CONSOLIDATED FINANCIAL STATEMENTS

Instituto Costarricense de Electricidad and Subsidiaries (without audit)

ICE GROUP
ICE
CNFL
RACSA
CRICSA
Cable Visión
Gestión Cobro

September 2019
Financial Management

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

Consolidated Statement of Financial Position
(In millions of colones)

As of September 30, 2019 and December 31, 2018

Assets	Note		2019 (*Without audit*)	2018 (*Restated*)*
Non-current assets:				
Property, plant and equipment, net	8	¢	4,994,743	5,023,345
Intangible assets, net	9		89,480	91,684
Equity investments	10		33,921	30,768
Notes and other accounts receivable, net	11		2,584	2,994
Investments in financial instruments	12		96,888	121,338
Assets by deferred tax			395	395
Guarantee and Savings Fund	13		225,370	222,212
Total non-current assets			5,443,381	5,492,736
Current assets:				
Inventories, net	14		88,589	108,849
Notes and other accounts receivable, net	11		99,812	95,312
Temporary investments	15		107,458	53,451
Restricted funds	16		1,985	1,017
Trade receivables, net	17		167,578	123,398
Prepaid expenses	18		32,826	52,110
Other assets			2,479	79
Cash and cash equivalents	19		247,047	138,655
Total current assets			747,774	572,871
Total assets		¢	6,191,155	6,065,607

Preliminary translation

*See notes 32 and 33.

The notes on pages 1 to 105 are an integral part of the consolidated financial statements

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

Consolidated Statement of Financial Position
(In millions of colones)

As of September 30, 2019 and December 31, 2018

Liabilities and equity	Note		2019 (Without audit)	2018 (Restated)*
Equity:				
Paid-in capital		¢	155	155
Other reserves			15,299	14,750
Restricted retained earnings from capitalization of shares in subsidiary			62,380	62,380
Actuarial gain (loss)			22,601	22,620
Income from investments in other companies			(76)	66
Valuation of non-derivative financial instruments and hedges			(14,936)	(41,786)
Retained earnings			329,446	318,559
Development reserve			2,247,000	2,250,981
Déficit, net			78,998	-
Equity attributable to owners of ICE			2,740,867	2,627,725
Minority interests			6,042	5,739
Net equity		¢	2,746,909	2,633,464
Liabilities:				
Non-current liabilities:				
Securities payable	20(a)		1,165,558	1,211,765
Loans payable	20(b)		867,504	887,060
Finance lease obligations	20(c)		468,037	488,057
Employee benefits	21		50,206	42,657
Accounts payable	22		7,035	7,605
Prepaid income	23		6,014	6,495
Guarantee and Savings Fund	13		225,370	222,212
Liabilities by deferred tax			98,397	106,289
Other provisions	24		397	347
Other liabilities	25		56,443	53,967
Total non-current liabilities			2,944,961	3,026,454
Current liabilities:				
Securities payable	20(a)		-	19,482
Loans payable	20(b)		142,060	93,133
Finance lease obligations	20(c)		19,854	20,189
Employee benefits	21		7,441	7,291
Accounts payable	22		196,798	163,606
Prepaid income	23		25,822	28,164
Accrued employer obligations payable	26		63,552	46,498
Accrued interest payable			31,499	17,811
Other provisions	24		3,109	2,860
Other liabilities	25		9,150	6,655
Total current liabilities		¢	499,285	405,689
Total liabilities			3,444,246	3,432,143
Total liabilities and equity		¢	6,191,155	6,065,607
Memoranda necounts	27		184,941	186,256

Preliminary translation
*See notes 32 and 33.
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Jeimy Sánchez Umaña
Accounting Process Coordinator

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

Consolidated Statement of Income and Expenses and Other Comprehensive Income
(In millions of colones)

For the periods ended September 30, 2019 and 2018
(With corresponding restated figures for 2018)

	Note		2019 (*Without audit*)	2018 (*Restated*)*
Operating income:				
Electricity services		¢	645,394	606,352
Telecom services			451,047	429,748
Total operating income	28		1,096,441	1,036,100
Operating costs:				
Operation and maintenance			374,615	382,760
Operation and maintenance of leased equipment			86,877	83,429
Supplemental services and purchases			183,950	160,395
Production management			51,842	48,312
Technical service center			(904)	(200)
Total operating costs	29		696,380	674,696
Gross surplus			400,061	361,404
Other income	30		26,186	25,483
Operating expenses:				
Administrative			100,412	101,839
Selling			187,940	165,721
Preinvestment studies			21,614	24,670
Supplemental			8,444	148
Other expenses			26,784	28,529
Total operating expenses	29		345,194	320,907
Operating surplus			81,053	65,981
Finance income and finance costs:	31			
Investment income			21,452	17,427
Finance costs			(127,408)	(147,283)
Foreign exchange differences, net			103,609	(35,168)
Income from investments in other companies			487	551
Total finance income and finance costs			(1,860)	(164,473)
Net (deficit) surplus before income tax			79,193	(98,492)
Income tax:				
Current	34		(394)	(525)
Deferred			199	158
Total income tax			(195)	(367)
Net (deficit) surplus		¢	78,998	(98,860)

Preliminary translation.

*See notes 32 and 33.

The notes on pages 1 to 105 are an integral part of the consolidated financial statements

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

Consolidated Statement of Income and Expenses and Other Comprehensive Income (continued)
(In millions of colones)

For the periods ended September 30, 2019 and 2018

	Note		2019 (Without audit)	2018 (Restated)*
Net (deficit) surplus			78,998	(98,860)
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Effect of actuarial gains for the year			(19)	126
Effect of eliminations of reciprocal transactions			4,923	337
Subtotal			4,904	463
Items that are or may be reclassified subsequently to profit or loss:				
Net loss on fair value on cash flow hedges			26,850	(5,777)
Net loss on available-for-sal financial assets			-	1,429
Subtotal			26,850	(4,348)
Other comprehensive income			31,754	(3,885)
Total comprehensive income for the year		¢	110,752	(102,745)
Income for the year attributable to:				
Owners of ICE			78,571	(99,018)
Non-controlling interests			427	158
Total		¢	78,998	(98,860)
Total comprehensive income for the year attributable to:				
Owners of ICE			110,752	(102,745)
Total		¢	110,752	(102,745)

Preliminary translation

*See notes 32 and 33.

The notes on pages 1 to 105 are an integral part of the consolidated financial statements

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Jeimy Sánchez Umaña
Accounting Process Coordinator

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

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

For the period ended September 30, 2019
(With corresponding restated figures for 2018)

	Nota	Paid-in capital	Valuation of non-derivative financial instruments and hedges	Development reserve	Other reserves: Legal reserve	Other reserves: Project development reserve	Restricted retained earnings from capitalization of investment in subsidiary	Retained earnings	Actuarial gain (loss)	Profit (loss) on investment in other companies	Net loss	Equity attributable to owners of ICE	Non-controlling interests	Net equity
Balance at January 1, 2018, previously reported		¢ 155	(16,267)	2,494,488	13,595	71	62,380	334,015	8,811	(185)	-	2,897,063	6,001	2,903,064
Deficit for the year		-	-	(241,420)	-	-	-	(15,241)	-	-		(256,661)	(283)	(256,944)
Other comprehensive income for the year:												-		-
Effect of eliminations of reciprocal transactions		-	-	91	-	-	-	869	-	-	-	960	-	960
Effect of actuarial gains for the year		-	-	-	-	-	-	-	13,809	-	-	13,809	21	13,830
Net loss on fair value of cash flow hedges		-	(23,968)	-	-	-	-	-	-	-	-	(23,968)	-	(23,968)
Net change in fair value of available-for-sale financial assets		-	(1,551)	-	-	-	-	-	-	-	-	(1,551)	-	(1,551)
Total comprehensive income for the year:		-	(25,519)	(241,329)	-	-	-	(14,372)	13,809	-	-	(267,411)	(262)	(267,673)
Profit (loss) on investments in other companies		-	-	-	-	-	-	-	-	251		251	-	251
Appropriation to legal reserve		-	-	-	1,084	-	-	(1,084)	-	-		-	-	-
Total comprehensive income for the year:		-	-	-	1,084	-	-	(1,084)	-	251		251	-	251
Balance at December 31, 2018		¢ 155	(41,786)	2,253,159	14,679	71	62,380	318,559	22,620	66	-	2,629,903	5,739	2,635,642
Efect del adjustments for correction of error from prior year.														
Efect of correction of error	32	-	-	(2,178)	-							(2,178)	-	(2,178)
Balance ot January 1, 2019		155	(41,786)	2,250,981	14,679	71	62,380	318,559	22,620	66	-	2,627,725	5,739	2,633,464
Other comprehensive income for the year:														
Effect of eliminations of reciprocal transactions		-	-	1,664	-	-	-	3,259	-	-	-	4,923	-	4,923
Net loss on fair value of cash flow hedges		-	-	-	-	-	-	-	(19)	-	-	(19)	-	(19)
Net change in fair value of available-for-sale financial assets		-	26,850	-	-	-	-	-	-	-	-	26,850	-	26,850
Total other comprehensive income for the year		-	26,850	1,664	-	-	-	3,259	(19)	-	-	31,754	-	31,754
Comprehensive income of the year:														
Profit (loss) on investments in other companies		-	-	-	-	-	-	-	-	(142)	-	(142)	-	(142)
Effect of eliminations by homologatións adjustments		-	-	-	-	-	-	7,932	-	-	-	7,931	-	7,931
Appropriation to legal reserve		-	-	-	550	-	-	-	-	-	-	550	-	550
Net deficit before minority interest		-	-	-	-	-	-	-	-	-	78,998	78,998	-	78,998
Profit (loss) on investments in other companies		-	-	-	-	-	-	(304)	-	-	-	(304)	304	-
Previous periods adjustment		-	-	(5,645)	-	-	-	-	-	-	-	(5,645)	-	(5,645)
Total comprehensive income for the year:		-	-	(5,645)	550	-	-	7,628	-	(142)	78,998	81,388	304	81,692
Balance at set 30, 2019		155	(14,936)	2,247,000	15,229	71	62,380	329,446	22,601	(76)	78,998	2,740,867	6,042	2,746,909

The notes on pages 1 to 105 are an integral part of the consolidated financial statements

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Jeimy Sánchez Umaña
Accounting Process Coordinator

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

Consolidated Statement of Cash Flows
(In millions of colones)

For the nine months September 30, 2019
(With corresponding restated figures for 2018)

	Note		2019 (Whitout audit)	2018 *(Restated)**
Cash flows from operating activities:				
Profit (deficit) for the year		¢	78,998	(98,860)
Adjustments for:				
Depreciation	8		205,815	202,816
Finance costs			113,887	108,315
Severance benefits	21		14,947	17,690
Statutory Christmas bonus	26		13,359	13,925
Back-to-school bonus	26		13,716	13,869
Accrued vacation	26		14,323	9,838
Allowance for doubtful accounts	17		4,233	4,101
Allowance for valuation of inventory	14		7,432	971
Expense on disposal of assets	8 y 9		8,240	2,393
Expense on disposal of contruction work in progress	8		8,617	258
Absorption of amortizable and intangible items	9		16,668	18,208
Net realizable value			(1,428)	-
Litigation Provision			1,465	558
Loss on valuation of financial instruments			20,160	(9,621)
Amortized cost			(12,282)	-
Foreign exchange differences	20 (d)		(89,280)	41,369
Income tax			(195)	(367)
Accrued interest			(12,259)	(12,892)
			406,415	312,572
Changes in:				
Increase in trade receivables and other accounts receivable			(52,118)	(92,039)
(Decrease) increase in inventories			13,196	(6,838)
Decrease in other assets			15,916	25,003
Increase in accounts payable			32,622	165,475
Decrease in severance benefits			(8,935)	(27,014)
(Decrease) increase in prepaid income			(2,823)	752
Decrease in ligation and terminal provisions			(108)	(747)
Decrease in severance benefits			(42,832)	(33,949)
Decrease in deferred tax			(7,697)	(771)
Increase in other liabilities			6,255	94,443
Cash flows from operating activities			359,891	436,888
Interest paid			(100,198)	(98,749)
Interest received			11,874	12,032
Net cash from operating activities			271,567	350,171
Cash flows from investing activities				
Investments in subsidiaries			(55)	1,351
Increase-term investments			(15,447)	(76,784)
Maturity of long-term investments			45,474	57,793
Additions to property, plant and equipment			(167,594)	(157,784)
Increase in intangible assets			(16,813)	(11,848)
Increase in temporary investments			(108,779)	(61,932)
Maturity in temporary investments			55,151	55,959
Net cash used in investing activities			(208,063)	(193,245)
Cash flows from financing activities:				
Increase in securities payable			-	19,478
Amortization of securities payable	20 (d)		(20,255)	-
Increase in loans payable	20 (d)		136,633	33,301
Amortization of loans payable	20 (d)		(70,261)	(74,291)
Increase of finance leases			720	7,857
Amortization of finance leases	20 (d)		(1,948)	(8,377)
Net cash (used) in financing activities			44,888	(22,032)
Net decrease in cash and cash equivalents			108,392	134,894
Cash and cash equivalents at beginning of year			138,655	188,420
Cash and cash equivalents at end of year	19	¢	247,047	323,314

(*) See note 32.

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Jeimy Sánchez Umaña
Accounting Process Coordinator

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 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. ICE is also the parent of other wholly-owned entities that are not operating as of September 30, 2019.

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, homeowners and companies, including landline and mobile phone services, and voice and data services. These landline services include, among others, traditional fixed telephony, public telephony, and internet and television access. Mobile services include voice and data services, both under prepaid and postpaid modes. This offer also includes value added services and content, security and backup services, and telephone network interconnections and submarine capacity linking.

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:

(Continued)

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 some neighboring counties of the provinces of Alajuela, Heredia and Cartago. CNFL has issued a series of debt securities in domestic currency and is therefore subject to the regulations that the CONASSIF [Spanish acronym for the "National Supervising Council of the Financial System"] and the SUGEVAL [Spanish acronym for the "General Superintendency of Securities"] establish.

- *Radiográfica Costarricense, S.A.*

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

- *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 personal, 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 created on January 19, 2001, which 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 guarantee the continuity and quality of telecommunication and internet services provided by the cable company and to strengthen its offering. The effective date of this assignment is September 01, 2019, and, therefore, as of that date, CVCR's rights and obligations shall be absorbed by the ICE (parent) to close the 2019 period.

- *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 activity consists on providing judicial and administrative collection proceeding services to ICE and its companies to collect outstanding balances from their commercial operations.

The activities of 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 Securities Market Regulating Act, the General Directorate of National Accounting of the Ministry of Finance, and the Ministry of the Environment and Energy [MINAE, its Spanish acronym].

(Continued)

Capital composition

In accordance to article 16 of its Organic Act, the capital of ICE is made up of the following:

- Government revenue that is legally allocated and granted to ICE;
- The fees that the State acquired from the Municipality of San José under the *Contrato de Tranvía* [the "Tram Agreement", in English].
- Any other property that the State transfers to ICE.
- The country's hydraulic resources that have been or that are declared National Reserves, as well as all retained earnings stemming from any of the aforementioned.

Nota 2. Basis of accounting

The attached consolidated financial statements were prepared in compliance with those accounting policies included in the "Handbook of Accounting Policies of ICE", accepted by the General Directorate of National Accounting of the Ministry of Finance, governing authority of the National Accounting Subsystem, and accounting criteria issued by the Management, which are binding for accounting purposes. Note 7 describes the most significant accounting policies of the company.

Consolidated financial statements were authorized for issuance by the Management of ICE on Friday, November 29, 2019.

Nota 3. Basis of measurement

Consolidated financial statements were prepared using the historical cost basis, except for the following items that are measured using an alternative basis on each closing date.

Account/Line	Basis of measurement
Derivative financial instruments	Fair value
Derivative financial instruments measured at fair value, with changes in the profit or loss statement	Fair value
Financial assets available for sale	Fair value
Inventories (mobile terminals)	Net realizable value
Financial liabilities	Amortized cost
Net liability resulting from defined benefits	Fair value

Nota 4. Functional and presentation currency

These consolidated financial statements are expressed in Costa Rican colones (¢), legal tender of the Republic of Costa Rica, and its functional currency.

All financial information in this document is presented in millions of colones and has been rounded up to the closest unit, except as otherwise stated.

(Continued)

Nota 5. <u>Use of judgments and estimates</u>

The preparation of these 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.

Relevant estimates and assumptions are reviewed on a regular basis. The effect of an estimate change is governed by what is stated in note 7.

(i) *<u>Judgments</u>*

Information about judgments made to comply with accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements is described in the following notes:

- Note 8 (iii) - Costs of loans
- Note 29 - Classification of leases
- Note 3535 - Management of institutional financial risk

(ii) *<u>Assumptions and uncertainties in estimates</u>*

The information on assumptions and uncertainties related to estimates as of September 30, 2019 that entail a significant risk of resulting in a material adjustment in the next financial year are included in the following notes:

- Note 14 - Measurement of estimates for obsolete inventory
- Notes 11 and 17 - Measurement of estimates for doubtful accounts
- Note 21 - Measurement of obligations for defined benefits - key actuarial assumptions.
- Note 36 - Recognition and measurement of contingencies and provisions - key assumptions related to the probability and magnitude of a disbursement of financial resources

(iii) *<u>Measurement of fair values</u>*

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.

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:

(Continued)

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

Nota 6. <u>Policy changes</u>

Decree No. 35616-H of December 2, 2009, issued by the Ministry of Finance, established that public companies are to adopt International Financial Reporting Standards (IFRS) as of January 01, 2014. The Ministry of Finance thereafter established, by means of Decree No. 39665-H of March 08, 2016, that institutions that do not have accounting procedures based on the IFRS in place, are to take measures in order to prepare, approve and adapt their information systems to be able to apply the IFRS as of January 01, 2017. Notwithstanding the aforementioned, on August 3, 2016, and according to document DM-1559-2016, the Ministry of Finance notified ICE about the issuance of a guideline authorizing National Accounting to establish guidelines for entities that have not been able to complete their accounting treatments, so they can do so by undertaking to execute a plan of action, provided that any such plans have been executed by 2022.

In addition, by means of notice DCN-1609-2016, dated November 15, 2016, the General Directorate of National Accounting of the Ministry of Finance authorized ICE to issue its first IFRS compliant financial statements on the year ending on December 31, 2023.

On the other hand, the Ministry of Finance, through Executive Order No. 41039-H, dated February 1, 2018, published in La Gaceta N°92, on May 2018, established a new term to bridge the existing IFRS gaps in the Costa Rican public sector. This order states that institutions that have gaps between their current accounting practices and the ones required by international standards must implement such rules by January 01, 2020.

Simultaneously to the definition of the term established in Order No. 41039-H to complete the implementation of the international reporting standards, the Attorney General's Office, by means of Order PGR-C-095-2018, dated May 9, 2018, issued a binding opinion as a response to an inquiry that was made by ICE in relation to the retroactive effect of these standards. This order established that, if any ongoing agreements that had been executed under other rules exist, such conditions cannot be adversely or negatively modified by ICE as a result of implementing the IFRS.

Therefore, lease agreements, BOT (Build, Operate and Transfer) agreements, and trusts existing as of the issuance of this consolidated financial statements shall continue in accordance with current accounting standards as of the signing of such agreements and until their termination. New agreements related to these topics, entered into as of January 1, 2020, are to be registered in compliance with the IFRS.

As a result of the such decrees issued by the Ministry of Finance, as of 2016, the ICE started a process to gradually adopt the IFRS, including in its accounting policies those changes required to adjust them to the technical requirements that such accounting standards establish.

This gradual adoption is documented by means of the issuance of accounting criteria that incorporates technical requirements listed in the IFRS and that are being incorporated in accounting policies, under the guidance and with the binding criteria of the Directorate of Accounting and Budgets, with the approval of the Corporate Services Management and in accordance to the action plan accepted by the General Directorate of National Accounting of the Ministry of Finance (see note 7). The ICE considered a study prepared by an external advisor throughout this gradual adoption process. This study determined the gaps that existed between the basis for accounting used by ICE and valid IFRS as of 2015. As a result, and as of the date of these consolidated financial statements, the IFRS that have been considered in such implementation process are the following:

(in millions)

Reference standard	Name of standard	Start of implementation
IAS 8	Accounting policies, changes in accounting estimates and misstatements	2016
IAS 16	Property, Plant, and Equipment	2016
IAS 19	Employee benefits	2016
IAS 21	Effects of Changes in Foreign Exchange Rates	2016
IAS 24	Related Party Disclosures	2016
IAS 36	Impairment of assets	2016
IAS 37	Provisions, contingent liabilities and contingent liabilities	2016
IAS 39	Financial instruments: Recognition and measurement	2016
IFRS 8	Operating Segments	2016
IAS 1	Presentation of Financial Statements	2017
IAS 2	Inventories	2017
IAS 7	Statement of cash flows	2017
IAS 10	Events after the reporting period	2017
IAS 12	Income taxes	2017
IAS 18	Revenue recognition	2017
IAS 23	Borrowing costs	2017
IAS 28	Investments in associates and joint ventures (not related to trusts)	2017
IAS 38	Intangible assets	2017
IFRS 3	Business combinations	2017
IFRS 7	Financial instruments: Disclosures	2017
IFRS 11	Joint arrangements (not related to trusts)	2017
IFRS 13	Measurement of fair values	2017

(Continued)

The consolidated financial statements for the 2018 period incorporated the following accounting policies change:

(a) Recognition of the asset and liability related with import purchase orders:

The implementation of this policy has, as an objective, to define the moment of recognition and measurement of assets and liabilities related with the issuance of import purchase orders, in accordance to what Accounting Standard "IAS 39 - Financial Instruments: Recognition and Measurement", establishes.

Accordingly, liabilities are initially recognized when a final commitment to purchase the goods takes place, and when the rights and benefit of the traded good have been transferred, or otherwise until either of the parties has executed its obligations, pursuant to international commercial terms and agreements (Incoterms).

Gradual implementation of IFRS

The main objective of this gradual implementation is to adjust the accounting-financial process for the complete adoption of the IFRS. Hence, it should be interpreted that the aforementioned accounting standards have been used for such gradual change of the accounting process of assets, liabilities or transactions associated to these accounting standards, even though it does not have to do with the complete adoption of any of them, due to their direct or indirect relation with other IFRS and with those that are still not considered to be in such process of gradual adoption, as well as the fact that certain implementation cases fail to cover all transactions, assets or liabilities subject to the standard.

According to the foregoing, considering opinion issued by the Attorney General's Office as binding, the Financial Statements to be issued by ICE, and Grupo ICE explicitly, without any limitations, declaring that such financial statements comply with the International Financial Reporting Standards (IFRS), shall take place once the last agreement that was executed by ICE under current standards, is terminated.

Nota 7. Summary of significant accounting policies

The accounting policies described below have been consistently applied in the periods presented in the accompanying consolidated financial statements. As is stated in Note 6 - Policy changes, in 2018 certain accounting policies changes were implemented, and the effects arising from such, when applicable, were retroactively recorded (see note 32). Likewise, changes to the classification of assets, liabilities, and revenue and expense accounts, were also implemented. These changes resulted in changes and reclassifications in the consolidated financial statements of 2017, as is explained in note 33.

<u>Annual accounting policy unapplied for interim periods.</u>

The accounting policies of ICE contain a series of precepts that govern the accounting duties of Grupo ICE and that consider, in most cases, the accounting treatment stated in one accounting period, which, in the case of Grupo ICE, pertain to a natural year that starts on January 1 and ends on December 31.

