ 11,221	12,449
Investments in financial instruments	426,639	420,951
¢	<u>437,860</u>	<u>433,400</u>

As of March 31, 2021, interest receivable from securities issued by state-owned financial entities amount to a total of ¢233 (¢594 in 2020).

As of March 31, 2021, investments in the share capital of autonomous and non-governmental entities amount to ¢7,322 (¢7,305 in 2020).

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
(in millions of colones)Compensation of management's key staff

The compensation of directors and other key members of management during the 2021 and 2020 periods was as follows:

		As of March 31,	
		2021	2020
Short-term benefits	¢	2,978	1,557
Severance benefits		75	36
Post-employment benefits		130	98
Other long-term benefits		-	18
	¢	<u>3,183</u>	<u>1,709</u>

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

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**Nota 16. Information by segment**(a) Bases for segmentation

Grupo ICE has the following reportable segments:

- The Telecommunications Segment includes ICE-telecommunications business, *Radiográfica Costarricense, S.A. (RACSA)*, *Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA)*, and *Gestión Cobro Grupo ICE, S.A.* 83.25% (94.18% in 2020).
- The Electricity Segment includes the ICE-electricity business, *Compañía Nacional de Fuerza y Luz, S.A. (CNFL)*. and *Gestión Cobro Grupo ICE, S.A.*, 16.75%  
(5.82% in 2020).

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

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

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE]

Notes to the Interim Condensed Consolidated Financial Statements  
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(c) Revenue and results by segments

The revenue and the net (excess) deficit of Grupo ICE's operations is broken down below by the segments that the Group has the obligation to report on:

Profit (loss) per segment	For the periods ended March 31,					
	Electricity		Telecommunicatios		Consolidated total	
	2021	2020	2021	2020	2021	2020
Income per segment	¢ 181,093	213,629	143,800	141,699	324,893	355,328
(Profit) loss for the period, net	¢ (2,755)	(16,573)	3,872	2,815	1,117	(13,758)

The revenue by segment, as informed in the foregoing paragraphs, accounts for the revenue generated by external clients Note 13 breaks down such revenue by product.

The revenue among segments is as follows:

- The revenue from service sales of the electricity segment to the telecommunications segment amounts to ¢1,470 for 2021 (¢2,075 in 2020).
- The revenue from service sales of the telecommunications segment to the electricity segment amounts to ¢609 for 2021 (¢708 in 2020).

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements  
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(d) Assets and liabilities by segments

Assets and liabilities by segment	As of March 31, 2021 and December 31, 2020					
	Electricity		Telecommunicatios		Consolidated total	
	2021	2020	2021	2020	2021	2020
Assets	¢ 5,428,700	5,439,076	1,406,943	1,404,455	6,835,643	6,843,531
Liabilities	¢ 3,425,934	3,423,852	697,541	709,886	4,123,475	4,133,738

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