As has been established in the practice, accounting policies that require strict implementation throughout the reporting year are the result of complex monthly and quarterly processing involved in the computation to determine or update values.

The accounting treatment of intermediate periods, which differs from the annual treatment at the closing of each accounting period, is described below.

(i) Estimate to appraise stock in warehouses:

The activities necessary to review the estimated amount determined involves all of Grupo ICE's units, as inventories are safeguarded all throughout the country and are only counted on a yearly basis. Hence, for practical purposes, the estimate is reviewed or modified only at the closing of the year.

For practical purposes, some notes to the consolidated financial statements present the information broken down by subsidiary.

(a) Consolidation policies

(i) Business consolidation

The Grupo ICE recognizes a business consolidation whenever the purchaser, be it the Institute or any other entity of Grupo ICE, gains control over one or more already established businesses.

Grupo ICE accounts for each business consolidation by means of the acquisition method of accounting, which requires:

a. The identity card of the acquiring company;
b. Determination of the acquisition date:
c. Recognition and measurement of identified acquired assets, liabilities that are being incurred, and any non-controlling interest in the acquired entity; and
d. The recognition and measurement of goodwill or profit from a purchase in very favorable terms.

The Grupo ICE recognizes, as the date of acquisition, the date when it takes control of the acquired company, which is generally the date when the consideration is legally transferred, and it acquires the assets and takes on the liabilities of the acquired company. Nevertheless, the acquiring company can assume control on a date before or after the closing date. For example, the acquisition date shall predate the closing date if a written agreement requires that the acquiring company obtain control of the acquired company on a date before the closing date. Therefore, the acquired company shall consider all pertinent facts and circumstances to identify the date of acquisition.

On the date of acquisition, Grupo ICE, as the acquiring company, shall separately recognize goodwill, identified acquired assets, assumed liabilities and any other non-controlling interest in the

(Continued)

(in millions)

acquired company. As the buying company, it has to measure the identifiable assets acquired, as well as the liabilities assumed, at their fair value as of the date of acquisition, and recognize goodwill on the date of acquisition, which represents the difference between the cost of acquisition and the fair value of the acquired entity. Goodwill is recognized as an intangible asset in the consolidated financial statements of Grupo ICE; it has an indefinite life, and is subject to an impairment analysis, pursuant to best practices.

The transferred consideration in a business consolidation should be measured at its fair value, which is calculated by adding the fair values of the assets transferred to the acquiring company on the date of the acquisition, the liabilities incurred by the acquired company's previous owners, and the equity interest issued by the acquiring company.

Should a contingent consideration exist, as a result of events that, as of the date of the negotiation were uncertain, Grupo ICE must recognize, on the date of the acquisition, the fair value of the contingent consideration as part of the consideration transferred in exchange of the acquired company, and must classify it as a liability or as equity, based on the definition of equity instruments and financial liabilities included in the Financial Instruments reporting standards, if applicable.

(ii) *Subsidiaries*

The consolidated financial statements include accounts of the *Instituto Costarricense de Electricidad* (ICE) and subsidiaries, as detailed below:

		Ownership interest as of	
		As of September 30	**As of December 31**
Subsidiaries	**Country**	**2019**	**2018**
Compañía Nacional de Fuerza y Luz, S.A. (CNFL)	Costa Rica	98,6%	98,6%
Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA)	Costa Rica	100%	100%
Radiográfica Costarricense, S.A. (RACSA)	Costa Rica	100%	100%
Cable Visión de Costa Rica, S.A. (CVCR)	Costa Rica	100%	100%
Gestión de Cobro Grupo ICE, S.A.	Costa Rica	100%	100%

(Continued)

These subsidiaries are companies controlled by the *Instituto Costarricense de Electricidad* (parent). The financial statements of the subsidiaries are included in the consolidated financial statements as of the date when the control starts and until the date it ends. Accounting policies of these subsidiaries have been changed whenever it has been necessary to standardize them with ICE's accounting policies, including corresponding accounting adjustments.

(iii) *Transactions written-off during the consolidation process*

Balances and transactions between related parties and any unrealized revenue or expense that arises out of any transactions between entities of Grupo ICE are written-off during the preparation of the consolidated financial statements.

(iv) *Investments in affiliates and joint ventures*

Grupo ICE recognizes investments in affiliates as those made in entities where it exerts significant influence, but does not control it, whenever it possesses, directly or indirectly, though one of its subsidiaries, 20% or more of the voting rights in such entity, unless it can be clearly proven that such influence does not exist.

Whenever Grupo ICE is part of a joint venture (business or operation), it will assess whether the agreement grants all or some of the parties joint control of the agreement. All or part of the parties jointly control the agreement whenever they must act jointly to direct the activities that significantly affect the performance of the agreement (that is to say, the relevant activities).

When it is determined that all of the parties, or a group of them, jointly control the agreement, then joint control is deemed, provided the decisions about relevant activities require the unanimous consent of the parties that collectively control the agreement.

Grupo ICE records those investments classified as investments in affiliated and joint ventures using the equity method. The initial recognition of an investment in an affiliate or a joint venture shall be recorded at its cost, and its book value shall increase or decrease as an adjustment product of the consolidation of financial statements of Grupo ICE, to recognize the part of the investment of Grupo ICE in the year's results of the subsidiary, after the date of acquisition. The interest held by Grupo ICE in the year's results shall be recognized in the results of such year. Distributions received in the investee shall reduce the book value of the investment.

Grupo ICE in its consolidated financial statements shall interrupt the use of the equity method as of the date its investments stops being an affiliate or a joint venture, and shall thereafter apply the corresponding policies.

If an affiliate or a joint venture applies accounting policies other than those adopted by Grupo ICE for transactions and other similar and relevant events that took place in similar circumstances, adjustments shall be made to the financial statements of the affiliate or joint venture that were sent to the Group and that the latter uses to apply the equity method in the consolidated financial statements, in order to bring the accounting policies of the affiliate or joint venture into alignment.

(Continued)

General recording policies

(i) Basic principles

Grupo ICE records its transactions using the accrual basis, by means of which the effects of transactions and other events are recognized when they take place and not when money or a cash equivalent is received or paid.

All transactions and events are to be recorded in accounting books, using the criteria of opportunity and chronological order, in the consolidated financial statements of the corresponding periods.

Grupo ICE's accounting period starts each year on January 01 and ends on December 31.

Those items that meet the following criteria are recognized in the group's consolidated financial statements:

- Any financial benefit linked to such item will most likely be received by or come from Grupo ICE.
- The item has a cost or value that can be accurately measured.

(ii) Foreign currency transactions

All foreign currency transactions executed by Grupo ICE are translated to the functional currency using the Costa Rican colón to US dollar (US$) exchange rate valid on the day of the transaction, pursuant to the exchange rate issued by the Costa Rican Central Bank for operations with the non-banking public sector. Exchange differences resulting from the application of this procedure are recognized in the results of the year when they occur.

As of 2018, transactions in foreign currency are converted to the Company's functional currency using the exchange rates valid on the dates of the transactions. Financial assets and liabilities in foreign currency as of the date of the report are translated back to the functional currency using the selling exchange rate established by the Costa Rican Bank for operations with the non-banking public sector.

(Continued)

(in millions)

Nota 8. <u>Property, plant and equipment, net</u>

The property, plant and equipment comprises the following general asset categories:

		As of September, 30 2019	As of December,31 2018
Cost			
Operating assets	¢	7,294,860	7,255,880
Operating assets and other operating assets under finance leases		848,840	844,643
Other operating assets		396,611	400,660
Total operating assets - cost		8,540,311	8,501,183
Accumulated depreciation:			
Operating assets		3,849,185	3,670,107
Operating assets and other operating assets under finance leases		46,290	35,577
Other operating assets		307,045	302,040
Total accumulated depreciation of operating assets - cost		4,202,520	4,007,724
Operating assets, net		4,337,791	4,493,459
Other assets			
Construction work in progress		523,673	395,259
Inventory for investment projects		133,279	134,627
Total other assets		656,952	529,886
	¢	4,994,743	5,023,345

(Continued)

(in millions)

(i) *Cost*

The general categories of the assets that are in operation are broken down below:

	As of December 31, 2017	Additions and capitalizations	Disposals	Adjustments, reclassifications, transfers	As of December 31, 2018	Additions and capitalizations	Disposals	Adjustments, reclassifications, transfers	As of September 30, 2019
Land	¢ 162,323	43,895	(180)	(34,056)	171,982	(329)	-	-	171,653
Buildings	367,668	19,765	(1,204)	(6,693)	379,536	3,100	(153)	-	382,483
Hydroelectric power generation	2,378,350	71,565	(1,271)	(80,428)	2,368,216	5,115	(4,779)	248	2,368,800
Thermal power generation	168,797	87	(21,809)	-	147,075	14	-	-	147,089
Geothermal power generation	518,567	-	(6,039)	-	512,528	-	(889)	-	511,639
Wind power generation	11,785	-	-	-	11,785	-	(369)	-	11,416
Solar power generation	12,369	363	-	-	12,732	105	-	-	12,837
Substations	451,808	17,045	(6,628)	(25,412)	436,813	2,307	(339)	(5)	438,776
Transmission lines	348,653	14,391	(10,995)	(6,752)	345,297	-	-	-	345,297
Distribution circuits	832,441	272,041	(7,225)	(167,884)	929,373	15,579	(2,808)	(459)	941,685
Public lighting	45,602	2,560	(1,229)	(19,285)	27,648	1,793	(602)	-	28,839
Control, communication and infrastructure equipment	279,392	4,197	(1,534)	130	282,185	1,179	(931)	10	282,443
Transport	716,877	2,282	(1,954)	-	717,205	2,324	(113)	-	719,416
Access	485,384	2,421	(18,539)	-	469,266	14,894	-	-	484,160
Civil y electromechanical	202,954	449	-	-	203,403	710	-	-	204,113
Platforms	237,008	3,711	(222)	339	240,836	3,373	-	5	244,214
Subtotal operating assets	7,219,978	454,772	(78,829)	(340,041)	7,255,880	50,164	(10,983)	(201)	7,294,860
Operating assets and other operating assets under finance leases:									
Land	7,604	78	-	(192)	7,490	7	-	-	7,497
Buildings	29,940	-	-	-	29,940	-	-	231	30,171
Hydroelectric power generation	796,297	497	-	-	796,794	-	(12)	(231)	796,551
Transport	-	-	(11)	-	(11)	4,214	-	-	4,203
Access	8,095	-	-	-	8,095	-	(12)	-	8,083
Furniture and equipment	2,335	-	-	-	2,335	-	-	-	2,335
Subtotal operating assets and assets under finance leases	844,271	575	(11)	(192)	844,643	4,221	(24)	-	848,840
Other operating assets	404,622	8,502	(12,125)	(339)	400,660	5,639	(9,683)	(5)	396,611
	¢ 8,468,871	463,849	(90,965)	(340,572)	8,501,183	60,024	(20,690)	(206)	8,540,311

(Continued)

As of 2016, the assets in operation and other assets in operation are registered at their adjusted cost, which is a substitute of the historic cost plus the revaluation adjustment. Hence, the value of such assets in operation and other assets in operation subject to tariff regulation, is known as the adjusted cost, which comprises the historical cost plus the revaluation adjustment. Likewise, the accumulated depreciation is added to the cost, plus the depreciation linked to the revaluation. Nevertheless, as of that date (2016) and during 2017, the subsidiary, CNFL, was in the process of updating the value of its properties, machinery and equipment using appraisals prepared by independent experts, to substitute the price indexes method, so that such values be used to adopt the mentioned policy at Grupo ICE. During 2018, this subsidiary incorporated the effects of such update, recognizing them as at January 1, 2018, because it was not practical to determine the effects of their correction each specific period. Assets which value was updated using the aforementioned appraisals include those used for hydraulic power generation, distribution circuits, public lighting, and other properties, such as terrains, buildings, and substations, which comprise one same class of assets. The effects of the aforementioned revaluation are presented in the previous note and in the table “accumulated depreciation”, in the line “Adjustments and carryforwards”. In addition, and as a result of the incorporation of the effects of the appraisal in the subsidiary and the use of the adjusted cost, which is made up by the historical cost plus the revaluation adjustment that was stated, the Grupo ICE adjusted the retained earnings by an amount of ¢128,963 million.

The account “assets in operation under financial lease” pertain to the value of those productive assets under agreements known as financial leases. As of September 30, 2019, the following are such agreements:

i) *<u>Reventazón Hydroelectric Power Plant Lease Agreement (hydroelectric generation):</u>*

Agreement entered by and between UNO P.H. Reventazón, as lessor, and ICE, as lessee. The term of the agreement is of 20 years and the biannual installment is calculated using the amount of the debt service of the trust, as owed to the creditor banks under the UNO P.H. Reventazón trust (see note 20(c)).

This lease agreement originates from the terms of the trust agreement known as “Trust UNO PH Reventazón / ICE / Scotiabank / 2013 Agreement”; entered by and between ICE and Scotiabank de Costa Rica on May 2013, under which ICE acts as trustor and main beneficiary, and Scotiabank acts as trustee, and the persons identified as secondary beneficiaries in each notice of appointment of secondary beneficiary. The value of the agreement is of ¢239,500 and US$435. The term of the agreement is of 20 years (ending on 2034) and the biannual installment is calculated using the debt service amount of the Trust, as owed to the lender banks under the UNO P.H. Reventazón trust.

(Continued)

The main clauses of this trust UNO PH Reventazón / ICE / Scotiabank / 2013 agreement are the following:

a. Develop, continue to build, lease, operate and provide maintenance to the Reventazón Hydroelectric Project, as well as subscribe the necessary financing to fulfill such purposes.
b. Create an autonomous and independent estate that can support and guarantee compliance of the obligations assumed by the trust.
c. Establish the guarantee trust in favor of which the trust's estate will be transferred, under which the trustor shall be this trust, the beneficiaries shall be the secured creditors and the trustee shall be the trustee under this trust. It is agreed that the trustee under the guarantee trust shall be Scotiabank.
d. Comply with the obligations of the trust, in accordance with the transaction documents, which include the payment to secured creditors that have granted credits or that have made investments in securities destined for the development, financing, construction, leasing, operation and maintenance of the Reventazón Hydroelectric Power Plant.
e. Once (i) the purposes for which this trust was created are met; (ii) the obligations under the transaction documents have been fulfilled; and (iii) the trustee receives the written approval of the representative of the secured creditors; transfer the estate of the Trust to the Trustor, in his capacity as main beneficiary.
f. Any other objective or end deriving from the nature of this trust agreement and the transaction documents that does not violate the principle of good business faith or relevant laws.

The estate of the trust shall comprise: (i) the entrusted assets of the trust in order to execute the Reventazón Hydroelectric Project; (ii) the works and equipment that is incorporated in the process to develop the Project; (iii) money or in-kind contributions made by the Trustor; (iv) resources obtained by the Trust from loan agreements, as well as resources collected product of the issuance, placement and management of securities under the trust, if they come to exist; (v) revenue earned from leasing the plant, as well as any other revenue that the Trust can earn in its normal operation; (vi) all such permits, authorizations, studies and documents that need to be subscribed to fulfill the trust's ends; (vii) trust accounts, investments, and their yields, as well as any other funds that the trustee manages under this trust; (viii) any other revenue earned by the trust and linked to the project, whether directly or indirectly; (ix) future property that is eventually included in the trust's estate; (x) the estate of the guarantee trust, once it has been returned to the trust, in its capacity as trustor, in compliance with the terms and conditions of the guarantee trust.

The trustee shall manage and, if necessary, dispose of the estate of the trust, in compliance with the purposes and provisions of the agreement, and so as to comply with all of the obligations under the trust.

All funds that the trust receives, for whatever cause or reason, must be immediately deposited by the trustee in the bank accounts of the guarantee trust, in compliance with the terms and conditions of the guarantee trust. The only exception to the foregoing are the funds from the bridge loan, which are to be deposited in the account that the trust states for this purpose.

(Continued)

ii) *Lease Agreement - Telecommunications Tower (buildings):*

On January 2010, the *Banco de Costa Rica* [BCR, its acronym in Spanish] and ICE made and entered into an agreement known as the “ICE-BCR Real Estate Securitization Trust”, by means of which the *Banco de Costa Rica*, acting as trustee, undertook to obtain financial resources to acquire the property known as Centro Empresarial La Sabana (building). Such financing would be obtained by the Trust through the sale of securities known as “Securities/Certificates of the ICE-BCR Real Estate Securitization Trust”. The agreement was for an amount of ¢27,550 The term of the agreement was of 20 years (it ends on 2030).

The purposes of this Trust was to provide ICE with a comprehensive physical space solution to perform its activities. One of the terms of this Trust was to lease the equipped building to ICE. This gave rise to the irrevocable lease agreement with an option to purchase such property, known as Centro Empresarial La Sabana, through which the aforementioned Trust leases to ICE the aforementioned real property for a 20-year term, at the end of which ICE shall be able to exercise the purchase option with a monthly lease fee that is based on the variables set forth in such lease agreement. (See note 20(c)).

With the amount received by the Trust for the lease of the property, the principal amount and yields from the securities placed in the stock market shall be paid, as well as those private issuances of securities and loans from national and international banks. In 2019, the monthly installment ranged between ¢213 and ¢215 (¢214 and ¢218 in 2018).

iii) *RANGE – Telecommunications Lease Agreement (access):*

In January 2014, *Banco de Costa Rica* (BCR) and ICE entered into an agreement referred to as: “ICE-RANGE/BCR Trust Agreement” to address the cost of the design, construction, and maintenance of the New Generation Access Network [RANGE, its acronym in Spanish], including the works related to the installation of equipment, channeling of civil and electromechanical works, duct construction, cable laying, and installation of fiber optic. As a result of such a Trust Agreement, ICE entered into a lease agreement with the Trust regarding the works to be developed by the latter. The term of the lease is 18 years (it ends on 2034), with monthly installments calculated in accordance with the formula set forth in the addendum to the aforementioned lease agreement. (See note 20 (c)). During 2019, the monthly installment ranged between ¢253 and ¢254 (¢186 and ¢254 in 2018).

(Continued)

(in millions)

(ii) *Accumulated depreciation:*

The accumulated depreciation of the property, plant and equipment is detailed below:

		As of December 31, 2017	Depreciation	Disposals	Adjustments, reclassifications, transfers	As of December 31, 2018	Depreciation	Disposals	Adjustments, reclassifications, transfers	As of September 30, 2019
Buildings	¢	140,074	7,303	(698)	(14,675)	132,004	5,547	(110)	-	137,441
Hydroelectric power generation		1,072,816	39,279	(627)	(41,481)	1,069,987	31,690	(739)	(155)	1,100,783
Thermal power generation		91,358	3,407	(15,569)	-	79,196	2,354	-	-	81,550
Geothermal power generation		284,306	27,804	(3,259)	-	308,851	20,572	(557)	-	328,866
Wind power generation		10,898	45	-	-	10,943	33	(361)	-	10,615
Solar power generation		5,809	643	-	-	6,452	423	-	-	6,875
Substations		224,037	15,885	(3,122)	(11,047)	225,753	12,246	(123)	-	237,876
Transmission lines		118,008	9,373	(10,411)	(2,073)	114,897	7,111	-	-	122,008
Distribution circuits		435,929	34,019	(3,287)	(120,419)	346,242	21,748	(269)	1,565	369,286
Public lighting		22,525	1,472	(380)	(9,321)	14,296	1,230	(172)	-	15,354
Control, communication and infrastructure equipment		104,564	6,506	(1,374)	(128)	109,568	4,819	(792)	5	113,600
Transport		472,475	28,541	(1,912)	515	499,619	20,327	(113)	-	519,833
Access		356,029	46,048	(14,658)	-	387,419	31,400	-	-	418,819
Civil and electromechanical		172,098	14,734	-	-	186,832	9,168	-	-	196,000
Platforms		156,747	20,899	(220)	622	178,048	12,226	-	5	190,279
Subtotal operating assets		3,667,673	255,958	(55,517)	(198,007)	3,670,107	180,894	(3,236)	1,420	3,849,185
Operating assets and other operating assets under finance leases:										
Buildings		3,387	607	-	-	3,994	455	-	1,021	5,470
Hydroelectric power generation		12,808	11,844	-	-	24,652	8,888	-	(2)	33,538
Transport		-	9	-	-	9	1,180	-	-	1,189
Access		2,712	1,762	-	-	4,474	197	(7)	-	4,664
Furniture and equipment		2,185	263	-	-	2,448	-	-	(1,019)	1,429
Total operating assets and assets under finance leases		21,092	14,485	-	-	35,577	10,720	(7)	-	46,290
Other operating assets		294,587	19,559	(11,803)	(303)	302,040	14,201	(9,191)	(5)	307,045
	¢	3,983,352	290,002	(67,320)	(198,310)	4,007,724	205,815	(12,434)	1,415	4,202,520

(Continued)

(in millions)

For the 2019 and 2018 periods, asset depreciation was calculated using the following useful lives.

	Useful life (in years)
Buildings	4 a 50
Plant, machinery and equipment for power generation	20 a 60
Plant, machinery and equipment for telecommunications	3 a 30
Plant, machinery and equipment for public lighting	10 a 30
Access roads	50
Machinery and equipment	3 a 20

(Continued)

(in millions)

(iii) <u>*Other assets*</u>

The following table contains a detailed description of the assets classified as work in progress and inventory - investment as of September 30, 2019 and December 31, 2018:

		Construction work in progress	Internal consumption of services **	Subtotal	Inventory for investment projects	Total
As of December 31, 2017 (restated)	¢	382,557	(1,547)	381,010	134,647	515,657
Additions		188,865	1,058	189,923	102,347	292,270
Disposals (a)		(109,921)	-	(109,921)	-	(109,921)
Capitalizations		(70,273)	-	(70,273)	(102,367)	(172,640)
Interst and commissions		4,520	-	4,520	-	4,520
As of December 31, 2018		395,748	(489)	395,259	134,627	529,886
Additions		167,948	17	167,965	(76,232)	91,733
Disposals		(8,617)		(8,617)	-	(8,617)
Capitalizations		(38,596)	-	(38,596)	74,884	36,288
Interst and commissions		7,662	-	7,662	-	7,662
As of September 30, 2019	¢	524,145	(472)	523,673	133,279	656,952

(a) Includes withdrawal from the El Diquis Hydroelectric Project, for an amount equivalent to ¢93,873.

**Internal consumption of electrical energy and telephony incurred by the different areas of the institution.

As of September 30, 2019, the cost per capitalized loans of Grupo ICE amounted to ¢7,662 and the capitalization rate used to determine the amount of the costs for loans that could be subject to capitalization was of 6.40% (2.40% in 2018).

(Continued)

Below you will find a description of the nature and of the main works under construction as of September 30, 2019 and December 2018.

(a) *Las Pailas II Geothermal Project*

As of September 30, 2019, the balance of this project is ¢189,977 (¢166,981 in 2018), which pertains to the cost of different works that were executed for the construction of a new geothermal plant with a power generation capacity of 55 MW. The purpose of this project is to supplement the power output of the Las Pailas I Power Plant and increase the geothermal power output. The project, which is considered in ICE's electricity generation expansion plan, is located in Guanacaste and is being built on the foot of Rincón de la Vieja volcano. The estimated investment is US$325 million.

(b) *Borinquen Geothermal Project*

This project includes ¢39,784 in costs incurred as of September 30, 2019 (¢35,088 in 2018) in the development of the geothermal project known as Borinquen 1, located on the Guanacaste mountain range, on the Pacific slope of the Rincon de la Vieja volcano. It will have an estimated power output of 52 MW, with an estimated cost of US$399 million. The commissioning of the Borinquen 1 project is expected to happen on January 2022

(c) *Acquisition of senior management assets:*

This pertains to the investment made in the Administrative Financial Modernization Program (AFMP), which balance as of September 30, 2019 was ¢22,188 (¢11,191 in 2018). This project is a solution that includes the redesign, integration and consolidation of operative and administrative processes for finances, supply chain, human talent and project management, pursuant to best industry practices. This solution is supported by a platform that includes software, licenses and infrastructure in order to improve the efficiency and availability of information for effective decision making within the institution, and which is supported by an integrated SAP Enterprise Resource Planning (ERP) system.

(d) *Expansion of LTE Network*

As of September 30, 2019, the balance of this project is ¢18,711 (¢10,606 in 2018), which pertains to costs incurred to execute the project known as "LTE Network", which has a total budget of US$47,6, and which purpose is to increase the broadband and data transmission speeds, per the demand and needs of the end user, so as to comply with the objective of the institution of continuing to work in the expansion of the network's coverage and capabilities, thus improving customer experience.

(Continued)

(e) <u>*Network Improvements*</u>

The balance as of September 30, 2019, is ¢15,858 (¢9,861 in 2018). This is a permanent execution project that affects the entire telecommunications system, as it allows to guarantee, through improvements, an adequate functioning and access of all systems and networks of the telecommunications system. The goal is to provide continuous communication services that allow to maintain systems within the parameters established by the regulatory body and to guarantee the continuity and quality of the network's systems.

(iv) <u>*Changes in classification*</u>

During 2018, Grupo ICE modified the classification of other assets to reflect the total works in progress, as these costs include the basic and final design of works, as well as the technical, economic and financial studies thereof. Comparative values in the consolidated balance sheet were reclassified so they would remain consistent. This resulted in a reclassification of ¢99,932 that were recorded as "Design and planning of the project" to "Work in progress" and ¢28,116 from "Materials in transit for investment" to "Inventories - investment".

(v) <u>*Temporarily inactive property, plant and equipment*</u>

As of September 30, 2019, a book value of ¢19,924 in equipment was considered temporarily inactive.

(Continued)

(in millions)

Nota 9. <u>Intangible assets, net</u>

Intangible assets are described below:

		As of September, 30	As of December, 31
		2019	2018
Intangible assets with a definite useful life:			
Licences, systems and applications (1)	¢	146,023	135,360
Submarine cable rights (2)		70,451	66,392
		216,474	201,752
Accumulated amortization:			
Licences, systems and applications (1)		(116,470)	(103,035)
Submarine cable rigths (2)		(43,215)	(39,655)
Accumulated amortization		(159,685)	(142,690)
Intangible assets with a definite useful life		56,789	59,062
intangible assets with an indefinite useful life:			
Rights of way and easements (3)		29,878	29,809
Goodwil net of impairmet loss		2,813	2,813
Intangibles of indefinite useful life, net		32,691	32,622
		89,480	91,684

(Continued)

(in millions)

A detail of intangible assets is shown below:

		Intangibles of defined useful life				Intangibles of indefinite useful life					
		Licenses, systems and aplications		Submarine cable rights		Rights of way and easeents		Goodwill		Totals	
		As of September, 30 2019	As of December, 31 2018	As of September, 30 2019	As of December, 31 2018	As of September, 30 2019	As of December, 31 2018	As of September, 30 2019	As of December, 31 2018	As of September, 30 2019	As of December, 31 2018
Cost											
Opening balance	¢	135,360	113,216	66,392	66,392	29,809	29,266	2,813	2,813	234,374	211,687
Additions		12,720	27,142	4,059	-	69	531	-	-	16,848	27,672
Tranfers		(35)	(410)	-	-	-	12	-	-	(35)	(398)
Disposals		(2,022)	(4,588)	-	-	-	-	-	-	(2,022)	(4,588)
		146,023	135,360	70,451	66,392	29,878	29,809	2,813	2,813	249,165	234,374
Accumulated amortization											
Opening balance		103,035	84,520	39,655	35,089	-	-	-	-	142,690	119,609
Amortization - expense		13,108	19,128	3,560	4,566	-	-	-	-	16,668	23,694
Amortization investment		2,365	4,141	-	-	-	-	-	-	2,365	4,141
Transfers		-	(398)	-	-	-	-	-	-	-	(398)
Disposals		(2,038)	(4,356)	-	-	-	-	-	-	(2,038)	(4,356)
		116,470	103,035	43,215	39,655	-	-	-	-	159,685	142,690
	¢	29,553	32,325	27,236	26,737	29,878	29,809	2,813	2,813	89,480	91,684

(Continued)

Amortization method

Grupo ICE uses the straight-line method to compute the amortization of intangible assets - licenses, systems and applications and submarine cable rights. This method computes the amortization as of the moment this asset is available for use, based on its useful life, which is established and reviewed by the technical areas defined by the sectors.

In the case of rights of way and easements that Grupo ICE holds, it was determined that no definite term exists to generate future benefits for Grupo ICE, and, therefore, these are not amortized.

The amortization of intangible assets with finite useful lives is calculated using the straight-line method from the first date of use, using as reference a useful life that spans between 1 and 10 years.

(1) Licenses, systems and applications

Licenses, systems and applications are amortized in the costs and expenses accounts included in the consolidated statement of income as operation and maintenance expenses, operation and maintenance under financial lease, productivity management, operating service centers, administrative, marketing, preliminary studies, pre-investment and supplementary studies.

As of Monday, December 31, 2018, and with the commissioning of the first stage of implementation of the Administrative Financial Modernization Program (AFMP), the group proceeded with the partial capitalization of PMAF, in the amount of ¢12,717, considering that the main modules of the integrated ERP solution were already operating and that these represented 60% of the modules of the entire solution. This software is amortized in a period of 10 years, ending on 2029.

(2) Submarine cable right of use

The investments made by Grupo ICE in submarine cables (Global Crossing and Arcos) was kept as part of the asset account “Assets in operation - transport”. In 2017, after analyzing the nature and characteristics of this investment, it was decided that, in view of best accounting practices, it is best classified as an intangible asset, since it represents the right of use of optical fiber for data traffic. Thus, in 2017 the amount of that right of use was incorporated into the "Intangible assets" account, including the infrastructure built from sea level to be able to connect this cable to ICE's communication equipment on land. Therefore, it is reclassified from the “operating assets – transportation” account, to “intangible assets.”

(in millions)

The terms of such rights of use of submarine cables establish average terms of 16 years, extendable for an equal term or for the remaining useful life of the cable, whichever is shorter, at no cost for Grupo ICE, except for the monthly maintenance. Consequently, these rights are amortized; and the expense is included in the account known as "Depreciation of operating assets".

(3) Rights of way and easements

Rights of way and easements correspond to in rem rights acquired by Grupo ICE on land owned by third parties, in order to obtain access to develop its projects and to provide electricity and telecom services. Those rights are mainly used for transmission lines.

In accordance with the terms and conditions of the agreements, Grupo ICE is entitled to rights of way and easements that do not entail the purchase of land or assignment of property to Grupo ICE. Furthermore, the agreements do not establish a specific term in years for the exercise of that right, thus establishing a permanent easement

Consequently, management considers that these intangible assets meet the requirement of having an indefinite useful live, insofar as it is not expressed or indicated in the agreement that there is a definite term for the asset to continue generating cash flows to the entity.

Nota 10. Equity investments

Equity investments are described below:

		As of September 30, 2019	As of December 31, 2018
Joint venture:			
Tecomunica, S.A.-Nicaragua; 500 ordinary shares with a par value of C$101.000; 50% ownership interest (1).		1,040	1,150
	¢	1,040	1,150
Other investments:			
Consorcio Cable Maya (2)		18,344	15,085
Toro III Hydroelectric Proyect Trust (3)		11,203	11,203
Empresa Propietaria de la Red, S.A. 6.500 ordinary shares with a par value of US$1.000 cada una; 11,11% owership interest (4)		3,124	3,124
Red Centroamericana de Fibras Ópticas, S.A. 280 ordinary shares with a par value of US$1,000; 11.11% ownership interest (5)		143	143
Other		67	63
		32,881	29,618
	¢	33,921	30,768

(1) Tecomunica, S.A. – Nicaragua

ICE and ENATREL agreed to organize a company in Nicaragua, referred to as Tecomunica, S.A., to sell and commercialize telecom services.

Grupo ICE applied the equity method to measure the value of the joint venture it has with ENATREL. The following is a summary of the financial information of Tecomunica.

(Continued)

(in millions)

		As of September 30, 2019	As of December 31, 2018
Percentage ownership interest		50%	50%
Non - current assets;	¢	1,379	1,759
Current assets:		1,470	1,087
Non - current liabilities		(29)	(47)
Current liabilities		(741)	(500)
Net assets (100%)	¢	2,079	1,800
Participación del Grupo en los activos netos (50%)		1,040	1,150
Carrying amount of interest in joint venture:		1,040	1,150

		As of September 30, 2019	2018
Revenue from ordinary activities	¢	1,103	1,132
Other income		7	20
Cost of sales		(356)	(355)
Operating expenses		(693)	(553)
Interest expense		(1)	-
Income tax expense		-	4
Profit or loss and total comprhensible income (100%)		61	239
Profit or loss ant total comprhensive income (50%)		31	120
Group's share of total comprenhensive incom	¢	31	120

(2) Cable Mayo Consortium

The investment pertains to a submarine cable system, Maya 1, that provides its services in the Caribbean to the United States, Mexico, Honduras, Cayman Islands, Costa Rica, Panama and Colombia.

The construction and maintenance agreement for the Maya 1 submarine cable was signed in 1998, for a term of 25 years as of its commissioning (first quarter of the year 2000). This is an agreement between 37 companies, for the construction of such submarine cable in the Caribbean. Grupo ICE held an equity interest of 20.87% during both years, in MIU (minimum investment units) rings.

(3) Hydroelectric Project Toro III Trust

The balance of ¢11,203 pertains to the investment made by ICE in the Toro III project. This investment was made jointly with the *Junta Administrativa del Servicio Electrico Municipal de Cartago* [JASEC, acronym in Spanish for Administrative Board of the Municipal Electricity Service of Cartago], as explained below.

On March 9, 2006, ICE and JASEC entered into a business partnership agreement for the design, financing, construction, and operation of the Toro III Hydroelectric Power Project, through which both entities hold equal interest in terms of rights and obligations. To implement this process, in January 2008 both entities agreed to establish a Trust with *Banco de Costa Rica*, in which ICE and JASEC act as trustors and beneficiaries and *Banco de Costa Rica* as trustee. One of the duties of the trustee was to obtain the financing and manage the resources to develop the infrastructure works needed for the generation of electricity, which shall be subsequently leased to ICE and JASEC. The construction of the project was awarded under an engineering and construction agreement entered into with ICE. The term of the Trust agreement is 30 years. According to the terms of this partnership agreement, ICE recognizes for JASEC 50% of the national power output of the plant and defines a series of duties managed under common agreement.

On January 26, 2012, ICE and JASEC entered into an addendum to the aforementioned trust agreement, whereby both entities agreed to provide at least 20% of the resources necessary to finance the Project, so that the trust obtained the necessary funds to finance the remaining amount. Therefore, ICE made an in-kind contribution (construction materials and labor), equal to ¢11,203. This contribution accounted for 10% of the resources necessary to finance Toro 3 Hydroelectric Project; the remaining 10% required to comply with the provisions contained in the addendum were provided by JASEC. The estimated initial value of the project amounted to US$214 million, which were financed with loans from *Banco de Costa Rica* and *Banco Popular de Desarrollo Comunal*, while a total of US$44 were provided by ICE and JASEC. Upon the completion of the works, the Trust entered into a lease agreement with ICE and JASEC, using an operating agreement.

According to this business partnership agreement, ICE and JASEC hold equal interest in terms of rights and obligations; they performed the activities and actions necessary to design, finance, build, operate, and provide maintenance to Toro III Project. The amount reflected as equity investment pertains to amounts contributes to the aforementioned trust.

(4) Empresa Propietaria de la Red, S.A. (EPR)

Grupo ICE holds an ownership interest in Empresa Propietaria de la Red, S.A. [EPR, its Spanish acronym], which was selected to execute the "*Sistema de Interconexión Eléctrica de los Países de América Central*" [Central American Electric Interconnection System or SIEPAC, its Spanish acronym] Project. This investment is jointly made by Grupo ICE with the other entities in charge of energy management in the six Central American countries and three additional entities located in Spain, Colombia and Mexico. Each of the nine countries has an interest of 11.11%, and no country can hold an equity interest greater than 15% in EPR.

EPR's share capital is comprised of 58,500 ordinary shares, each with a par value of US$1,000. ICE owns 6,061 shares, each with a par value of US$1,000 (one thousand dollars) and CNFL owns 439 shares, each with a par value of US$1,000 (one thousand dollars), for a total of 6,500 shares that amount to US$6.5 million equivalent or ¢3,124 (an 11.11% equity interest) under the control of Grupo ICE. The shares are valued at their cost of acquisition.

(Continued)

(5) Red Centroamericana de Fibras Ópticas, S.A. – Nicaragua

In 2013, Grupo ICE acquired ownership interest in *Red Centroamericana de Fibras Ópticas S.A.* [REDCA S.A., its acronym in Spanish]. The purpose of this company is to develop, finance, built, provide maintenance, operate and exploit telecom services or services related to information and communication technologies. REDCA has issued a total of 2,700 shares of stock, each with a value of US$1,000 (one thousand dollars), and Grupo ICE owns a total of 300 shares (which amount to a 11.11% equity interest), of which 93.24% belong to ICE (280 shares) and 6.76% to CNFL.

(Continued)

(in millions)

Nota 11. <u>Cash and other accounts receivable, net</u>

Accumulated expenses and other accounts payable are detailed below:

		As of 30 September, 2019			As of December 31, 2018		
		Non-current	Current	Total	Non-current	Current	Total
Notes receivable:							
Loan to autonomous entities (1)	¢	2,584	-	2,584	2,994	-	2,994
Payment arrangements		-	-	-	-	549	549
Other		-	2,532	2,532	-	1,671	1,671
		2,584	2,532	5,116	2,994	2,220	5,214
Non-trade receivables:							
Other non-trade recivables (2)		-	17,820	17,820	-	20,186	20,186
Government (3)		-	20,955	20,955	-	18,281	18,281
Interest accrued on investments		-	3,320	3,320	-	2,534	2,534
Other		-	1,758	1,758	-	2,709	2,709
		-	43,853	43,853	-	43,710	43,710
Other accounts receivable		-	3,042	3,042	-	14,128	14,128
Allowance for non-trade receivables (4)		-	(2,024)	(2,024)	-	(1,893)	(1,893)
Non - trade receivables, net		-	44,871	44,871	-	55,945	55,945
Tax credits and/or withholdings		-	11,746	11,746	-	7,370	7,370
Advances to creiditors:							
Use agreements		-	27,124	27,124	-	26,015	26,015
Government		-	13,258	13,258	-	3,529	3,529
Employees		-	281	281	-	233	233
		-	40,663	40,663	-	29,777	29,777
	¢	2,584	99,812	102,396	2,994	95,312	98,306

(Continued)

(in millions)

(1) Loans to autonomous entities

Loan between ICE and Empresa Propietaria de la Red (EPR) to repay BID loan 1908, for a total of US$4.5, equivalent to ¢2,584 in 2019 (¢2,994 in 2018), in addition to the current asset, which amount was equivalent to ¢2,532 (¢1,671 in 2018). The total term of the debt is of 25 years as of November 24, 2010, with a grace period of 5 years, payable biannually, with an annual variable interest rate equivalent to 6-Month LIBOR rate, plus a funding margin of 0.25% and an additional 0.80% in consideration of the IADB's credit margin, for a total of 3.47% (as of 2019, 3-Month LIBOR plus 1.36%, plus a funding margin of 0.12% and the IADB's credit margin of0.85%, for a total 2.33%), without any security interest.

(2) General debtors - accounts receivable

As of 30 de setiembre de 2019, this line accounts for ¢17,820 (¢20,186 in 2018). It includes ¢8,385 from sale of services without rates; ¢5,357 from the sale of commercial goods and services; ¢3,846 from engineering services; and ¢2,450 from services rendered to the Digital Government, among others.

(3) Government

As of September 30, 2019, the transactions generated by the Government amounted to ¢20,955, in contrast with the ¢18,281 during 2018. These are mainly related to Digital Government services rendered, and rental and sale of goods and services.

(4) Estimate of accounts receivable

As of September 30, 2019, the estimate of bad debts is the following:

		As of September, 30 2019	As of December, 31 2018
Opening balance	¢	1,893	1,347
Used during the year		(65)	-
Allowance expense		196	546
Closing balance	¢	2,024	1,893

(5) General debtors - advances made by creditors

The balance of ¢27,124 (¢26,015 in 2018) includes a balance of ¢20,661 (¢20,102 in 2018) that is associated to the rental fee paid in advance in respect of the lease agreement of the Garabito thermal power plant, entered by and between ICE and the Banco de Costa Rica, in which the latter acts as trustee of the Garabito Securitization Trust.

(Continued)

According to such lease agreement, it came into effect on June 2010, under the understanding that the power plant would start operating as of that moment. As a result, ICE paid 7 installments in advance, in consideration of the months of June to December of 2010. Nevertheless, and due to a delay in the commissioning of the power plant, on November 19, 2010, the Management of the Executive Unit of the Garabito Thermal Power Plant and ICE agreed to apply the first installment (paid on June 2010), to the month of January 2011, and to continue accordingly until March 2022, moment when the term of the lease agreement will have run. Thereafter, as of March 2022, the ICE shall be able to use the asset for seven months in addition to those established in the agreement. That way, the ICE will maintain a credit equal to 7 monthly installments until March 2022, which amount to the sum of US$5,230 (in thousands) per month, for a total of US$36,610 (in thousands) or ¢20,476.

Changes in classification

During 2018, the Grupo ICE modified the classification of notes and other accounts receivable according to the analysis made by Grupo ICE in relation to the operative flow of the SAP-ERP. The Garabito Thermal Power Plant must be considered an advance and therefore is enabled in the new accounts plan. Comparative values in the consolidated balance sheet were reclassified so they would remain consistent. This resulted in the reclassification of ¢22,323 in “Prepaid expenses” and “Trade receivables” to “Advances made by Creditors”.

Nota 12. Investments in financial instruments

Investments in financial instruments mainly correspond to investments in bonds (debt securities) with returns ranging between 6.38% and 10.00% per annum for investments in colones, and 5.05% and 8.46% per annum for investments in US dollars (between 5.70% and 10.95% per annum in colones, and between 4.83% and 10.00% per annum in US dollars, during 2018).

The total value of this asset is made up of investments ¢41,105 in securities in colones, and ¢54,821 in securities in US dollars, which amount to US$94. (¢47,678 and US $120 of securities in US dollars, a total of US$120, which amount to ¢73,660, in 2018). These securities shall mature between October 2020 and April 2028 (with maturity dates ranging from January 2020 to April 2028 in 2018). The following table contains a detailed description of this account:

		As of September 30, 2019	As of December 31, 2018
Government (Bond)	¢	69,634	89,406
Banco Popular y de Desarrollo Comunal (Bono)		13,013	21,106
Banco Central de Costa Rica (Bono)		8,833	4,878
Banco Scotiabank de Costa Rica (Bono)		-	2,120
Banco Nacional de Costa Rica (Bono)		1,995	-
Banco de San José (BAC)		-	2,515
Other		1,613	5,158
		95,088	125,183
Investement valuation		1,800	(3,845)
	¢	96,888	121,338

(Continued)

(in millions)

Nota 13. <u>Guarantee and Savings Fund</u>

The "Guarantee and Savings Fund" is a separate vehicle created in conformity with Article

17 of Act No. 449, dated April 8, 1949; Act No. 3625, dated December 16, 1965; and Article 2 of the Insurance, Disability, and Death Regulations of the Costa Rican Social Security Administration (CCSS), which does not have its own legal capacity and therefore uses ICE's legal capacity, for all legal purposes. The Guarantee and Savings Fund manages the contributions made by ICE and its employees, as applicable, to the Supplementary Pension Regime,, the Guarantee and Savings Regime, the Mutual Fund, and the Severance Benefits Fund. The Guarantee and Savings Fund is directed by a Managing Board composed of 12 members, six appointed by ICE and six appointed by the employees (in both cases, three regular and three alternate members). This Board is subordinate to ICE's Board of Directors. The management of those resources is performed through separate vehicles and identified as the Guarantee and Savings Fund, the Supplementary Pension Regime,, the Mutual Fund, and Severance Benefit Fund.

The "Guarantee and Savings Fund" account balance reflects the total amount of Grupo ICE's economic contributions to the Guarantee and Savings Fund System and the Supplemental Pension System and reflects the capitalization amounts recognized by both systems on those contributions, net of advance withdrawals, pension rights, settlements and actuarial adjustments. The following table contains a detailed description of this account:

		As of September 30, 2019	As of December 31, 2018
Contribution to the Supplemental Pension System	¢	133,525	132,874
Contribution to the Guarantee and Saving Fund		91,845	89,338
	¢	225,370	222,212

The liability or the obligation related to pensions in process of payment, and the net assets available to cover future pension benefits of active workers, are reflected in the accounting records of the Supplementary Pension Regime. This vehicle is subject to the regulations issued by the Superintendency of Pensions [SUPEN, its Spanish acronym], the entity that regulates the country's pension system.

(Continued)

(in millions)

Nota 14. Inventories, net

Balances of inventories are detailed as follows:

		As of September 30, 2019	As of December 31, 2018 *(Reexpresado)**
Operating inventory	¢	99,006	110,684
Materials in transit for operation		18,370	26,559
Materials and equipment held in custody		2,498	533
		119,874	137,776
Allowance for valuation of inventory		(31,285)	(28,927)
	¢	88,589	108,849

*See note 32.

The following table includes the estimations used for the appraisal of inventories

		As of September 30, 2019	As of December 31, 2018
Balance at the beginning of the period	¢	28,927	29,975
Allowance used during the period		(4,705)	(2,756)
Allowance accepted during the period		7,432	1,807
Net realizable value		(369)	(99)
Balance at the end of the period	¢	31,285	28,927

Nota 15. Temporary investments

As of September 30, 2019, the Grupo ICE holds securities available for sale, including certificates of deposit, monetary stabilization bonds, securities and bonds from private entities in the amount of ¢97,144 (¢48,740 in 2018) of which ¢52,303 are in colones and ¢44,841 are in US dollars (¢45,054 in colones and ¢3,686 in US dollars in 2018), with interest rates that range from 3,45% to 10.50% per annum (4.45% and 10% per annum in 2018) and maturities that range from 1 to 12 months for both years.

As of September 30, 2019, it holds investments held to maturity, such as zero-coupon securities, in an amount of ¢9,661 (¢4,746 in 2018).

		As of September 30, 2019	As of December 31, 2018
Held-to-maturity investments	¢	97,144	48,740
Available-for-sale investments		9,661	4,746
Valuation of investments		653	(35)
	¢	107,458	53,451

(Continued)

(in millions)

As of September 30, 2019, and as a result of the appraisal of investments held for sale, Grupo ICE recognized an unrealized net earning in the amount of ¢653 (unrealized net loss of ¢35 in 2018).

Nota 16. Restricted Use Funds

The following table describes restricted use funds:

		As of September 30, 2019	As of December 31, 2018
In U.S. dollars	¢	1,443	470
In colones		542	547
	¢	1,985	1,017

Nota 17. Accounts receivable, net

Trade receivables are detailed below:

		As of September 30, 2019	As of December 31, 2018
Other receivables	¢	169,685	133,504
Government		33,406	28,704
Other		376	392
Private banking entities		122	70
Associates		29	0
		203,618	162,670
Allowance for doubtful accounts		(36,040)	(39,272)
	¢	167,578	123,398

The transactions to estimate bad debts are detailed below:

		As of September 30, 2019	As of December 31, 2018
Balance at the beginning of the period	¢	39,272	58,359
Allowance used during the period		(7,296)	(29,795)
Allowance accepted during the period		4,065	10,708
Balance at the end of the period	¢	36,040	39,272

As of December 31, 2018, this estimate shows a reduction due its use during the reporting period, in relation to the absorption of bad debts as a result of changes in the statute of limitations.

Group exposure to credit and market risk, and impairment losses related to commercial debtors are explained in note 35.

(Continued)

(in millions)

Nota 18. Prepaid expenses

The prepaid expenses are detailed below:

		As of September 30, 2019	As of December 31, 2018 *(Restated)**
Mobile terminals and devices	¢	24,761	35,958
Debt interests		6,885	15,497
Other		1,180	655
	¢	32,826	52,110

(1) Debt interest

As of September 30, 2019, the debt interest of Grupo ICE amounted to ¢6,885 (¢15.497 in 2018), which pertained to the financial cost of the obligation that arose out of the financial lease agreement executed by ICE under the Reventazón Hydroelectric Project Trust (see notes 8 and 20 (c)).

Nota 19. Cash and cash equivalents

The group's cash and cash equivalents are detailed in the following table:

		As of September 30, 2019	As of December 31, 2018
Cash on hand and in banks	¢	235,980	108,394
Temporary investments		11,067	30,261
	¢	247,047	138,655

A detailed description of the characteristics of the temporary investments is included below:

	Currency	Issuer	Type of financial instrument		As of September 30, 2019 Balance	Rate of return	Term in months
Fair value	US Dólares	BICSA	Overnight no ICE		3,779	9.48%	A la vista
Held to maturity	Colones	Popular SAFI	Certificado depósito		4,699	4,62%-4,77%	10 Sep 2019-10 Oct 2019
		BCR	Fondos de inversión		1,800	1,15%-3,68%	31 Jul 2018- Vista
	US Dólares	Popular SAFI	Fondo de Inversión		587	1,79%-2,81%	30 Oct 2018- Vista
		BN FONDOS	Fondo de Inversión		202	1.98%	21 Jul 2017- Vista
				¢	11,067		

	Currency	Issuer	Type of financial instrument		As of December 31, 2018 Balance	Rate of return	Term in months
Held to maturity	Colones	Ministerio de Hacienda	Bonos cupón cero	¢	5,000	6.00%	10 Ene 2019
		Popular SAFI	Fondo de Inversión		6,626	3,55% - 4,79%	07 Jul 2018- 30 Oct 2018
	US Dólares	BICSA	Certificado depósito		2,508	1,50%-3,50%	18 Jul 2018- 07 Feb 2019
		BN FONDOS	Fondo de Inversión		778	1.98%	30 Oct 2018- Vista
		Popular SAFI	Fondo de Inversión		632	1,79% - 1,98%	21 Jul 2018- 30 Oct 2019
Fair value	US Dólares	BICSA	Overnight		12,562	0.40%	Demand
		F.I ND INS LIQUIDEZ USD	Fondos de Inversiones		2	2.25%	Demand
		F.I. ND BCR MIXTO USD	Fondos de Inversiones		2,153	2.40%	Demand
				¢	30,261		

(Continued)

(in millions)

Nota 20. <u>Financial debt</u>

a. ***Debt securities payable***

The balances of debt securities payable (bonds) issued by Grupo ICE are included in the following table:

	Currency	Interest rate	Year of maturity		As of September 30, 2019		As of December 31, 2018		
					Non-current	Total	Non-current	Corriente	Total
Internal debt:									
Bond issue	¢	Variable between 8,00% and 9,27% and fixed 11,41% (2018: variable between 7,70% and 9,43% and fixed 11,41%)	2020-2035	¢	282,391	282,391	282,484	-	282,484
Bond issue	US$	Fixed between el 5,98% and el 7,65% (2018: fixed between 5,97% and 7,65%)	2020-2027		305,133	305,133	321,463	19,482	340,945
External debt:									
Bond issue	US$	Fixed between 6,38% and 6,95%, in 2019 and 2018	2021-2043		578,034	578,034	607,818	-	607,818
				¢	1,165,558	1,165,558	1,211,765	19,482	1,231,247

Debt securities payable (bonds) in US dollars amount to US$1,522 (US$1,557 in 2018). These obligations are backed with a generic guarantee issued by ICE.

(Continued)

(in millions)

b. ***Notes payable***

Notes payable, arising from loans in colones, US dollars and yens, are detailed below:

		As of September 30, 2019	As of December 31, 2018
Internal debt:			
In colones	¢	162,322	169,297
In U.S. dollars		45,033	47,917
External debt:			
In colones		102,112	105,034
In U.S. dollars		587,333	545,768
In yens		112,764	112,177
		1,009,564	980,193
Non-current		867,504	887,060
Current		142,060	93,133
	¢	1,009,564	980,193

The following table includes a description of the notes payable to creditors:

		As of September 30, 2019	As of December 31, 2018
Internal debt:			
State-owned banks	¢	199,085	212,681
Private banks		8,271	4,533
External debt:			
Private banks		798,495	757,010
Other creditors		3,713	5,970
	¢	1,009,564	980,193

Notes payable in US dollars amounted to US$990 and in Yens to ¥20.927 (US$978 and ¥20.177 in 2018).

(Continued)

(in millions)

Total non-current notes payable, which amounts to ¢867,504 (¢887,060 in 2018) is included in 2019 in the amount of ¢837,952 (¢849,124 in 2018), linked to the electricity business, and ¢29,552 (¢37,936 in 2018), linked to the telecoms sector. Regarding total current notes payable, which amount to ¢142,060 (¢93,133 in 2018), ¢88,057 (¢77,112 in 2018) pertain to the electricity sector and ¢54,003 (¢16,021 in 2018) pertain to the telecoms sector.

The characteristics of these notes payable are detailed below:

	General characteristics of debt		
	Interest rate	Currency	Term
Internal debt:	Variable between 8,35% and 9,70% (2018: variable between 8,40% and 9,70%).	¢	Maturing between december 03, 2021 and october 21, 2045
	Variable between 4,00% and 8,09% (2018: variable between 6,25% and 8,31%) Fixed between 5,95% and 8,50%, in 2019 and 2018.	US$	Maturing between august 26, 2019 and september 13, 2043
External debt:	Variable between 7,50% and 7,70% (2018: variable 7,60%) Fixed 7,51%, in 2019 and 2018.	¢	Maturing between may 25, 2034 and 15 october, 2037
	Variable between 3,06% and 7,74% (2018: variable between 3,42% and 7,88%) Fixed between 0,70% and 6,40%, in 2019 and 2018 .	US$	Maturing between august 09, 2019 and september 15, 2040
	Fixed between 0,60% and 2,20%, in 2019 and 2018.	JPY	Maturing between april 20, 2026 and juny 20, 2057

Total notes payable amounted to ¢1,009,564 (¢980,193 in 2018), and include loans in the amount of ¢726,038 (¢700,281 in 2018) and a generic guarantee of ICE (no security interest) and ¢283,526 (¢279,912 in 2018) owed by the Government of the Republic.

Credit agreements usually establish a series of commitments in terms of environment, law, finances, operations and business, among others, that the debtor must oversee and that are typically known as covenants. In the particular case of ICE, some of the agreements executed to date include “Positive covenants” and “Negative covenants,” which establish commitments ICE must unavoidably comply with and restrictions or limitations to certain acts, that generally require previous approval from the creditor entity. Financial covenants are usually related to financial ratios based on the EBITDA (in some cases including lease payments), such as EBITDA coverage ratio, net debt to total assets, etc.

Some of the loan agreements also establish clauses called:

a) *Cross Default:* these indicate that upon execution of the agreement, ICE expressly and irrevocably accepts that failure to comply with its payment and/or other obligations, terms and conditions of the credits that Grupo ICE has with other creditors, are considered causes of early termination of the loan with the "Cross Default" clause, as well as of all the loans of such creditor.

b) *Pari Passu Obligations:* whereby ICE agrees that its obligations under the corresponding agreement and its guarantees constitute, in every moment, obligations with a payment priority at least equivalent (pari passu) to any other obligations, current or future, arising from any of the debts that Grupo ICE assumes (other than any debt that legally ranks higher in preference).

(Continued)

In addition, Grupo ICE has the obligation to comply, among others, with the following general clauses, which are detailed in some of the loan agreements:

a) It will not merge or consolidate with any person, or will allow that any of its subsidiaries does, except that: (a) any subsidiary of the Borrower (ICE) might merge or consolidate with any other subsidiary of the Borrower, and (b) any subsidiary of the Borrower merges with the Borrower, and (c) any merge or consolidation approved by the Creditor (Bank), provided that, in each case, noncompliance had not occurred and continued at the moment of such proposed transaction, or that noncompliance arises from it.

b) It will not sell, lease, transfer or otherwise dispose , nor will it allow that any subsidiaries sell, lease, transfer or otherwise dispose of assets, nor will it grant any option or any other right to buy, lease or otherwise acquire assets, except by (1) selling inventory in the ordinary course of business, (2) a transaction authorized by the Bank, and (3) selling assets at their fair value for a total amount that does not exceed US$20 million (or its equivalent in other currencies) in any year.

c) It will not enter into any agreement by virtue of which it agrees or is required to share with third parties the income that it directly or indirectly obtains from the works built with financing obtained from the entities shown on the previous table.

d) It will not create or accept the existence, nor will it allow that any subsidiaries create or accept any encumbrance levied upon any of its property, whether now or in the future owned by ICE , nor will it transfer or let any subsidiaries transfer any right to receiving income from the works that will be financed by obligations incurred with the Bank.

e) It will have and make each of its subsidiaries acquire insurance with responsible or reputable insurance associations or companies, in the amounts and with the coverages usually engaged by companies with similar trades, and that have similar properties in the same general areas in which the Borrower or such subsidiary operate.

f) It will comply and make that each of its subsidiaries substantially comply with , the laws, rules, regulations and applicable orders, and such compliance shall include, among others, compliance with environmental laws, except when it is not reasonably expected that noncompliance has a substantial negative effect.

As of September 30, 2019, quarterly compliance financial covenants regarding debt agreements comply with the established limits.

Note 35 includes information about the Group's exposure to interest rate, foreign exchange and liquidity risks.

(Continued)

(in millions)

c. ***Financial leases obligations***

The balances of the obligations relating to financial leases are detailed below:

	Interest rate	Year of maturity		As of September 30, 2019 Non-current	Current	Total	As of December 31, 2018 Non-current	Current	Total
Trust in colones									
La Sabana Businees Center	Variable 8,70% (2018: variable 8,60%)	2030	¢	16,391	1,019	17,410	17,500	888	18,388
RANGE	Variable 8,60% (2018: variable del 8,40%)	2034		21,333	762	22,095	20,926	1,279	22,205
Reventazón Hydroelectric Power Pl	Variables 8,75%, in 2019 and 2018	2033		210,648	7,632	218,280	214,690	7,520	222,210
Trust in US dóllars									
Reventazón Hydroelectric Power Pl	Variable 6,94%, in 2019 and 2018	2033		219,665	10,441	230,105	234,941	10,502	245,443
			¢	468,037	19,854	487,891	488,057	20,189	508,246

Financial lease obligations in US dollars amounted to US$396, as of September 30, 2019 (US$410 during 2018).

The balances detailed herein are related to financial lease agreements entered by ICE with the Trusts PH Reventazón, ICE/BCR Real Estate Securitization Trust , ICE-Range-BCR Trust, associated with the Reventazón Hydroelectric Plant, *Centro Empresarial La Sabana*, and the design, construction, and maintenance of the new generation access network, respectively. In the case of P.H. Reventazón, the liability is associated with the balance of the obligations in colones and US dollars that the Trust assumed with its creditors (see note 8 (i)).

(Continued)

(in millions)

d. ***Reconciliation between changes in liabilities and cash flows resulting from financing activities***

		Liabilities			
		Securities payable	Loans payable	Finance lease obligations	Total
Balance as of December 31, 2018	¢	1,231,247	980,193	508,246	2,719,686
Changes due to cash flows from financing activities					
Disbursements		-	136,633	720	137,353
Amortization		(20,255)	(70,261)	(1,948)	(92,465)
Amortized cost		(1,444)	(2,850)	(7,988)	(12,282)
Total changes due to cash flows from financing activities		(21,699)	63,522	(9,217)	32,606
Effect of exchange rate variations		(43,991)	(34,150)	(11,139)	(89,280)
Balance as of September 30, 2019	¢	1,165,558	1,009,564	487,891	2,663,013

		Liabilities			
		Securities payable	Loans payable	Finance lease obligations	Total
Balance as of December 31, 2017	¢	1,151,314	983,691	508,612	2,643,617
Changes due to cash flows from financing activities			0		
Disbursements		18,672	51,427	7,784	77,883
Amortization		-	(103,206)	(23,652)	(126,858)
Total changes due to cash flows from financing activities		18,672	(51,779)	(15,868)	(48,975)
Effect of exchange rate variations		61,261	48,281	15,502	125,044
Balance as of December 31, 2018	¢	1,231,247	980,193	508,246	2,719,686

(Continued)

(in millions)

Nota 21. Employee Benefits

Legal benefits provided to employees are described below:

		As of September 30, 2019			As of December 31, 2018		
		Non-current	Current	Total	Non-current	Current	Total
Severance benefits	¢	50,206	7,441	57,647	42,657	7,291	49,948

A detail of these employment obligations is presented below:

		As of September 30, 2019
Opening balance	¢	49,948
Expensed - investment		1,687
Expensed - operation		14,947
Used		(8,935)
Total	¢	57,647

		As of December 31, 2018
Opening balance	¢	108,627
Expensed - investment		2,288
Expensed - operation		(11,988)
Used		(35,806)
Audit adjustments pending registration		(13,173)
Total	¢	49,948

The net obligation of ICE, in relation to benefit plans for employees (legal benefits - severance pay) is computed separately for each plan, estimating the value of the future benefit that employees have accrued and are entitled to in their current and previous periods, discounting such value and subtracting the fair value of the plan's assets (severance pay advances, if any).

Computation of employee benefits obligations is done annually by a qualified actuary using the projected unit credit method, also known as the accumulated benefits method or the years served method. When the computation results in a possible asset for ICE, the asset recognized is limited to the present value of the economic benefits available as future reimbursements of the plan or otherwise as reductions in future contributions for such plan. To calculate the present value of economic benefits, minimum financing requirements must be considered.

The new measurements of defined net benefits liabilities (employee benefits), that include actuarial profit or losses, the yield of the asset's plan, if any, (excluding interest) and the effect of the asset's ceiling (if any, excluding interest), are all immediately recognized as other comprehensive income. The ICE determines the interest expense incurred as a result of the net employee benefits liability of the period by applying the discount rate used to measure the obligation for benefits to employees at the beginning of the reporting period in respect of the net employee benefits liability, considering any change in the employee benefits liability during the period as a result of the contributions and payments of benefits. The interest expense and other expenses related to employee benefit plans are recognized in the results.

Whenever the benefits of a plan are modified or decrease, the resulting change in the benefit that is related to the past service or the profit or loss for the decrease is immediately recognized in the results. The ICE acknowledges profit or loss in the settlement of employee benefit plans whenever these occur.

It is recorded as a current provision for employee benefits (legal benefits). The estimated sum is required to make severance payments to employees, in a period of one year or less, in accordance to the result of the actuarial study of such benefit.

Benefit - Supplementary pension regime

To face the payment of this benefit, each month the ICE transfers an amount equivalent to 3.5% of the monthly gross salary and of the *School Aid* of each worker to the legal benefits fund, which is managed by the "Savings and Guarantee Fund". From the yields of such contributed amount, those associated to the 2.5% are transferred to the supplementary pension regime, while those resulting from the remaining 1% are capitalized in the legal benefits fund in order to strengthen it.

Benefit - Guarantee and Savings Regime

The Guarantee and Savings Regime was established with the sole purpose of providing housing and other kinds of support to workers. This benefit is funded with monthly contributions made by ICE equal to 5% of the gross salary of its workers (6% up to June, 2016), and by a contribution made by the workers equal to 5% of their gross salary. Contributions made by ICE to this Regime are classified as expenses. These contributions are transferred and managed by the Guarantee and Savings Fund - Supplementary Pension Regime, which is a separate vehicle, as is further described in note 13. The main activity of this vehicle is to grant mortgage and fiduciary loans, among other services, to satisfy the aforementioned needs, as well as to drive returns from the resources received as contributions. At the end of each period, any surplus generated by such activity is distributed, thus increasing the value of institutional and personal contributions, in a proportion that is defined by such Fund's Management Board. After 20 years of working for the ICE, any worker that retires without employer liability, is entitled to withdraw the balance shown in his personal savings account, as well as the contributions made by ICE, see note 13.

Since this plan consists of set contributions, the implicit obligation of the ICE is limited solely to the contribution that it voluntarily agrees with the employees to make to the fund that the Regime manages, so that the amount of the benefits to be received by the employee or the worker can be determined by the amount of the contributions paid by the ICE, in conjunction with the yields of the investments resulting from the contributions. Consequently, the actuarial and investment risks are undertaken by the employee.

(in millions)

Nota 22. Accounts payable

Accounts payable are detailed below:

		As of September 30, 2019	As of December 31, 2018
Government	¢	36,396	19,823
Taxes and withholdings payable		17,305	12,445
Other creditors		150,132	138,943
		203,833	171,211
Less reclassification of non-current portion	¢	(7,035)	(7,605)
Current	¢	196,798	163,606

Note 35 includes information about the Group’s exposure to interest rate, foreign exchange and liquidity risks.

Nota 23. Income received in advance

Current and non-current deferred income are described below:

		As of September 30, 2019			As of December 31, 2018		
		Non-current	Current	Total	Non-current	Current	Total
Prepaid mobile services (1)	¢	-	4,441	4,441	-	5,311	5,311
Government grants (2)		6,014	281	6,295	6,495	281	6,776
Transfer of spare parts - materials (3)		-	10,292	10,292	-	10,115	10,115
Other		-	10,809	10,809	-	12,457	12,457
Total	¢	6,014	25,822	31,836	6,495	28,164	34,659

The following is a description of the nature of the main deferred income recorded by Grupo ICE.

(1) Prepaid mobile:

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

(Continued)

(in millions)

(2) Government subsidies:

Within the framework of the "Cool Earth Partnership" Japanese initiative, the Japanese government granted Grupo ICE a donation of approximately US$10.5 to build the "Photovoltaic System" located in Sabana Norte, with a capacity of 3KW and that is generating 3.5 Kh; and from the "Solar Park of Miravalles", located in la Fortuna de Bagaces, with an installed capacity of 1MW, and which is generating 1.2Gwh. Grupo ICE recognizes the subsidies of the governments, local or international, in the consolidated statement of financial position once they are granted to it, and are systematically transferred to the consolidated statement of income according to the useful life of the asset related to the received subsidy.

Additionally, funds from the Project and Program Management Trust of the National Telecommunications Fund [FONATEL, its Spanish acronym] are also recorded. The funds are aimed at directly subsidizing the voice and broadband Internet services rendered to centers that provide public services in the defined service area.

(3) Transfer of ownership of spare parts – materials:

This pertains to the transfer of ownership on behalf of Grupo ICE of the spare parts, assets and tools required to provide maintenance to the Toro III and Garabito Plants, over which ICE did not make any expenditure. This income is realized on the statement of income, once the contractually established maintenance services are provided, and the inventories transferred to ICE are used.

Nota 24. Other provisions

Other legal provisions are detailed as follows:

		As of September 30, 2019	As of December 31, 2018
Litigation provision (note 36)		3,065	1,661
Provision for mobile terminal warranties		487	1,546
Provision for price readjustment		(47)	-
	¢	3,505	3,207
Less: current portion		(3,109)	(2,860)
Other non-current provisions	¢	397	347

A detail of these provisions is presented below:

(Continued)

(in millions)

		As of September 30, 2019			
		Litigation provision	Provision for mobile terminal warranties	Provision for price readjustment	Total
Opening balance	¢	1,661	1,546	-	3,207
Provisions made during the year - operation		1,465	-	-	1,465
Adjust net realizable value		-	(1,060)	-	(1,060)
Provisions used during the year		(60)	-	-	(60)
Other adjusts		-	-	(47)	(47)
	¢	3,065	487	(47)	3,505

		As of December 31, 2018			
		Litigation provision	Provision for mobile terminal warranties	Provision for price readjustment	Total
Opening balance	¢	1,849	1,794	-	3,643
Provisions made during the year - investment		28	-	-	28
Provisions made during the year - operation		(214)	-	-	(458)
Adjust net realizable value		-	(248)	-	(248)
Provisions used during the year		(2)	-	-	(2)
	¢	1,661	1,546	-	3,207

Nota 25. <u>Other liabilities</u>

Other liabilities are detailed below:

		As of September 30, 2019	As of December 31, 2018
Security deposits (1)	¢	56,362	53,893
Deposits from private individuals or companies		11,381	9,879
Valuation of financial instruments		(2,230)	(3,224)
Restricted funds		81	74
		65,593	60,622
Less reclassification of non-current portion		(56,443)	(53,967)
Current	¢	9,150	6,655

The balance of security deposits is equal to ¢56,362 (¢53,893 in 2018), of which ¢30,358 belong to the electric sector (¢27,250 in 2018), in consideration of amounts collected from clients, equal to one month of power and energy invoicing, as a means to guarantee the payment of services, and ¢26,004 (¢26,643 in 2018) associated to the telecoms sector, which belong to deposits requested to customers to secure the services being rendered, both for mobile, fixed and roaming telephone services.

(Continued)

(in millions)

Nota 26. <u>Accrued employer obligations payable</u>

Accrued employer obligations payable are detailed below:

		As of September 30, 2019	As of December 31, 2018
Back-to-school bonus	¢	16,535	21,112
Vacation		25,689	23,020
Statutory Christmas bonus		20,100	2,280
Occupational hazard insurance		335	86
Third and fifth biweekly salary payment		893	-
Total	¢	63,552	46,498

(in millions)

A detail of these employment obligations is presented below:

As of September 30, 2019

		Vacation	Statutory Christmas bonus	Back-to-school bonus	Third and fifth biweekly salary	Occupational hazard insurance	Compensation for payroll downsizing	Total
Opening balance	¢	23,020	2,279	21,112	-	86	-	46,497
Provisions made during the year - investment		1,305	4,668	2,540	8,554	1,422	-	18,489
Provisions made during the year - operation		14,323	13,359	13,716	-	-	-	41,398
Provisions used during the year		(12,958)	(206)	(20,834)	(7,661)	(1,173)	-	(42,832)
	¢	25,689	20,100	16,535	893	335	-	63,551

As of December 31, 2018

		Vacation	Statutory Christmas bonus	Back-to-school bonus	Third and fifth biweekly salary	Occupational hazard insurance	Compensation for payroll downsizing	Total
Opening balance	¢	19,770	1,930	21,119	-	92	8	42,919
Provisions made during the year - investment		1,972	5,830	2,964	11,491	2,018	2	24,277
Provisions made during the year - operation		19,552	18,165	19,169	-	-	-	56,886
Provisions used during the year		(18,274)	(23,646)	(22,140)	(11,491)	(2,025)	(10)	(77,585)
	¢	23,020	2,280	21,112	-	86	-	46,498

Regarding the *School Aid*, this is accrued during the year and is paid to employees on January of the following year.

(Continued)

(in millions)

Nota 27. Memorandum accounts

Memorandum accounts are described below:

		As of September 30, 2019	As of December 31, 2018
Guarantees received:			
Performance bonds (1)	¢	112,160	122,426
Collection agents (2)		11,059	7,142
Bid bonds (3)		1,416	1,315
Security deposits		185	346
Subtotal guarantees received		124,820	131,229
Credit memoranda accounts - other - performance bonds		1,692	1,692
Terminals received from the client		1,231	297
Assets in consignment		1,568	1,308
Contingent assets:			
Guarantee and Savings Fund		34,516	31,657
CNFL Employees Association (ASEFYL)		15,261	14,265
Performance bonds - procurement		997	1,159
Materials in transit		543	313
Bid bonds		908	961
Collection of electricity services		1,206	1,188
Materials loan		116	148
Employee guarantees		284	282
Rental of posts		279	206
Performance bonds - labor contracts		167	181
Security deposits (electricity consumption)		430	377
Valle Central Wind Power Plant		84	88
CNFL performance bonds		770	810
Subtotal contingent assets		55,561	51,635
Contingent liabilities:			
Payment arrangements - financing of appliances		69	95
	¢	184,941	186,256

A description of the nature of the memorandum accounts is included below.

(1) Compliance

These are guarantee bonds issued to guarantee that the goods and services offered by a supplier will be delivered or rendered to Grupo ICE in accordance with the agreed terms and that, in the event of non-compliance, Grupo ICE will be compensated by executing the performance guarantee provided.

(Continued)

(2) Collection Agents

These are guarantees that Grupo ICE receives from external collection agents to ensure the recovery of public funds held in custody by those agents for a specified period.

(3) Ownership

Bid bonds correspond to bonds that guarantee the participation of bidders of goods and services in Grupo ICE's tender processes and, if awarded the contract, that the bidders will comply with the procedures established in the corresponding award.

Nota 28. Operating revenue

Regulation of Electricity Services

The "Costa Rican Public Service Regulation Authority [ARESEP, its Spanish acronym] Act", No. 75933, of August 9, 1996 establishes that "the Regulation Authority will set prices and rates, and enforce compliance with standards of quality, quantity, reliability, continuity, timeliness, and optimum rendering of public services", specifically with respect to the generation, transmission, distribution, and sale of electric power.

On March 19, 2012, through Resolution RJD-017-2012, published in La Gaceta No. 74 of April 17, 2012, the Regulatory Committee of ARESEP published the factors related to the cost of fuels in accordance with the Variable Fuel Cost (CVC) Methodology and the rate schedules to be applied in the four quarters of 2013, in effect as of January 1, 2013. The ARESEP began applying this methodology on January 1, 2013.

On April 22, 2019 the Board of Directors of the ARESEP, under regulation RE-0100-JD-2019, published in the official newspaper, "La Gaceta", No. 97 of May 27, 2019, scope 118, published the methodology to make extraordinary adjustments to the rates of electric energy as a result of variations in the cost of fuels used in the thermal generation for national consumption, and in the net imports of electric energy from the regional electric market, pursuant to the Variable Generation Cost (CVG, per its acronym in Spanish). The ARESEP began applying this methodology on October 1, 2019.

This methodology allows a faster recovery of the differential between actual and estimated fuel expenses for thermal generation, and the net imports of electric energy from the regional electric market, since it considers the quarterly review to make the necessary adjustments in the rate schedules applicable in the following quarter.

(Continued)

(in millions)

Telecoms Service Regulation

The General Telecommunications Act, No. 8652, dated May 14, 2008, provides the following in its article 50, "Prices and Rates": *"rates for public telecoms services shall initially be set by the Superintendency of Telecommunications [SUTEL, its Spanish acronym] using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations".*

Through Decision No. RSC-295-2012, SUTEL authorizes operators to modify the modality under which prepaid mobile Internet data transfer services are charged. Also, as published in the Official Newspaper, "La Gaceta", of April 25, 2013, SUTEL excluded information services (multimedia messaging, text messaging, and video calling) from the current rate schedule, granting operators legal authority to review and adjust the rates applicable to such services.

Nota 29. Operating Costs and Expenses

Operating costs and expenses are detailed below:

		Costs of operation		Operating expenses	
		As September 30,		As September 30,	
		2019	2018	2019	2018
Depreciation	¢	197,370	205,765	4,036	5,113
Salaries and provisions		121,219	122,366	107,797	109,925
Private Generation (b)		119,227	124,003	-	-
Agreements (a)		54,163	50,834	-	-
Fuel thermal generation (d)		15,252	8,334	-	-
Import of energy		25,199	4,189	-	-
Amortizable intangible ítems		8,772	10,208	8,062	9,271
Others (c)		155,178	148,997	225,298	196,598
Total	¢	696,380	674,696	345,194	320,907

(Continued)

a) The following refers to the telecom, transmission and power plant equipment lease agreements, which are registered and classified as operating leases:

General characteristics of the agreement												*In millions*					Expense recorded during the year	
Service order No.	Lessor	Date of agreement	Starting date	Approximate expiration date	Currency	No. of installments	Lease amount	Purchase option	Frequency	Purpose of the agreement		Amount of agreement	Total paid	Balance of service order as of September 30, 2019	Lease settlement	Paid in 2019	2019	2018
No order No.	Garabito Thermal Power Plant Trust (1)	05-nov-07	01-jul-10	31-mar-22	US$	142	5	213	Monthly	Lease of Garabito Thermal Power Plant	US$	743	587	156		43	25,792	26,990
No order No.	Cariblanco Securitization Trust (1)	16-ago-00	01-oct-07	31-dic-19	US$	147	2	8	Monthly	Lease of Cariblanco Hydroelectric Power Plant		304	298	6		19	11,022	10,610
333059	Las Pailas Geothermal Power Plant (2)	07-mar-07	18-oct-11	18-oct-23	US$	24	8	-	Half-yearly	Lease of Las Pailas Geothermal Power Plant		240	133	107		9	8,311	8,285
No order No.	Toro III Power Plant Trust (1) and (4)	26-ene-12	01-jun-13	31-ago-28	US$	142	$1	-	Monthly	Lease of Toro 3 Power Plant		131	60	71		7	4,387	4,025
351643	Administrative Board of the Municipal Electric Service of Cartago (JASEC) (3)	14-abr-10	04-dic-13	03-jun-22	US$	20	Between US$1,637 and US$854 (in thousands)	-	Half-yearly	Infrastructure for Tejar Step-Down Substation/Easements and expansion tower sites for Río Macho Transmission Line		25	14	11		1	893	918
											US$	1,443	1,092	351		79	50,405	50,828
350702	Cooperativa de Electrificación Rural Guanacaste (5)	16-feb-10	06-mar-10	05-sep-21	¢	138	Variable between ¢617 and ¢473	Approximately ¢3,541	Monthly	Infrastructure for Liberia, Papagayo - Nuevo Colón Transmission Line	¢	87,848	87,848	-	13,487	3,758	3,758	-
											¢	87,848	87,848	-	-	-	3,758	-
																	54,163	50,828

(Continued)

The following is a description of the nature of the main deferred income recorded by Grupo ICE.

(1) Securitization Trusts

Grupo ICE entered into securitization trust agreement alongside Banco Nacional de Costa Rica and Banco de Costa Rica, under which the ICE acts as Trustor and Beneficiary, and the respective Banks as Trustees. These trusts were established with the objective that they independently generate and manage the financial resources required for the construction of the hydroelectric power plants known as Cariblanco and Toro III, as well as the Garabito thermal power plant. These power plants are part of the equity of these trusts (trust equity), and are leased to ICE for periods that range from 11 to 15 years. At the end of the lease terms, ICE may exercise the purchase option established in each lease agreement.

The main clauses established in the trust agreements are summarized below:

- The purpose of the agreements is to establish trusts to generate and manage the resources necessary for the development of the projects, that serve as vehicles to create autonomous equity that will be used in a securitization process, and obtain the necessary resources to finance the project.

- Trust assets will comprise the following:

  a) The liquid assets generated by the trusts from the issuance and placement of debt securities.

  b) The trustor's movable property and tangible and intangibles assets (deemed essential to the agreement's purposes) transferred into the trust; civil works; equipment; facilities; repair shops; vehicles; equipment and materials; office and computer equipment (including software, documents, licenses, and other assets acquired with trust funds to develop the projects and to operate and provide maintenance to the plants); rights to use the land owned by the trustor as required to develop the projects; and all written information and studies conducted for and during the development of works managed by the trusts.

(Continued)

c) The agreed-upon revenue from the lease of power plants.

d) Any other income obtained by the trusts in the normal course of business.

- Trust assets may only be used by the trustee as expressly stipulated in the trust agreements and according to the instructions of the trustor. The trustee's right of disposal of the trust assets and the trustor's right to issue instructions concerning such assets are limited to actions that are strictly necessary to comply with the purpose of the trust agreement.

- The trust's financial policy will be to allocate the resources obtained from the securitization process and from temporary investments to the construction of the projects, debt servicing, and covering the trust's operating costs. Upon compliance with such obligations, all of the trust assets will become the property of the trustor by operation of law.

- The trustor must appoint a Manager from the Execution Unit, who should be accepted by the trustee, and who shall act as the superior, with the inherent rights and duties.

  The trustor and the trustee agree that Grupo ICE will be hired by the Trust to assume the responsibility of the construction of the projects, through an engineering and construction agreement.

- Upon expiration of the trust agreements, all of the trust assets, without exception, delay, or condition, will be automatically transferred by operation of law to the trustor, who will become the legitimate owner.

Upon completion of the construction of the power plants, ICE subscribed the lease agreements in respect to those assets, which were classified and booked as operating leases. Some of the main clauses included in those lease agreements are as follows:

- The lease agreements seek to regulate the relationship of the lease on the Cariblanco and Toro III Hydroelectric Power Plants, and the Garabito Thermal Power Plant.

- For purposes of these lease agreements, the corresponding securitization trusts are the lessors and ICE is the lessee. In the specific case of the Securitization Trust of the Toro III Hydroelectric Power Plant, the lessees are ICE and *Junta Administrativa del Servicio Eléctrico Municipal de Cartago* [JASEC], in accordance to the partnership established between ICE and that institution (see item No. 4 of the "Toro III Hydroelectric Power Plant").

- The monthly lease amount is determined by applying a formula that considers, among other variables, the capitalized cost of the asset (i.e. the cost of the power plant). The lease amount is determined in US dollars.

- The lessee may unilaterally request early termination of the lease agreement. The lessee shall communicate this in writing three months in advance. In the event of early termination of the lease agreement, the lessee shall pay any outstanding obligation, as well as an amount (comparable to a penalty clause) equivalent to 12, 6, or 3 monthly lease payments, depending on the time elapsed from the inception of the lease agreement to its early termination.

- As lessee, ICE shall be in charge of operating the plant. Accordingly, ICE assumes responsibility for any damages to the plant's facilities resulting from its operation and maintenance.

- At the end of the lease term, the lessee may exercise the purchase option on the leased asset. The value of the purchase option is determined using a formula that considers, among other variables, the capitalized cost of the asset (i.e. the cost of the plant.).

(2) <u>Las Pailas Geothermal Power Plant</u>

In December 2006, ICE's board of directors approved the development of the Las Pailas Geothermal Project under a "non-traditional" execution-financing structure, whereby ICE acts as the builder and CABEI as the investor, developer, and owner.

Subsequently, ICE, as the lessee, shall be responsible for the technical and commercial operation of the infrastructure for a 12-year term, at the end of which, ICE may exercise a purchase option for the plant.

In March 2007, ICE and the CABEI subscribed a lease agreement with a purchase option on the Las Pailas Geothermal Power Plant. The main clauses of the lease agreement are summarized below:

- The lease will be for a term of 12 years with a purchase option on the Las Pailas Geothermal Power Plant, starting the date ICE satisfactorily receives the power plant.

- For fiscal purposes, the total amount of the lease is US$240 million, including lease installments and maintenance fees.

- At the end of the lease term, the value of the purchase option shall be equivalent to 15% of the total cumulative investment made at the end of the construction phase.

- The CABEI invested US$160 million in the construction of the plant.

(Continued)

- The CABEI agrees that Grupo ICE shall carry out the construction of the entire plant and its interconnection to the National Interconnected System. The total cumulative investment at the end of the construction phase will have been made in US dollars and shall only consist of the following lines:

  a) Actual cumulative amount of direct investments made by the CABEI for construction of the plant.
  b) 0.75%of the CABEI's direct investment at the time the CABEI makes the first disbursement of the direct investment (this is a one-time only payment);
  c) 0.75% of the estimated direct investment that has not yet been used for construction of the plant;
  d) Return calculated using the 6-month LIBOR rate plus 2.25% on the partial cumulative investment made during the construction stage of the plant;
  e) Administrative expenses derived from creation and operation of the Project Management Unit to be set up by the CABEI in accordance with the agreement.

- Grupo ICE agrees to lease the plant and act as the lessee. The CABEI shall be the lessor.

- The term of the lease started on October 18, 2011; 48 months after the beginning of the construction of the plant.

- Should Grupo ICE decide not to exercise the purchase option, the parties may agree to extend the lease agreement for up to six years, which shall require an extension to the agreement. Grupo ICE may exercise the purchase option prior to expiration of the agreement for an amount equivalent to the investment amount that the CABEI has yet to recover.

(3) Tejar Step-down Substation- JASEC

In April 2010, the ICE and the *Junta Administrativa del Servicio Eléctrico Municipal de Cartago* [JASEC, its Spanish acronym] made and entered into a lease agreement with a purchase option for the Tejar Step-down Substation and the easements and sites for towers for the expansion of the 230 KV Rio Macho del Este Transmission Line. Under such lease agreement, ICE acts as the lessee and JASEC as the lessor. The works are located in the San Isidro district, El Guarco canton, in the province of Cartago.

The term of the lease is 10 years from the date on which JASEC delivers the substation and related works to ICE in the conditions required to start commercial operations. This took place on June 4, 2012.

(4) Toro III Hydroelectric Power Plant:

ICE and JASEC entered into a partnership agreement for the joint development of the Toro III Hydroelectric Power Project, whereby BCR acts as the trustee and ICE and JASEC as trustors.

The partnership agreement involved the execution of a 137-month lease agreement with a purchase option, whereby ICE and JASEC act as lessees and the Toro 3 Hydroelectric Power Project Securitization Trust as the lessor (see note 10).

The business partnership between the ICE and the JASEC involves equal participation in respect of rights and obligations and benefits derived from the construction and commercial exploitation of the Toro 3 Hydroelectric Power Project over its useful life. Both entities shall participate in the development of the Project, with an ownership interest of fifty percent (50%) (see note 10).

(5) Cooperativa de Electrificación Rural Guanacaste, R.L.:

On February 16, 2010, the ICE and the *Cooperativa de Electrificación Rural de Guanacaste, R.L. [also known as "Coopeguanacaste"]* entered into a lease agreement with an option to purchase the infrastructure of the Liberia-Papagayo-Nuevo Colón power transmission. . Under such agreement, the ICE acts as lessee and Coopeguanacaste as lessor. The term of the agreement is 137 months (11 years and 5 months) and the monthly lease installment is broken down as follows:

- Monthly payments in colones that the lessor must make to its creditors, BCR and Banco Popular and de Desarrollo Comunal, as a result of the loans that each granted to Coopeguanacaste, as well as the monthly infrastructure maintenance costs that the lessor must pay.

b) Energy purchased from private generators:

Under the terms of the "Act that Authorizes Autonomous or Parallel Energy Generation", No. 7200, which declares, as a matter of public interest, the purchase of electricity by ICE to those private companies that comply with the conditions established in such Act, Grupo ICE has entered into agreements with various private generators for purchasing energy. This Law provides two systems or chapters: Chapter I, "Autonomous or Parallel Generation," which result in the so-called BOO (Build, Own, and Operate) agreements, and Chapter II, "Purchase of Power under the Competition System", which result in the so-called BOT (Build, Operate, and Transfer) agreements.

As of September 30, 2019, Grupo ICE has entered into seven power purchase agreements under Chapter II, that is to say, they are BOT agreements (Build, Operate, and Transfer), with the following private generators: Unión Fenosa Generadora La Joya S.A.; Hidroenergía del General (HDG), S.R.L.; Planta Eólica Guanacaste, S.A.; Consorcio Eólico Chiripa S.A. Unión Fenosa Generadora Torito S.A., Eólicas de Orosi Dos, S.A., and PH Chucás, S.A. During the life of the agreements, those independent power producers must build, operate, and provide maintenance to the corresponding plants. The power generated by such plants shall be sold exclusively to ICE. At the end of the term of those agreements, the ownership, management, and operation of the plants shall be automatically transferred to ICE, free of any liens and encumbrances. The corresponding private generators or Grupo ICE may request the early transfer of the power plants, provided they comply with the contractual requirements for such purpose.

(Continued)

Some of the most relevant terms and conditions contained in the aforementioned BOT agreements are the following:

- The private generators shall be responsible for the financing, design, procurement of supplies, construction, testing, commissioning and maintenance of the plants. The private generators also agree to deliver all the energy produced to Grupo ICE during the term of the contract.

- The private generators shall produce energy with the quality and standards of operation set forth in each contract and will fully deliver it to ICE, with the exception of that required to feed the auxiliary equipment and for servicing of the plants, pursuant to the agreements.

- The private generators take the risk for damage, loss or destruction of the equipment and facilities, during the term of the agreements, due to any reason or cause whatsoever that is directly attributable to the private generators, its contractors, subcontractors or suppliers, excluding force majeure.

- The purchase price for electricity generated is established in each agreement based on the bid price and the price awarded in the corresponding tender processes. The agreements include price adjustment formulas that contemplate inflation, and which apply on the operating and maintenance cost component.

As of the start of the plant's commercial operation, the private generators must, at their own expense, obtain and maintain, at least, the following insurance policies, according to their availability in the market: worker's compensation and all risk physical damage.

Grupo ICE may suspend the receipt of energy generated by the private generators and shall be exempt from paying for said energy during such period of suspension for the following reasons:

- Tampering of meters
- Non-compliance in relation to the condition in the agreed place of delivery , under the responsibility of the private generator
- Inability of the private generator to supply the energy in accordance with the required operation parameters.
- Failure to renew the performance bond.
- Failure to renew the insurance policies.

The current agreements are in effect for terms that range between 15 and 20 years and expire between July 2023 and October 2033.

For private generators who have entered into agreements under Chapter I of Act No. 7200 (B.O.O type agreements) the following three types of agreements are in effect:

- Type A: Applicable to hydroelectric power plants with a power output of less than 5 MW
- Type B: Applicable to hydroelectric power plants with a power output greater than 5 MW.
- Type C: applicable to wind farms.
- Type D: applies to biomass power plants (mills, sugar cane husk).

(Continued)

The general terms of these agreements establish that, during the life of the agreement, ICE will purchase any surplus electric power that the private generator may supply once its own energy needs are met, up to the maximum power output agreed. The private generator commits to operate the plant so that the power output delivered to ICE at the point of measurement does not exceed the power output agreed.

ICE will not make any payments for the power delivered by the private generator with a power output that exceeds the agreed maximum. Electricity received under these agreements is paid at the rates in effect set by ARESEP upon its delivery.

Under Chapter I of Act N° 7200, Grupo ICE signed agreements as of the date the law was enacted, in 1990. As of 2009, once the agreements executed in the nineties started to expire (which maximum term was 15 years), Grupo ICE proceeded to renew them, for the remaining term of the concessions (which were granted for 20 years.) Currently, agreements are being renewed once the companies obtain new concessions, both for the use of hydraulic resources in case of hydroelectric projects, and for generation as a public service, which is granted by ARESEP. Moreover, new power plants are being included and their agreements were executed as a result of the tender processes executed in 2012 and 2014. Currently, agreements have been entered into with 29 companies: 10 wind farms, 2 sugar factories, and 17 hydroelectric plants.

In addition, as of 2012, once ARESEP published the rates for new power plants, and the new regulations for Chapter I of Act No. N° 7200 was published, ICE started the selection process of projects with which new agreements shall be signed. In June 2012 Bid No. 01-2012 was published, through which five wind energy projects and six hydroelectric projects were selected. This process resulted in the signing of agreements with the wind energy projects of Tilawind, Campos Azules and Altamira in Tilarán, and Vientos de la Perla and Vientos de Miramar in Liberia, which became operational between the first quarter of 2015 and the first quarter of 2017. Of the hydroelectric projects, only El Ángel (Ampliación) executed an agreement and is currently operational.

In February 2014, Bid No. 02-214 was published, and its result was confirmed on August 29 once General Management rejected the appeal filed by one of the participants. Through this second call for bids, two wind energy and four hydroelectric projects were selected, of which one waived his selection. In December 2015, the Vientos del Este Wind Farm began operating, and generates 9 MW. In July 2016, the Mogote Wind Farm began operating and generates 20 MW. The agreements for the hydroelectric projects were made and entered during the second semester of 2017.

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<u>*Rate adjustments for private power plants*</u>

Ruling RIE 027-2015, dated March 13, 2015, was published in the Official Newspaper, "La Gaceta",on March 19, 2015, and authorized the rate setting for the new wind farms, in compliance with the "Model to determine reference rates for new private wind power plants".

Ruling RIE 124-2015, dated December 11, 2015, was published in the Official Newspaper, "La Gaceta", on December 16, 2015, and authorized the rate setting for the company Hidroelectrica Platanar, S.A. and the rest of existing independent hydroelectric and wind power producers, in compliance with the "Rate setting methodology for private power generators (Act No. 7200)" that enter into new electricity purchase agreements with Grupo ICE.

Ruling RIE 099-2016 dated November 17, 2016 was published in the Official Newspaper, "La Gaceta", on November 22, 2016, and authorized the rate setting for biomass plants (bagasse), in compliance with the "Rate setting methodology per the typical cost structure of a model plant that uses sugarcane bagasse to produce energy to sell to the *Instituto Costarricense de Electricidad* and its indexation formula".

As of those dates, and to date, ARESEP has made the periodic legal adjustments of the rates pertaining to each type of procurement, as per the conditions established in the three methodologies.

c) <u>Power imports</u>

Due to a decrease in water resources, the import of power has shown a significant increase. These imports were negotiated in the Regional Electricity Market (MER, its Spanish acronym) and the Regional Contract Market (MCR, its Spanish acronym).

d) <u>Fuels for thermal power generation</u>

Increase in fuel consumption for thermal power generation (diesel) due to the demand of the National Electric Sector (SEN, its Spanish acronym) and the climate changes that the country is experiencing, mainly during the first five months of 2019.

e) <u>Other operating costs and expenses</u>

The increase experienced as of September 2019 in supplementary expenses, in contrast with the figure as of September 2018, is mainly caused by an adjustment in the account “Estimation for the valuation of existing inventory” in the amount of ¢7,238, as well as non-capitalizable costs, among others.

(Continued)

(in millions)

Nota 30. Other revenue

		As September 30, 2019	2018 *(Restated)**
Construction services (1)	¢	9,309	10,478
Others (2)		16,877	15,005
Total	¢	26,186	25,483

(*) See note 32.

(1) Construction services include invoices for advances or completion of works under contract for engineering, design, construction or other specialized services provided by ICE to third parties, and related to projects under construction. The line "Electromechanical and civil works agreements" includes costs associated to these construction agreements.

(2) During the period ending on September 30, 2019, the Grupo ICE recognized other revenue, of which the most significant was the growth in the sale of waste (junk).

Nota 31. Financial revenue and costs

		As September 30, 2019	2018
Income from investments (1)	¢	21,452	17,427
Finance costs (3)		(127,408)	(147,283)
Foreign exchange variations, net (2)		103,609	(35,168)
Income from investments in other companies		487	551
	¢	(1,860)	(164,473)

A description of the main transactions performed is included below:|

(1) Interest includes revenue on securities of the external sector.

(2) As a result of the transactions in foreign currency, the valuation of monetary assets and liabilities in foreign currency during the period ended on September 30, 2019, revenue in the amount of ¢240,000, and expenses in the amount of ¢136,391, were recognized. This resulted in a net effect of ¢103,609 arising out of exchange differences (during 2018 the net effect amounted to ¢35,168 due to ¢82,911 and ¢118,079 in revenue, respectively). To appraise such monetary assets and liabilities at the end of the period, an exchange rate of ¢580.40 (¢584 in 2018) was used.

(3) Fees and interest expense, especially internal debt securities and external debt securities, notes payable, as well as financial leases.

(Continued)

(in millions)

Nota 32. Restatement of financial statements

During the period ended on September 30, 2019, the figures included in the Statement of Financial Position of Grupo ICE as of December 31, 2019, and the figures pertaining to the Statement of Profit or Loss and Other Comprehensive Income as of September 30, 2018, were restructured due to several adjustments that had a retroactive effect. Adjustments applied retroactively to the figures of Grupo ICE, as a result of the aforementioned, are detailed below:

		Inventories, net (note 14)	Prepaid expenses (note18)	Development reserves
Balances as of December 31, 2018, previously reported	¢	112,366	50,771	2,253,159
Cumulative effect adjustments by correction of errors in the period 2018:				
Error adjustment in inventory interface, generating delays in records related to mobile terminals corresponding to August 2018. (1)		(3,517)	1,339	(2,178)
Balances as of December 31, 2018, adjusted	¢	108,849	52,110	2,250,981

		Electricity services operating income	Other income (note 30)	Marketing	Surplus (deficit), net
Balances as of September 30, 2018, previously reported	¢	614,352	25,498	163,543	(88,667)
Cumulative effect adjustments by correction of errors in the period 2018:					
Error adjustment in inventory interface, generating delays in records related to mobile terminals corresponding to August 2018. (1)		-	-	2,178	(2,178)
Error adjustment in billing for electricity services in February 2018 (2)		(8,000)	(15)	-	(8,015)
Total effect of correction adjustments in 2018		(8,000)	(15)	2,178	(10,193)
Balances as of September 30, 2018, adjusted	¢	606,352	25,483	165,721	(98,860)

(1) Adjustment Other goods used for production and sale

Upon analysis of the inventory of mobile terminals, a delay was detected in the interphase to recognize expenses in the other goods used for production and sale line of the statement of profit or loss and other comprehensive income of Grupo ICE. This needs to be adjusted and included in the financial statements as of December 31, 2018.

(2) Adjustment of operating revenue - electricity services

Upon analysis of the numbers of ICE Electricity's operating revenue for February 2018, the company determined that there was a misstatement in the accounting record of that month's revenue. This required a retroactive adjustment that modified the figures of Grupo ICE from February to September 2018, as the situation was corrected in October.

(Continued)

Nota 33. Reclassifications

During 2019, Grupo ICE modified the presentation of its consolidated financial statements to achieve a more appropriate disclosure of financial information, following best practices in presentation guidelines. Thus, ICE changed the presentation or classification of some accounts included in the 2018 separate financial statements to achieve comparability with the 2019 separate financial statements. These changes are detailed below:

(in millions)

	September 2018 (Previously reported)	Effect of retrospective adjustments *	September 2018 (Restated)	changes in the presentation of financial statements	September 2018 (Reclassified)
Operating income:					
Electricity services	614,352	(8,000)	606,352	-	606,352
Telecom services	429,748	-	429,748	-	429,748
Total operating income	¢ 1,044,100	(8,000)	1,036,100	-	1,036,100
Operating costs:					
Operation and maintenance	382,760	-	382,760	-	382,760
Operation and maitenance of leased equipment	83,429	-	83,429	-	83,429
Depreciation of operating assets	-	-	-	-	-
Supplemental services and purchases	160,395	-	160,395	-	160,395
Production management	48,312	-	48,312	-	48,312
Technical service center	(200)	-	(200)		(200)
Total operating costs	674,696	-	674,696	-	674,696
Gross surplus	369,404	(8,000)	361,404	-	361,404
Other income	25,498	(15)	25,483	-	25,483
Operating expenses:					
Administrative	101,839	-	101,839	-	101,839
Selling expenses	163,543	2,178	165,721	-	165,721
Preinvestment studies	1163	-	1,163	(458)	705
Preliminary studies	24,670	-	24,670	-	24,670
Supplemental	148	-	148		148
Other expenses	27,366	-	27,366	458	27,824
Total operating expenses	318,729	2,178	320,907	-	320,907
Operation surplus	76,173	(10,193)	65,980	-	65,980
Finance income:					
Investment income	17,427	-	17,427	-	17,427
Finance costs	(147,283)	-	(147,283)	-	(147,283)
Exchange rate fluctuations	(35,168)	-	(35,168)	-	(35,168)
Income from investments in other companies	551	-	551	-	551
Total finance income and finance costs, net	(164,473)	-	(164,473)	-	(164,473)
Net surplus (deficit)of the year before tax follow the income	(88,300)	(10,193)	(98,493)	-	(98,493)
Deferred tax	(525)		(525)		(525)
Non-controlling interests	158		158		158
Net surplus (deficit)	(88,667)	(10,193)	(98,860)	-	(98,860)

* See note 32.

(Continued)

Nota 34. Tax regulations

Grupo ICE has tax obligations that are governed by the following laws: ICE is subject to tax obligations governed by the Income Tax Act (No. 7092) as amended, the Regulations to the Income Tax Act, as amended, the General Sales Tax Act (No. 6826), as amended, the Regulations to the General Sales Tax Act, as amended, the General Customs Act, as amended, the Strengthening and Modernization of Public Telecommunication Companies Act (No. 8660), and the General Telecommunications Act (No. 8642).

(a) Strengthening of Public Finances

On December 4, 2018, in Scope No. 202 of the Official Newspaper, "La Gaceta", Act No. 9635 “Strengthening of Public Finances”, was published. This Act introduces significant changes to the treatment that is given to taxes defined in the Income Tax Act and the General Sales Tax Act, both valid as of that date; and replaces the General Sales Tax with the Value Added Tax. Most of the proposed amendments will come into force 6 months after they are published; hence, it won’t be until then that the main impacts of the Value Added Tax shall be seen. Among the main aspects to consider under this new law, are the following:

- In the case of the Value Added Tax, this new Act will levy a tax upon the sale and import of tangible and intangible goods and the rendering of services throughout the country, notwithstanding their origin and means. It includes certain exceptions and reduced rates for specific circumstances. The general rate is of 13%, although certain goods and services shall be taxed with a special rate that ranges from 1% to 4%, at the beginning, and after a set term, some of these rates will increase. In the case of electrical energy use, if a client exceeds 280 KW per month, his energy use shall be taxed with a 13%, otherwise, it will be exempted. Regarding tax credits, this Act establishes a method to compute and use a proportional credit, for those cases relating to related purchases, and also in operations that are entitled to apply such credit and to operations that have that right, given the difficulty to identify such specific credit.

- Act 9635 establishes a Capital Gains Tax, which taxable event is any income from a Costa Rican source that arises from capital and realized capital gains/losses, provided that they come from goods or rights that belong to the taxpayer, as well as exchange differences that come from assets or liabilities resulting from operations; provided that such taxable income is not subject to the income tax. This tax has a general rate of 15%.

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- Regarding the Salary Tax, Act 9635 establishes new intervals and rates, and now salaries paid to employees are subject to new rates that range from 0% to 25%. The two new intervals that were created have 20% and 25% tax rates.

- In the case of the Foreign Remittances Withholding Tax, Act 9635 increases the rate applicable to professional fees, commissions, attendance fees paid to board members, and other independent personal services, to 25%.

(b) Current income tax of ICE

Act No. 7722, known as the "Levying of Income Tax upon Government Institutions" establishes that: *"excess of income over expenses shall constitute taxable income and shall be calculated as gross revenue less costs, productive expenditures, and investment reserves or development funds that are necessary and relevant to produce such income."*

The *Instituto Costarricense de Electricidad* is a taxpayer subject to the income tax, as it renders profitable services and earns a profit for them. On the other hand, Legal Order Number 449, related to the creation of the *Instituto Costarricense de Electricidad*, establishes the following in its article 17: ICE's financial policy will be to reinvest the net profit it receives from the sale of electricity and from any other sources, to finance and execute national electrification plans, and drive the electric power industry."

Given that Grupo ICE must reinvest the total net profit it obtains, no surplus is produced, which means that it does not have any taxable income, and, therefore, has no income tax liability. However, the Costa Rican Tax Authorities normally imposes income tax withholdings that are subsequently applied as a credit to the sales tax liability.

(c) Current income tax of the subsidiaries of Grupo ICE

The income tax expense (revenue) is detailed below:

According to the Income Tax Act, subsidiaries must file annual income tax returns for 12-month period ending each year on December 31.

The subsidiaries are subject to the payment of income tax for the taxable income they produce as a result of their for-profit activities, at a rate of 30% per annum. The current income tax expense is determined in accordance to valid fiscal laws in Costa Rica.

The Tax Authorities can review the income tax returns presented by the subsidiaries for the years ended on December 31, 2018, 2017, 2016 and 2015. The subsidiaries presented a sworn income tax return for the period ended on December 31, 2018.

(i) *Deferred income tax*

Deferred income tax originates from the revaluation of productive assets, which -for fiscal purposes- is not deductible in the subsidiary CNFL.

iii) On December 2018, Act No. 9635 "Strengthening of Public Finances", was approved. This Act establishes, among others, changes to the General Sales Tax Act, by transforming it into Value Added Tax; as well as to the Income Tax Act, including the chapter that levies a tax upon capital gains and losses. As a result of the approval of this new Act. *Unrecognized deferred tax assets*

As of December 31, 2018 and 2017, the subsidiary, CNFL, did not recognize in its statement of financial position, a deferred income tax asset, as -considering the financial results for the period and the forecasts for the upcoming year-, CNFL does not believe that it will generate enough taxable income so as to recognize it as of such date. This amount is linked to other items:

(d) General Sales Tax

The companies that make up Grupo ICE are taxpayers of the general sales tax, pursuant to the General Sales Tax Act, N°6826. This is a value added tax on the sale of goods and rendering of services. The fees applied are the following: for the sale of energy for residential consumption, 5% over the excess of 250 kw of monthly consumption; 13% for commercial consumption and rendering of telecommunications services.

Because it is a value-added tax, Grupo ICE pays sales tax on the goods and services it requires to execute its economic activity. Pursuant to article 14 of the General Sales Tax Act, sales tax paid for the purchase of goods and supplies used to produce energy and telecom services can be applied as a credit to the sales tax liability for the period.

(e) Special parafiscal contribution for telecommunications carriers and suppliers to the National Telecommunications Fund [FONATEL, its Spanish acronym] (General Telecommunications Act, No. 8642)

Article 39 of the General Telecommunications Act, Nº 8642 sets forth a parafiscal tax to finance the National Telecommunications Fund [FONATEL] to ensure compliance with the principles of universal access, universal service, and cooperation. The parafiscal tax will be levied upon the gross income directly earned by the operators of public telecommunications networks and telecommunications service providers available to the public who generated the taxable event by performing the aforementioned activities and receiving the specific benefit from State activities.

This tax is determined in a sworn tax return that cover one fiscal period. The affidavit must be filed by March 15 of each year and the tax is paid in four equal installments on the 15th day of March, June, September, and December of each year following the corresponding tax year-end. The payment of this tax shall be distributed in four equal installments, payable on the 15th day of March, June, September, and December of each year following the corresponding tax year-end.

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3%, and the definition of the final rate shall be based on SUTEL's estimates of the income and costs of the projects to be executed

(Continued)

in the following budget year. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period shall be used.

(f) Parafiscal Contribution to Telephony Services

Act N° 9355 published on May 27, 2016 "Amendments to Several Acts to Finance the Costa Rican Red Cross" created a parafiscal contribution in favor of the Costa Rican Red Cross.

This contribution consists of a 1% rate of the amounts paid by the end user of a conventional, mobile, prepaid, or postpaid telephone line or any other type of telephony service. The amounts collected must be paid no later than the fifteenth calendar day of each month. Such Act repeals Act 8690, which defines the Red Tax allocated to the financing of the Costa Rican Red Cross, which was paid before.

(g) Tax in favor of the Firefighter Department of Costa Rica

Act No. 8228, "Meritorious Firefighter Department of Costa Rica Act", dated March 19, 2002, was amended through Act No. 8992, "e Financial Strengthening of the Meritorious Firefighter Department of Costa Rica Act", published in the Official Newspaper, "La Gaceta", on September 22, 2011. This Act amends articles 28 and 33 of Act No. 8228, "Meritorious Firefighter Department of Costa Rica", of March 19, 2002, and its amendments. In addition, it amends article 40 of Act No. 8228, "Financing of the Firefighter Department", and creates, as an additional source of revenue for the operations and sustained growth of the Costa Rican Firefighter Department, a tax equivalent to 1.75% (one point seventy-five per cent) of the monthly electric energy bill paid by each client.

(h) Customs Duties

As set forth in the customs legislation, custom duties are comprised of custom duties and internal taxes, and they must be paid in full to legally import goods. The customs tax referred to as DAI is the Import Tariff Fee, which is defined as follows: t is an ad valorem tax determined according to the classification within the established duty codes. The following are included among the internal taxes: Excise Tax (rate according to goods), Tax of Act No. 6946 (1%), General Sales Tax (13%), other specific taxes from the Institute of Agrarian Development [IDA, its Spanish acronym], Municipal Advisory and Promotion Institute [IFAM, its Spanish acronym], Golfito Duty Free Zone, among others. Thus, based on the type of merchandise or goods eligible for exemption, ICE has to pay the customs duties for goods imported before they can be cleared by customs.

(i) Other obligations

ICE is also an income tax withholding agent in accordance with the Income Tax Act. As such, the taxpayer is subject to the withholding and ICE has joint and several liability regarding that obligation. Among its responsibilities as a withholding agent, ICE must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

(Continued)

- salaries, labor payments, compensation for personal services and attendance fees paid to board members.

- Remittances or credits in favor of nonresidents for services such as transportation, communications, technical and financial advisory, personal services and other services, according to type and rates defined in articles No. 55 and 59 of the Income Tax Act.

Nota 35. Management of institutional financial risk

Grupo ICE could be exposed to the following financial risks: *Credit risk* (possibility of a financial loss as a result of a borrower or customer failing to make the required payments), *liquidity risk* (inability or problems incurred to dispose of the funds required to service obligations, or in financial assets held for sale, the inability to trade them in the market without impacting their market price)and *market risk* (includes exposure to exchange and interest rates, mostly). These risks impact the management of Grupo ICE, but are addressed independently. For example, in the case of ICE, credit risk is managed by the Investment Committee by means of a thorough analysis of the issuers and CAMEL ratings, while liquidity risk is managed through the control of treasury cash flows of the different sectors. Market risk, on the other hand, is managed through hedges or other derivative instruments. In turn, this gives the group control over such risk exposure, thanks to such Investment Committee.

Risk management policies and support systems used are periodically reviewed to reflect changes in market conditions and the activities of Grupo ICE. The Audit Committee supervises how the management monitors compliance with these policies and procedures to manage the risks of Grupo ICE, and reviews the appropriateness of the risk framework in relation to the risks that Grupo ICE faces. The Audit Committee receives the assistance of the Internal Audit department.

ICE's Investment Committee has the responsibility to control and follow up on the management of the temporary investments of Grupo ICE's electricity and telecoms sectors. This is the body to which the Financial Division delegates responsibility for defining investment policies and procedures. Therefore, this committee establishes the guidelines (restrictions) in respect of investment decisions, which include limits by instrument, currency, and sector, as well as risk levels related to portfolio composition.

The Investment Committee approves the document "Investment Strategy", which is reviewed annually, as well as the document known as the "Management Limit to Operate ICE's Investment Portfolios", which is reviewed using the criteria of such Committee. In addition, there is a Financial Investment Policy Manual and a procedure for making investments, which seeks greater and better diversification of temporary investments. Additionally, the risk level is monitored through Value at Risk (VaR) , duration, modified duration, and concentration indicators, as well as credit risk, liquidity, and other indicators. "*Stress testing*" and "*back testing*" are used to measure the effectiveness of the model used.

(Continued)

(in millions)

a) Accounting classifications and fair value

Some of Grupo ICE's financial assets are measured at fair value at the closing of the current reporting period. The following table provides information on how the fair value of these assets is determined:

Financial assets		As of September 30, 2019	As of December 31, 2018	Fair value hierarchy	valuation technique(s) and key indicators
Temporary investments (see note 15)	¢	107,458	53,451	Level 1	The valuation is made using the return on investments shown in the price vector of Proveedor Integral de Precios (PIPCA) as of september 30, 2019.
	¢	107,458	53,451		

The Management considers that the book values of financial assets and liabilities recognized in the financial statements are close to their fair value:

		As of September 30, 2019		As of December 31, 2018	
		Fair value	Carrying amount	Fair value	Carrying amount
Financial assest:					
Loans and accounts receivable:					
- loans to related parties		26,495	40,566	38,152	40,566
- notes receivable	¢	4,227	4,318	5,280	5,214
Financial liabilities					
Financial liabilities measured at amortized cost:					
- loans	¢	2,103,663	2,175,122	2,167,517	2,211,441
- Finance leases payable		489,159	487,891	495,078	508,246
		2,592,822	2,663,013	2,662,595	2,719,687

Fair values of financial assets and liabilities included in levels 1 and 2 above were 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.

Financial risk management

As was mentioned earlier, Grupo ICE is exposed to credit, liquidity and market risks:

(Continued)

i) <u>Risk management framework</u>

The Corporate Policy for Financial Risk and Financial Hedging Management has the following objective:

"To provide ICE with a financial risk management framework in accordance with the strategic objective of cost and expense optimization included in the business strategy, through an effective management of financial risks using market opportunities, based on available financial instruments in accordance with the Risk Management and Financial Risk Hedging Strategy."

On January 2018, this corporate policy for financial risk and financial hedging management, which was in force since 2011, was updated.

Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and in Grupo ICE's activities. This review is performed by the Finance Division through the Financial Risk Process.

The use of financial derivatives is governed by Grupo ICE's Corporate Hedging and Risk Management Policies, and meets international accounting best practices, which provide written principles on foreign currency, interest rate, and credit risks, the use of derivative and non-derivative financial instruments and excess liquidity investments.

Each year, the Finance Division develops a financial risk map for Grupo ICE together with other Corporate Directorates and annually follows-up on action plans and controls.

ii) <u>Credit risk</u>

This is related to the potential losses due to noncompliance with the contractual terms of a client or counterpart in the operations performed by ICE, related mainly to cash, equivalents, accounts receivable, and investments.

As a way to mitigate this risk, control and follow up to risk ratings of investments granted by the risk rating agencies is implemented. There are investment limits in the institutional portfolio by market (local and international), by sector (public, rest of the public sector, private sector), by instrument, by issuer, and by issue. For this risk, no collateral has been received as guarantee.

In the case of CNFL, credit risk is the risk of default on principal and/or interest payments as a result of internal and external factors that negatively affect the realization of cash flows, operating income (expenses), and surplus (deficit) outlooks. A shortage of liquidity is not expected to have a negative effect on CNFL's exposure to credit risk.

In the case of RACSA, credit risk is the lack of control policies and measures to manage the level of credit granted to customers, which may jeopardize income and generate high financial losses as a result of bad debt. To mitigate this risk, RACSA applies customer quality controls through credit protectors and filters the portfolio of defaulting customers, developing customer profiles.

(Continued)

(in millions)

The carrying amounts of financial assets represent the maximum credit exposure, as follows: Maximum risk exposure is the following:

Carrying amount of financial assests	Note		As of September 30, 2019	As of December 31, 2018
Cash and cash equivalents	19	¢	247,047	138,655
Temprorary investments	15		107,458	53,451
Equity investments	10		33,921	30,768
Investments in financial instruments	12		96,888	121,338
Restricted use funds	16		1,985	1,017
Guarantee and Saving fund	13		225,370	222,212
Cash and other accounts receivable, net:	11-17		269,974	221,704
		¢	982,643	789,145

(i) <u>*Accounts receivable*</u>

Accounts receivable relating to services are controlled directly in the Electricity and Telecoms segments. The procedure followed by each segment for recovering receivables is summarized below:

- Collection management throughout the different stages, using diverse methods: text messages, calls, emails.

- Small- and large-scale collections management centralized in the Directorate of Billing and Revenue Management using three approaches according to the stage of the collections procedure and using differentiated strategies in each stage.

- Immediate suspension of electricity and telephone services after the bill's due date. The average collection periods for the Telecom and Electricity segments are 29 days and 31 days, respectively. Collection periods are determined by each segment (Collections Management Policy).

- Online collection process through contracts with external collection agents and banks, or internal collection through ICE's cashier windows.

- In the event that the outstanding balance is not collected, the Electric sector beings an administrative collection process 35 days after the services have been suspended, while this same process is started after 90 days in the Telecoms sector. Administrative collection involves locating the customer and informing him/her about the delinquency, as well as notifying the credit protector thereof, so that the situation is included in the customer's credit history. For such purposes, ICE has companies dedicated to collections or coordinating payment arrangements with customers to mitigate defaults.

(Continued)

(in millions)

- Residual defaults (less than 1%) are studied to determine if they must be included in the judicial collections portfolio, which is executed by subsidiary Gestión de Cobro, S.A.

Note 7 "Significant accounting policies" explains in detail the accounting policy to record the allowance and the administrative and legal collection processes.

(ii) *Investments*

From the credit risk or counterparty point of view, investment ratings are monitored and followed-up, pursuant to the Investment Strategy and the risk profile determined by the Investments Committee.

Financial risks to which the financial operations are exposed to, in relation to financial instruments, such as short-term, mid-term and long-term financing, all in relation to treasury management: lines of credit, bank letters, currency exchange, investments, securities issuance, commodities purchasing, among others.

As of September 30, maximum exposure to credit risk, for notes and other accounts receivable and trade receivables, by geographic region, are the following:

Geographic region		As of September 30, 2019	As of Decembrer 31, 2018
Local	¢	284,831	234,564
Foreign		23,206	28,306
		308,038	262,870
Allowance for doubtful accounts		(38,064)	(41,166)
	¢	269,974	221,704

(Continued)

(in millions)

As of September 30, maximum exposure to credit risk, for notes and other accounts receivable, and trade receivables, by type of counterpart, are the following:

By type of client		As of September 30, 2019	As of December 31, 2018
Loans to autonomous entities	¢	217,212	184,370
Government		67,619	50,514
Other		23,207	27,986
		308,038	262,870
Allowance for doubtful accounts		(38,064)	(41,166)
	¢	269,974	221,704

Delinquency rates of the trade receivables and other unimpaired accounts receivable are detailed below:

		As of September 30, 2019 Total	As of December 31, 2019 Total
Current	¢	123,678	123,905
1-30 days		26,210	1,182
31-60 days		2,362	13,932
61-90 diays		11,781	154
91-120 days		5,353	47
121-150 days		11,764	7,242
151-181 days		10,497	6,695
181-270 days		8,997	10,889
271-360 days		27,878	39,995
More than 361 days		79,518	58,829
Allowance for doubtful accounts		(38,064)	(41,166)
	¢	269,974	221,704

(Continued)

(in millions)

The following is an analysis of the credit quality of commercial debtors and other accounts receivable that are still valid and unimpaired:

		As of September 30, 2019	As of December 31, 2018
Current	¢	269,974	221,705
In legal and administrative collection		38,064	41,165
		308,039	262,870
Allowance for doubtful accounts		(38,064)	(41,166)
	¢	269,974	221,704

The transactions to estimate bad debts are detailed below:

		As of September 30, 2019	As of December 31, 2018
Opening balance	¢	41,165	59,706
Expense for the period		(7,361)	(29,408)
Used during the period		4,261	10,868
Closing balance	¢	38,064	41,166

iii) Liquidity Risk:

Liquidity risks refers to the potential losses due to anticipated or forced sale of assets with unusual discounts and that do not allow fulfilling obligations, or otherwise due to a position not being timely disposed of, acquired or covered through the establishment of an equivalent contrary position, in a timely manner.

Regarding liquidity risk, actions have been generated for the energy and telecommunications businesses to provide a higher level of security in the projection of payments of the liabilities contracted, as well as a more rigorous stance on revenue projection, resulting in the ability to control treasury cash flows. These measures in the projection of liabilities and expenses, as well as for the revenue of both sectors, allow follow up and control of cash flow or liquidity risk, and also a better management of treasury operations, regarding the purchase and sale of foreign currencies and access to short- and medium-term lines of credit among others.

The Finance Division performs short, mid and long-term cash flow projections that are used to estimate purchases of foreign currency, short-term financing, as well as anticipate liquidity needs.

(Continued)

Treasury management involves preparing the projected cash flows with the Company´s budget information. It also prepares, on a weekly basis, a schedule with the daily cash inflows and outflows, which allows visualizing the behavior of cash flows and determining the daily liquidity needs. As part of this process, in order to obtain the most accurate payment information, especially for those cases where based on their amount have a large impact in the cash flows, and in compliance with the treasury policies, the businesses and different areas of the company must send the payment schedule of the coming 12 months. In addition, an important input is the information obtained from the institutional payment system, which not only provides the exact amount to be paid, but also the maximum payment date, as established in the agreements.

Similarly, inputs and coordination with businesses regarding the behavior of revenue and the areas responsible for managing financing that allow a better matching are important to optimize Treasury Management in order to attain a better and timely attention of payment obligations.

Liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Likewise, the Treasury policies establish the terms of payment for providers, which must be executed on or before 30 days, once a week, except for those undertakings where an unavoidable payment date has been set, as of the event that originates the payment and of the presentation of invoice. Also, the policies establish wire transfers as payment method, and payment orders are processed through the group's ERP system.

Lines of credit are part of the instruments that Management uses to finance working capital needs, issuance of performance or bid bonds, opening and refinancing of letters of credit, which use -throughout the years- have allowed them to become one of the most popular short-term financing options.

Lines of credit are approved as follows: amounts greater than US$20 million are approved by the Board of Directors and amounts equal to or of less than US$20 million are approved by the Corporate Procurement Board. Shortfalls are determined based on the schedule of cash inflows and outflows along with the required terms so as to obtain quotes and borrow funds from banks with the lowest cost. Line of credit transactions are documented with a promissory note or bill of exchange, as applicable. The purpose of using lines of credit is covering mismatches between the date of receipt of revenue and the date of payment of obligations and other liabilities, typical of cash flow management

(Continued)

(in millions)

Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities as of September 30, 2019, including estimated payments of interest and excluding the impact of the offsetting agreements:

		Value on books	Expected Cash flow	12 months or lees	1-2 years	2-5 years	More than 5 years
Long term Liabilities							
Securities payable	¢	1,165,558	1,167,228	-	490,790	225,564	450,874
Documents payables		867,504	868,675	-	165,151	221,834	481,689
Financial lease obligations		468,037	467,125	-	44,519	113,898	308,708
Account payables		7,035	7,035	-	-	-	7,035
Total long term liabilities		2,508,134	2,510,062	-	700,459	561,297	1,248,306
Shoort term Liabilities							
Documents payables		142,060	142,060	142,060	-	-	-
Financial lease obligations		19,854	19,854	19,854	-	-	-
Accounts payables		196,798	196,798	196,798	-	-	-
Financial expense payables		31,499	31,499	31,499	-	-	-
Total Short term liabilities		390,211	390,211	390,211	-	-	-
	¢	2,898,346	2,900,274	390,211	700,459	561,297	1,248,306

The following are the contractual maturities of the financial liabilities of the Group as of 2018, including interest:

(Continued)

(in millions)

		Carrying amount	Contractual cash flows	12 months or lees	1-2 years	2-5 years	More than 5 years
Long term Liabilities							
Securities payable	¢	1,211,765	1,885,903	-	671,367	435,074	779,462
Documents payables		887,060	1,116,894	-	264,113	332,262	520,519
Financial lease obligations		488,057	746,704	-	135,675	196,710	414,319
Account payables		7,605	7,605	298	298	895	6,114
Total long term liabilities		2,594,487	3,757,106	298	1,071,453	964,941	1,720,414
Shoort term Liabilities							
Securities payable		19,482	19,482	19,482			
Documents payables		93,133	93,133	93,133	-	-	-
Financial lease obligations		20,189	20,189	20,189	-	-	-
Accounts payables		163,566	163,566	163,566	-	-	-
Financial expense payables		17,811	17,811	17,811	-	-	-
Total Short term liabilities		314,181	294,699	294,699	-	-	-
	¢	2,908,668	4,051,805	294,997	1,071,453	964,941	1,720,414

(Continued)

The incoming (outgoing) cash flows disclosed in the foregoing table represent the undiscounted contractual cash flows related to derivative financial liabilities held for risk management purposes and that usually are not settled before their contractual maturity. The disclosed information shows net cash flows for the derivatives that are settled in net cash and the incoming and outgoing gross cash flows for the derivatives that are simultaneously settled in gross cash.

Just as stated in note 20, Grupo ICE has secured banking loans that include debt restrictions. Failure to comply with such restrictions could entail that Grupo ICE pay the loan before its maturity, as stated in the foregoing table. Therefore, the conditions of loans are periodically monitored by the Treasury Department and are periodically reported to the management to make sure that they are complied with.

iv) Market risk

The market risk is the risk resulting from changes in market prices, such as exchange rates and interest rates, that affect Grupo ICE's revenue or the value of the financial instruments it holds. The goal of risk management is to manage and control exposure to this type of risk within reasonable parameters, while optimizing profitability.

ICE acquires derivative financial instruments to manage part of its existing market risks, which are valued according to the price established by their issuer.. Hedge accounting is used for those qualifying instruments in order to mitigate volatility in the market prices of the financial instruments that have an effect on the group's profit or loss.

Derivative financial instruments are traded with first-tier banks with which non-disclosure agreements are in place, and all the documentation to trade derivatives has been formalized. ICE has made the decision, according to its risk strategy, to trade derivatives specifically for existing liabilities.

The financial operations assumed cover the following risks: variations in interest rates (domestic and foreign) and foreign currency exchange rates, which affect the cash flow results, the value of instruments, and others. To summarize, the group currently holds eleven derivatives: one to cover interest rate risks (interest-rate swaps), two to cover Japanese Yen to US Dollar exchange rate variations, known as Cross Currency Swaps, and eight to cover colón-US dollar exposure, known as currency swaps.

Directive Council session No. 6148 of September 07, 2015 approved a guideline to grant authorization to the Finances Division, so that -in compliance with the Financial Hedging Strategy and Risks Policy- it engage financial hedges to mitigate the currency exchange and/or interest rate risk in financial operations, and rendered null the agreement made by Directive Council session No. 6063 of October 23, 2013, which established a limit of US$970 and just for colones/US Dollar hedges.

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Exchange rate risk

Grupo ICE is exposed to exchange rate risk to the extent that its revenue is in a functional currency while its purchases and loans are in other currencies. The largest exposure of ICE is in US dollars (United States dollars).

The goal of the Corporate Hedging and Risk Management Policies is to hedge at least 10% of the total exposure in US dollars, using hedging instruments or financial derivatives to mitigate the financial risks related to the exchange rate. These instruments must be designated as hedging instruments; instruments for speculation are not accepted. Consequently, these instruments are recorded as "hedge accounting".

Some of the instruments that may be used are the following

a) Forward
b) Plain vanilla
c) Interest rate swap
d) Exchange rate swap
e) Non delivery forward
f) Cross currency swap
g) Likewise, other similar derivative instruments may be used, provided that they comply with the provisions of the Corporate Hedging and Risk Management Policies and with the company's Risk Strategy. The use of futures and options is not contemplated. The risk management strategy shall mitigate exposure to variability in cash flows due to fluctuations in foreign exchange rates arising from debt positions in currencies other than the functional currency, and shall attempt to offset such potential risks according to market conditions.

(in millions)

Exposure to currency risk

As of September 30, 2019, Grupo ICE's exposure to currency risk is as follows:

	US$		Yenes		Euros	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Assets						
Property, plant and equipment, net	45	38	66	3	1	-
Investments in financial intruments, net	172	127	-	-	-	-
Effects and other accounts receivable	5	5	-	-	-	-
Cash and cash equivalents	194	104	-	-	-	-
Trade accounts receivable, net	9	8	-	-	1	-
Effects and other accounts receivable, net	74	38	2	-	-	-
Material in transit for operation	13	5	-	-	-	-
Restricted funds	1	1	-	-	-	-
Total Assets in foreign currency	513	325	68	3	1	-
Passive						
Securities payable	1,522	1,557	-	-	-	-
Efeccts for paying long term and short term	990	978	20,927	20,177	-	-
Long and short term leases	396	410	-	-	-	-
Long-term and shot-term accounts payables	58	92	140	873	2	2
Accumulated financial expenses payable	114	7	-	183	-	-
Deposits from private individuals or companies	-	-	-	-	-	-
Valuation of financial instruments	7	(12)	-	-	-	-
Advances received from debtors	88	5	626	-	-	-
Total liabilities in foreign currency	3,175	3,037	21,693	21,233	2	2
Excess liabilities on assets	2,662	2,712	21,624	21,230	1	2

Items in US dollars were updated using the selling exchange rate for the colón with respect to the US dollar, established by the Central Bank of Costa Rica for operations with the non-banking public sector, equivalent to ¢580.40 as of September 30, 2019 (¢609.87 as of December 31, 2018).

The following exchange rates have been applied:

	Exchange rate to US Dollar	
	September 2019	December 2018
Euro	1.09	1.14
Colones	580.40	609.87
Japanese Yen	108.03	110.03

In the case of foreign currency operations, Grupo ICE adheres to the provisions of Act No. 7558, Organic Act of the Costa Rican Central Bank [BCCR, its Spanish acronym], dated November 27, 1995. Article 89 of that Act states that institutions of the non-banking public sector shall execute their currency buy and sell transactions through the Central Bank of Costa Rica or state-owned commercial banks. These operations are to be performed using the valid exchange rates set for the date of the transaction by the Costa Rican Central Bank.

(Continued)

(in millions)

Sensitivity study

The following chart presents the sensitivity analysis results as of September 30, 2019 and December 31, 2018. It shows the potential impact of an increase or decrease in the US dollar to colón exchange rate. The Grupo ICE uses a 10% sensitivity index, which represents its best estimate of variations in the US dollar to colón exchange rate.

		September 2019	December 2018
Sensitivity to an increase in the exchange rate:			
Net position in dollars at the closing exchange rate	¢	1,545,243	1,653,437
Net position in dollars	USD	2,662	2,712
Net position in dollars at the closing exchange rate with an increase of 10% in the exchange rate	¢	1,699,768	1,818,781
Loss	¢	(154,524)	(165,344)
Sensitivity to a weakening of the exchange rate:			
Net position in dollars at the closing exchange rate	¢	1,545,243	1,653,437
Net position in dollars	USD	2,662	2,711
Net position in dollars at the closing exchange rate with a increse of 10% in the exchange rate	¢	1,390,719	1,488,093
Gain	¢	154,524	165,344

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

Interest rate risk

Grupo ICE, through its Corporate Hedging and Risk Management Policies and Risk Strategy, has adopted a financial hedging policy that establishes that the minimum exposure percentage in variable rates is of 40%. To comply with the policy, hedging instruments with fixed interest rates are acquired, or in relation to fixed rate liabilities, by using interest rate swaps, the group covers the variability of cash flows that can be attributed to the interest rate risk.

(Continued)

Exposure to interest rate risk

The Grupo ICE has important assets and liabilities represented mainly by temporary investments, long-term investments, and securities and notes payable, acquired to finance its commercial operations, all which are subject to interest rate variations.

The following notes describe interest rates related to financial assets and liabilities:

	Note
Securities payable	20(a)
Transitory investmensts	15
Effects payable	20(b)
Patrimonial investments	10
Invesments in financial instruments	12
Effects and other account receivable	11
Obligations for financial leasing	20(c)

Sensitivity study

When managing interest rate risk, the Grupo ICE tries to reduce the impact of short-term fluctuations in its earnings. In relation to temporary investments, long-term investments, and securities and notes payable, as well as financial leases, any permanent change in interest rates shall have an impact in the company's earnings.

(in millions)

During the period ended on September 30, 2019, the Group estimates that a one percent increase or decrease would have resulted in the following variations in the financial assets and liabilities it holds:

		Effects on Income-Espenditure Results			
		September		December	
		2019		2018	
		Strengthening del 1%	Debitalization 1%	Strengthening del 1%	Debitalization 1%
Transitory investments	¢	1,091	(1,091)	535	(535)
Long-term financial investmentes		1,276	(1,276)	1,322	(1,322)
Long-term receivables		26	(26)	27	(27)
Short-term receivables		998	(998)	753	(753)
Long-term value payable securities		11,656	(11,656)	12,126	(12,126)
Short-term securities payable		-	-	194	(194)
Long-term effect payable		7,985	(7,985)	7,571	(7,571)
Effects payables in the short term		-	-	-	-
Financial leases payables		4,879	(4,879)	5,157	(5,157)
Net effect	¢	27,390	(27,390)	27,685	(27,685)

(Continued)

(in millions)

b) Derivative Assets and Liabilities designated as cash flow hedges

As of September 30, 2019, cash flows related to derivative financial instruments are shown below. Expected cash flows take into account the cash flow forecasts of each derivative:

		Book Value	Cash Flows	6 months or less	6-12 months	1-2 year	2-5 year	More than 5 years
Cross currency swap	¢	(3,911)	4,053	536	966	811	1,508	231
Cross currency swap		2,016	3,064	406	730	1,110	790	29
Forward staring swap		(1,099)	342	61	213	68	0	-
Non delivery currency swap stretch a-1		(267)	483	107	174	188	13	-
Non delivery currency swap 3 yeras		(1,004)	1,382	358	1,024	-	-	-
Cupon swap 3 years		93	(104)	(104)	-	-	-	-
Cupon swap 3 years		(237)	130	130	-	-	-	-
Cupon swap 3 years		(41)	18	18	-	-	-	-
Cupon swap 3 years		71	(146)	(146)	-	-	-	-
Cupon swap 3 years		(156)	115	115	-	-	-	-
Cupon swap 3 years		(97)	80	80	-	-	-	-
	¢	(4,630)	9,416	1,561	3,107	2,176	2,312	260

(Continued)

(in millions)

As of Monday, December 31, 2018, cash flows related to derivative financial instruments are shown below. Expected cash flows take into account the cash flow forecasts of each derivative:

		Book Value	Cash Flows	6 months or less	6-12 months	1-2 year	2-5 year	More than 5 years
Cross currency swap	¢	(3,624)	4,633	581	1,037	888	1,742	385
Cross currency swap		2,568	3,503	439	784	1,227	966	87
Forward staring swap		(1,684)	400	119	162	115	4	-
Non delivery currency swap stretch a-1		(168)	654	130	218	262	44	-
Non delivery currency swap 3 yeras		(5)	2,043	522	999	522	-	-
Cupon swap 3 years		322	(22)	3	(25)	-	-	-
Cupon swap 3 years		(149)	663	332	332	-	-	-
Cupon swap 3 years		(58)	104	52	52	-	-	-
Cupon swap 3 years		273	57	39	18	-	-	-
Cupon swap 3 years		(67)	434	217	217	-	-	-
Cupon swap 3 years		(65)	228	106	121	-	-	-
	¢	(2,657)	12,697	2,540	3,915	3,014	2,756	472

(Continued)

In the case of cash flow hedges, expected cash flows for the primary instrument and the hedging derivative as of September 30, 2019, are presented below.

		Expected cash flows derived	Less than 12 months	Over 12 months
BID-1931A/OC-CR	¢	49,875	14,250	35,625

(Continued)

(in millions)

The general characteristics of positions exposed to market risk that are being hedged with derivatives are presented below:

	PR003 Tramo A D091319	PFI -019 Dólar/colón Tramo A-1 E15-96556	PR004 Yenes NEM120618ICE	PF-021 Yenes C34569	Dólar/colón tres años C34812601207	PFI022 Dólar/colón tres años C3489721003	PFI024 Dólar/colón tres años C38910	PFI026 Dólar/colón tres años C39164	PFI027 Dólar/colón tres años C3489850286	PFI023 Dólar/colón tres años C3489721052	PFI025 Dólar/colón tres años C38912
Deuda cubierta	BID-1931 A/OC-	PR003	JIBC-CR-P3	JIBC-CR-P3	BONOS 2043	BID-1908	BID-1908	Bono 2021	Bono 2021	Bono 2043	Bono 2043
Banco	CITIBANK	CITIBANK	CITIBANK	SCOTIABANK	CITIBANK	CITIBANK	SCOTIABANK	SCOTIABANK	CITIBANK	CITIBANK	SCOTIABANK
Monto principal	USD 57	USD 57	JPY 3,414.7	JPY 3,479.6	USD 200	USD 50	USD 50	USD 100	USD 200	USD 50	USD 50
	USD	CRC 34,178	USD 37.5	USD 28.2	CRC 113,216	CRC 27,814	CRC 27,715	CRC 55,200	USD 110,850	CRC 27,814	CRC 27,715
Tipo de cambio	N/A	CRC 533	USD 91	USD 123.3	CRC 566.08	CRC 556.29	CRC 554.30	CRC 552.00	CRC 554.25	CRC 556.29	CRC 554.30
Fecha de contratación	27/01/2009	18/09/2015	20/10/2009	03/12/2015	22/11/2017	23/11/2016	23/11/2016	09/12/2016	09/12/2016	23/11/2016	23/11/2016
Fecha inicio cobertura o primer pago	14/01/2010	14/01/2016	22/10/2012	20/04/2016	15/11/2017	25/11/2016	25/11/2016	10/11/2016	10/11/2016	14/11/2016	14/11/2016
Fecha vencimiento cobertura	14/07/2023	14/07/2023	20/04/2026	20/04/2026	15/11/2020	25/11/2019	25/11/2019	10/11/2019	10/11/2019	14/11/2019	14/11/2019
Plazo	14 años	7 años,8 meses y 5 días	14 años	10 años 5 meses	3 años	3 años	3 años	3 años	3 años	3 años	3 años
Tasa base	Libor 6 Meses	3.23%	-	-	6.375%	Libor 6 meses	Libor 6 Meses	6.95%	6.95%	6.375%	6.375%
Spread sobre/bajo tasa base	3.63%		2.20%		-	0,90 pb	0,90 pb	-	-	-	-
Tasa fija	-	-	-	-	-	-	-	-	-	-	-
Tasa total fija	6.86%	4.23%	5.11%	5.01%	-	3.05%	2.92%	7.94%	7.72%	6.96%	7.29%
Estrategia	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura	Cobertura
Riesgo cubierto	Tasa de interés	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio	Tipo de Cambio
Instrumento contratado	Permuta tasa de	Intercambio de flujos de	Intercambio de moneda	Permuta de divisa no	Permuta de intecambio de	Permuta de intecambio de	Permuta de divisa no	Permuta de divisa no	Permuta de divisa no	Permuta de divisa no	Permuta de divisa no

(Continued)

(in millions)

Capital Management

Article 17 of Chapter IV "Equity and Earnings" of the Act to Create the Costa Rican Electricity Institute, No. 449, dated April 8, 1949 states that "Grupo ICE's financial policy will be to reinvest the net profit it receives from the sale of electricity and from any other sources, to finance and execute national electrification plans, and drive the electric power industry.

The Government shall not receive any part of the earnings, as Grupo ICE cannot be considered a productive source of revenue for the Costa Rican Tax Authority. Instead, it is to use all means at its disposal to increase the production of electricity as a basic industry of the Nation.

The policy is to maintain a strong capital base so as to maintain general market confidence and secure the future growth of ICE

The goal is to maximize the return of the Group's capital and financial investments by adequately balancing the levels of debt and invested capital, while also minimizing risk.

In the second quarter of 2019, Grupo ICE's capital management remained unchanged, as the institution is not subject to any external capital requirements.

Grupo ICE's adjusted debt/equity ratio on the date of the consolidated statement of financial position is as follows:

Index Debt - Capital		Up to September 2019	Up to December 2018
Total liabilities	¢	3,444,246	3,432,143
(-) Cash and equivalent to cash		(247,047)	(138,655)
Debt, net		3,197,199	3,293,488
Total patrimony		2,746,909	2,633,464
Minus:			
Amount accumulated in patrimony in relation to coverage of cash flow		(14,936)	(41,786)
Capital ajusted	¢	2,731,973	2,591,678
Index Debt	¢	1.170	1.271

(Continued)

(in millions)

Estimation of Potential Loss:

Pursuant to SUGEVAL's methodology, a risk rating and write-off percentage is assigned to each investment based on the maturity of the instrument, per what is stated in the following charts:

International qualifications				
Term	Moody's	Standard & Poor´s	Fitch	Weighting
Short term		A1+	F1+	0%
	P1	A1	F1	1,0%
	P2	A2	F2	2,5%
	P3	A3	F3	5,0%
		B	B	7,5%
	C y otros	C y otros	C y otros	10,0%
Long term	Aaa	AAA	AAA	0%
	Aa	AA	AA	1,0%
	A	A	A	2,5%
	Baa	BBB	BBB	5,0%
	BA	BB	BB	7,5%
	B	B	B	9,0%
	Caa y otros	CCC y otros	CCC y otros	10,0%

Local qualifications		
Term	Qualification	Weighting
Short term	1, 2, 3	7,5%
	otros	10,0%
Long term	AAA - A	7,5%
	BBB – B	9,0%
	CCC y otros	10,0%

Class	International qualification		Local qualification	
	Long term	Short term	Long term	Short term
1	AAA y AA	F1, A-1 y P-1	-	-
2	A y BBB	F2, A-2 y P-2	-	-
3	BB	F3 y P-3	Scr-AAA y AAA(cri) scr-AA y AA(cri)	Scr-1 y F1(cri) scr-2 y F2 (cri)

Write-off percentages are applied as follows: investments of the Costa Rican Central Bank 0%; Government and Ministry of Finance, 0.5%; repurchase agreements are subject to a counterparty rating; and unrated issuances, which are classified as "other", are subjected to a 10%. Sovereign ratings and write-offs are applied to investments in US dollars in accordance with the tables above. The final result corresponds to the "potential loss".

(Continued)

(in millions)

As of September 30, 2019, risk ratings reported for Grupo ICE are as follows:

Transmitter	Isin	Instrument	Rate risk
BAC Bank San José, S.A.	CRBSJ00B1921	BSJ Bond	AAA(cri)
BAC Bank San José, S.A.	CRBSJ00B1970	BSJ Bond	AA+(cri)
Bank Cathay	00CATAYE01K8	Term Certificate of Deposit (global notes)	SCR2-
Bank Cathay	00CATAYE6448	Term Certificate of Deposit (global notes)	SCR2-
Bank Cathay	00CATAYE6471	Term Certificate of Deposit (global notes)	SCR2-
Bank Cathay	00CATAYE9574	Term Certificate of Deposit (global notes)	SCR2-
Bank Cathay	00CATAYE9640	Term Certificate of Deposit (global notes)	SCR2-
Central Bank of Costa Rica	CRBCCR0B4403	Monetary Estarbilization Fixed Rate Bond	BB-
Central Bank of Costa Rica	CRBCCR0B4726	Monetary Estarbilization Fixed Rate Bond	BB-
Central Bank of Costa Rica	CRBCCR0B4882	Monetary Estarbilization Fixed Rate Bond	BB-
Central Bank of Costa Rica	CRBCCR0B5004	Monetary Estarbilization Fixed Rate Bond	BB-
Bank Davivienda (Costa Rica) S.A.	CRBDAVIB0088	Davivienda Bond	AAA(cri)
Bank of Costa Rica	00BCR00E9585	Term Certificate of Deposit (global notes)	AA+(cri)
International Bank of Costa Rica -Miami-	0NR0ICE00358	Overnight BID 2747	BB+
International Bank of Costa Rica -Miami-	0NR0ICE00689	Overnight BEI	BB+
National Bank of Costa Rica	00BNCR0E6610	Term Certificate of Deposit (global notes)	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1802	BNCR Bond	AA+(cri)
Popular Bank And Community Development	00BPDC0CJN18	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7168	BPDC Bond	AA+(cri)
Popular Bank And Community Development	CRBPDC0B7275	BPDC Bond	AA+(cri)
Popular Bank And Community Development	CRBPDC0B7325	BPDC Bond	AA+(cri)
Popular Bank And Community Development	CRBPDC0B7341	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7390	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7556	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7580	BPDC Bond	AA+ (cri)
PRIVAL Bank S.A. (Old BANSOL Solutions Bank)	00PRIVAE0633	Term Certificate of Deposit (global notes)	SCR2
PRIVAL Bank S.A. (Old BANSOL Solutions Bank)	00PRIVAE0633	Term Certificate of Deposit (global notes)	SCR2
Proméricas Bank	00BPROME0270	Term Certificate of Deposit (global notes)	SCR3
Proméricas Bank	00BPROME6533	Term Certificate of Deposit (global notes)	SCR2
Proméricas Bank	00BPROME9701	Term Certificate of Deposit (global notes)	SCR3
Proméricas Bank	CRBPROMB1359	Promérica Bond	SCR AA +
Scotiabank of Costa Rica, S.A.	CRSCOTIB1292	Scotiabank Bond	AAA(cri)
Trust Distinguished Fire Brigade	CRFTBCBB0044	FTBCB Bond	SCR AA
Trust Distinguished Fire Brigade	CRFTBCBB0051	FTBCB Bond	SCR AA
Garabito Securitization Trust	CRFPTG0B0021	FTBCB Bond	SCR AA+ (CR)
Financial Desyfin	00FDESYE01D4	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE01O1	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE9542	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE9575	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE9872	Term Certificate of Deposit (global notes)	SCR3
Florida ICE & Farm Company S.A.	CRFIFCOB0998	FIFCO Bond	SCR AAA
Government	CRG0000B11H2	Propierty title	BB-
Government	CRG0000B20I1	Propierty title	BB-
Government	CRG0000B21I9	Repurchase	BB-
Government	CRG0000B29H4	Propierty title	BB-
Government	CRG0000B48H4	Propierty title	BB-
Government	CRG0000B48I2	Title of property macro zero coupon	BB-
Government	CRG0000B56G9	Repurchase	BB-
Government	CRG0000B56H7	Repurchase	BB-
Government	CRG0000B57H5	Propierty title	BB-
Government	CRG0000B76H5	Real sovereign adjustable property title	BB-
Government	CRG0000B82H3	Propierty title	BB-
Government	CRG0000B96G5	Propierty title	BB-
Government	USP3699PAA59	Bond external debt Costa Rica	BB-
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2525	MADAP Bond	SCR AA+
Mutual Cartago of Saving and Loan	00MUCAPE01X2	Term Certificate of Deposit (global notes)	F1+ (cri)
Mutual Cartago of Saving and Loan	CRMUCAPB1458	MUCAP Bond	AA+(cri)
Mutual Cartago of Saving and Loan	CRMUCAPB1474	MUCAP Bond	AA+(cri)
Costa Rican Oil Refinery	CRRECOPB0012	Standard Recope Bonus	AAA (cri)
Costa Rican Oil Refinery	CRRECOPB0020	Standard Recope Bonus	AAA (cri)

(Continued)

(in millions)

Nota 36. Contingent assets and liabilities

As of September 30, 2019, Grupo ICE is involved in the following legal proceedings:

	Number of cases	Estimated amount of the claim	As of September 30, 2019	As of December 31, 2018
			Litigation provision	
Contingent assets - lawsuits filed by Grupo ICE:				
Execution of judgment (Administrative)(1)	21	9,574	-	-
Ordinary Administrative (2)	15	4,791	-	-
Other	40	123,139	-	-
Total contingent assets	76	137,503	-	-

	Number of cases	Estimated amount of the claim	As of September 30, 2019	As of December 31, 2018
			Litigation provision	
Contingent liabilities - lawsuits filed against Grupo ICE:				
Administrative and Civil Court of Finance	19	48,915	277	306
Ordinary (Administrative)	30	2,734	535	576
Administrative proceedings	93	814	44	48
Execution of judgment (Administrative) (3)	10	1,773	1,772	44
Other (4)	91	4,655	437	688
Total contingent liabilities	243	58,891	3,065	1,661
Less reclassification of not current portion			403	347
Current			2,662	1,314

Below is the definition of the main types of proceedings and jurisdictions recognized by

Grupo ICE:

a) Arbitration: the resolution of a litigation without going to an ordinary jurisdiction. The parties, by mutual consent, decide to appoint an independent third party, referred to as arbitrator, or an arbitration tribunal, that shall be in charge of settling the dispute. The arbitrator, in turn, shall be limited by the agreement made between the parties to enter the arbitration award. The arbitration award must be rendered in accordance to the applicable law chosen by the parties, or otherwise based on equity, if that is an option.

b) Contentious: a judicial proceeding to review a conduct under the guardianship of the Contentious Jurisdiction. The Contentious-Administrative Jurisdiction seeks to protect the legal situations of every person, guarantee or reestablish the lawfulness of any conduct of the Public Administration subject to the Administrative law, and hear and settle different aspects of the legal-administrative relationship. (Article 1 of the Contentious-Administrative Procedural Code).

c) Administrative: an administrative proceeding is processed at an administrative court and must comply with the provisions contained in the General Public Administration

Act, article 214, paragraph one, to ensure that the Government best complies with its goals,

(Continued)

while respecting the subjective rights and lawful interests of citizens, in accordance with legal systems.

Among the contingent assets and liabilities that have the largest claims are:

Contingent assets:

(1) The ICE awarded a tender to create telephone guides to Verizon. Upon Verizon's breach, the ICE started a judicial proceeding in the contentious-administrative jurisdiction in 2005 to collect damages, and requested, as injunctive relief, the seizure of the monies that ICE had deposited. The following is the current state of the Process: "By means of a resolution issued by the First Chamber of the Supreme Court of Justice, the defendant is sentenced to pay for the damages caused by the contractual breach, per the provided estimates." As of September 30, 2019 and December 31 ,2018, the estimated amount was equal to ¢3,781.

(2) Contentious process to enforce judgment that seeks that RECOPE pay to ICE the financial damages that it suffered as a result of the extra cost that it had to incur because it had to use diesel in the Garabito, Orotina and Guápiles production centers as a result of a delayed delivery of fuel. These amounts were awarded under judgment number 133-2016 by the Contentious-Administrative Court. The amount estimated, as of September 30, 2019 and December 31, 2018, was ¢1,030.

Contingent liabilities:

(3) Execution of contentious proceeding under docket number 16-00648-1027-CA, whereby ARESEP and SUTEL filed a petition for a court order awarding personal costs, plus the corresponding legal interest. The sum of such costs was requested based on an estimate of damages caused by ICE and applying the corresponding fees and applicable interest rates. On March 25, 2019, the ICE answered the claim, rejecting the claims requested by both parties, and requesting that they each be awarded ¢1 in damages. As of September 30, 2019, the estimated amount is equal to ¢1,731.

(4) Execution of proceeding under docket number 17-003025-1763-CJ, filed by the Costa Rican Social Security as a result of a judicial collection proceeding filed against ICE, whereby it is requesting that it pay the social security contributions owed to the IVM [Spanish acronym for “disability, old age and death insurance”] fund, in compliance with article 78 of the Workers Protection Act. An objection was filed by ICE, as it must reinvest its profit. In addition, the Costa Rican Social Security is charging ICE monies that are owed by its subsidiaries, and this is not admissible. As of September 30, 2019, the estimated amount is equal to ¢2,186.

The following proceeding, which involves one of its subsidiaries, is included within the Group's main contingent liabilities:

i. Ghella Spa Costa Rica-Docket No. 10-3471-1027-CA: This claim seeks to annul the limitations established in Addendum No. 1 of the Agreement for the design,

(Continued)

construction, equipment, and start-up of operations of the El Encanto Hydroelectric Project. The estimated amount is ¢20,642.

ii. Grupo Corporativo SARET: The plaintiff filed an early precautionary measure against *Compañía Nacional de Fuerza y Luz, S.A.* because the latter executed the performance bond to collect penalties. Furthermore, the plaintiff filed a formal claim for consequential damages, loss of profit and loss of opportunity. The estimated amount of the proceedings is ¢7,950.

iii. Instalaciones Inabensa, S.A.- Docket No. 5-1194-163-CA: This case was initiated for the collection of an estimated ¢11,138 in penalties during the execution of the project for underground electrification of San Jose. The plaintiff seeks the collection of claims and reimbursement of penalties filed during the stage of execution of the aforementioned project.

These legal proceedings are against the subsidiary *Compañía Nacional de Fuerza y Luz, S.A.* This subsidiary appealed such claims and, as of September 30, 2019, information is still lacking to establish the possible final resolution of the matter. Due to the uncertainty of how other claims will be settled,, the Management of this subsidiary has not deemed it necessary to record any provisions to cover possible losses that might derive from such resolution.

In addition, as of September 30, 2019, the status of the P.H. Chucás and Hidrotárcoles projects, are presented below:

(a) <u>P.H. Chucás Project:</u>

The Chucás Hydroelectric Power Plant is a B.O.T. (Build, Operate and Transfer) project built by P.H. Chucás, S.A., and 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 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 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 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 ICE to pay the excess costs in the mentioned legal proceeding pointed out that the 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 ICE. The sentence states that ICE must pay US$112.7 and ¢6,328.

On December 15, 2017, the 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 execution thereof, even though, for such purposes, the contractor would have to file a judicial proceeding to "execute the award" against 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. The management of 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, that is to say, they expect that the case will be finally settled in favor of ICE and, therefore, do not consider necessary to record any provision to cover any losses that could eventually arise from the resolution of the case.

As of June 27, 2019, by means of vote 2019000989, the First Chamber of the Supreme Court of Justice admitted appeal for annulment filed by ICE and annulled the Award, thus waiving the payment obligation. The “therefore” section of the ruling states:

“The appeal for annulment listed in pages one to sixteen, and eighteen, is admitted. The request to order Messrs. Diego Salto and Rafael Luna to certify if Grupo Enel or its companies have been clients of the law firms that they have directed during the last 10 years, or otherwise of Batalla Abogados and Consortium Legal, is hereby denied. The contestation is admitted. The appealed award is annulled. Notify this decision to the Bar Association so that they investigate the conduct of attorney-at-law Mario Pacheco Flores.”

The vote of the First Chamber was notified on September 6th, 2019. Upon analysis, the company determined to file a request for addition and clarification, as the vote did not make reference to the costs. In the request for annulment filed by ICE on December 2016, the plea included the following request: “Award costs to the party filing the request for annulment”. The Chamber’s decision is still pending.

(b) <u>Hidrotárcoles Project</u>

The P.H. Capulín Project is a B.O.T (Build, Operate and Transfer) project started by the company P.H. Hidrotárcoles, S.A. that was contemplated in power purchase agreement no. 2012000023, entered by and between that company and ICE on April 24, 2012. This project is located in the counties of Turrubares and Atenas, in the provinces of San José and Alajuela. 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. Likewise, in accordance to what the agreement states, the ICE proceeded to notify the representatives of the Creditors, i.e., the *Banco Nacional de Costa Rica*, and inform it about its decision to settle the agreement, as well as of its decision that ICE would not continue with the project. All of this complied with the provisions of the power purchase agreement.

In light of the foregoing, on December 2015, the company filed a request for an injunctive relief before the Contentious-Administrative Tribunal in order to suspend the aforementioned proceeding. The Tribunal admitted such relief on January 2016, ordering the suspension of such proceeding. In addition, on February of that same year, the company Hidrotárcoles filed a lawsuit against ICE in the Contentious Tribunal, whereby it requested that several administrative acts that gave origin to the aforementioned proceeding be annulled, and whereby it aims that Hidrotárcoles be given the right to modify the guaranteed commissioning date and ICE be sentenced to pay damages, among other things.

The company Hidrotárcoles continued requesting the same injunctive relief to the Contentious Tribunal, not only in such lawsuit, but also at other times, in order to prevent ICE from continuing with the contractual resolution proceeding. Nevertheless, on February 21, 2017, the Court of Appeals of Contentious-Administrative Matters, finally rejected the injunctive measure, and, as of that resolution, ICE was allowed to continue with the aforementioned procedure. During the course of such proceeding, the company Hidrotárcoles also attempted, in several occasions, to stop it, 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 on January 2018.

During the course of the administrative proceeding, the company, Hidrotárcoles, was guaranteed, at all times, its right to a defense and to a due process, in which it could file all of the claims and evidence that it deemed pertinent to contest the alleged noncompliance. This proceeding ended with a final ruling by the deciding body, by means of order No. 5201-10-2018, dated January 15, 2018, in which it approved the resolution of the agreement and the penalty against the company Hidrotárcoles, S.A., in relation to Public Tender No. 2006-000043-PROV.

On January 18, 2018, within the established time frame, the company Hidrotárcoles formally filed, against ICE, a motion for revocation of judgment with supplementary appeal and concomitant nullity against such final ruling. This motion for revocation was settled by the deciding body on March 12, 2018. Thereafter, on April 12, 2018, the Corporate Services Management settled the motion for appeal and concomitant nullity, which meant that all administrative remedies available had been exhausted.

On May 03, 2018, the Contentious-Administrative Court notified ICE a request for a provisional injunctive relief filed by the BNCR, whereby it was requesting that the ICE take immediate possession and control of the Capulín San Pablo Hydroelectric Project while the dispute between the parties is settled.

Resolution 571-2018-T of the Contentious-Administrative Court, issued on October 05, 2018, rejected the request made by the BNCR. However, on October 11, 2018, the representatives

(Continued)

of BNCR filed a motion to appeal such Resolution that was admitted. During a hearing of the appeal held on November 27, 2018, the Court of Appeals rejected the measure that was filed and restated what it had ruled in Resolution 571-2018-T. On December 18, 2018, the BNCR filed a proceeding leading to a declaratory judgment against the *Instituto Costarricense de Electricidad* under file number 18-011428-1027-CA.

In addition, on May 03, 2018, the Contentious-Administrative Court notified a request for a provisional injunctive relief filed by Hidrotárcoles against the ICE and the BNCR, in which it requested that the execution of the following acts be suspended: ICE: the final act of contractual resolution and the resolution of the motion for revocation with appeal. BNCR: act to suspend the disbursements and act to execute the performance bonds. This request for an injunctive relief was rejected by the Contentious-Administrative Court by means of a resolution issued on April 26, 2018, and a hearing was granted to both parties. Thereafter, by means of resolution 420-2018-T, issued at 09:15 on July 18, 2018, the Contentious Court finally rejected such injunctive relief.

On July 24, 2018, Hidrotárcoles, S.A. filed an appeal against resolution 420-2018-T. During a hearing held on September 24, 2018, the Court of Appeals, by means of resolution number 397-2018-II, due to procedural aspects, returned the file to the first instance Judge so that he would settle the matter. On November 12, 2018, the first instance judge, by means of resolution 634-2018-T, fully rejected all of the scopes of the requested injunctive relief. Hidrotárcoles filed an appeal against resolution 634-2018-T and a hearing was scheduled for January 24, 2019. Such a hearing was suspended due to procedural aspects. The scheduling of a new hearing is still pending.

On May 09, 2019, the hearing relating to the appeal filed by Hidrotárcoles was held, and the request for the relief was rejected and, therefore, the contents of resolution 634-2018-T were upheld.

As of September 30, 2019, the Grupo ICE has allocated an amount equivalent to ¢2,662 (¢1.314 in 2018) to a provision related to the legal proceedings mentioned in the chart of contingent liabilities.

Due to the uncertainty of what the final results of such legal proceedings will be, as of September 30, 2019, the Grupo ICE had not allocated any additional funds to such provision to cover any possible obligations that could arise as a result of the final resolution thereof.

(in millions)

Nota 37. Balances and transactions with related parties

The balances and transactions with related parties are detailed below:

Business and financial transactions:

During the year, Grupo ICE performed the following business transactions with related parties:

		Sale of goods and services		Purchase of goods and services	
		For year ended			
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
Construction services:					
Municipalities	¢	3,036		2,372	
AYA		867	-	2,121	-
CONAVI		799	-	398	-
COSEVI		789	-	750	-
CCSS		46		-	-
CNE		-	505	-	-
Engineering services				-	-
CNE		5,211	-	-	-
Other related parties		430	-	-	-
Sale of energy:					
Government entities		4,133	-	-	-
Interest:					
Subsidiaries			-	-	-
Government entities		5,191	4,435	-	-
Autonomous institutions		876	864	-	-
State-owned financial entities		3,512	3,481	8,892	9,273
Other services:					
Government entities		18,437	4,687	1,497	1,159
Autonomous institutions		-	342	-	-
State-owned financial entities (1)		-	-	41,025	42,018
Other related parties		5,898	2,885	895	641
	¢	49,224	17,199	57,949	53,092

(1) These are lease installments for the Garabito, Cariblanco and Toro III Trusts. In addition, a building and premises maintenance fee in the amount of ¢173 was added.

The sales of goods and services to related parties are made at the list prices of Grupo ICE. The purchases are made at the market price to reflect the amount of goods purchased and the relationships between the parties

(in millions)

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

		Receivable		Payable	
		30/09/2019	31/12/2018	30/09/2019	31/12/2018
Government entities		6,890	6,217	545	622
Autonomous institutions		10,175	13,904	5,798	5,831
state-owned financial entities		-	-	3,127	4,579
Other related parties		2,356	-	9	8
	¢	19,421	20,121	9,479	11,040

The balances do not include expenses from public services (electricity, water, telecommunications, social security, and tax burdens).

The outstanding amounts are not guaranteed and are expected to be settled in cash. No guarantees have been granted or received. No expenses have been recognized in the current period or previous periods regarding doubtful accounts related to the amounts owed by related parties.

As of September 30, 2019,the Group maintained notes and leases payable with government financial institutions in the amount of ¢238,590 (¢253,275 as of December 31, 2018)).

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

		As of September 30, 2019	As of December 31, 2018
Cash equivalents	¢	-	17,682
Held to maturity		93,475	116,267
Restricted funds		1,985	1,017
	¢	95,460	134,966

As of September 30, 2019, interest receivable from securities issued by state-owned financial entities amount to a total of ¢3,070 (¢3,166 as of December 31, 2018).

As of September 30, 2019, investments in the share capital of autonomous and non-governmental entities amounted to ¢30,662 (¢30,768 in 2018) (see note 10).

(Continued)

(in millions)

<u>*Compensation of management's key staff*</u>

The compensation of directors and other key members of management during the 2019 and 2018 periods was as follows:

		As of September 30,	
		2019	2018
Short-term benefits	¢	3,794	4,800
Post-employment benefits		211	1,240
Other long-term benefits		250	109
	¢	4,255	6,149

The compensation of 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.

Nota 38. Information by segment

(a) Bases for segmentation

Grupo ICE has the following reportable segments:

- The Telecom Segment includes ICE-telecommunications sector, Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA), Cable Visión de Costa Rica, S.A. (CVCRSA) and Gestión Cobro Grupo ICE, S.A. (93.34%).

- The Electricity Segment includes the ICE-electricity sector, Compañía Nacional de Fuerza y Luz, S.A. (CNFL). and Gestión Cobro Grupo ICE, S.A. (6.66%).

The information by segment is submitted to the highest authority in charge of the operational decision making of the Group with the purpose of allocating resources and evaluating the performance of each segment; it is focused on the different sectors of the Institute (business segment), which are exposed to different risks and yields.

The results, assets, and liabilities of the segment includes items directly attributable to a segment, as well as those that can be reasonably attributed. - Information related to each segment that requires reporting is stated in the following section.

(in millions)

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

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

(c) Revenue and results by segments

An analysis of the revenue and the results of Grupo ICE from the operations by segment to be informed is as follows:

		For the periods ended September 30,					
		Electricity		Telecommunications		Consolidated total	
Profit (loss) per segment		2019	2018 *	2019	2018 *	2019	2018 *
Income per segment	¢	645,393	606,454	451,048	429,646	1,096,441	1,036,100
Investment income		18,069	11,555	3,383	5,872	21,452	17,427
Finance costs		(118,800)	(134,872)	(8,608)	(12,411)	(127,408)	(147,283)
Foreign exchange differences, net		89,234	(33,022)	14,375	(2,146)	103,609	(35,168)
Income front investments in other companies		456	431	31	120	487	551
(Deficit) surplus, net		72,098	(84,565)	6,900	(14,295)	78,998	(98,860)

* Restated. See notes 32.

The revenue by segment, as informed in the foregoing paragraphs, accounts for the revenue generated by external clients

The revenue among segments is as follows:

- The revenue from service sales of the electricity segment to the telecommunications segment amounts to ¢4,640 for 2019 (¢5,045 in 2018).
- The revenue from service sales of the telecommunications segment to the electricity segment amounts to ¢1,794 for 2019 (¢1,820 in 2018).

(Continued)

(in millions)

The accounting policies of the segments that are informed are the same as the accounting policies of the Group. The profits by segment represent the profits earned by each segment without an interest in the results of the period, the investment income, other profits or losses, as well as the financial costs that cannot be allocated to a specific segment. This represents the measurement reported to the decision maker of the operating area for the purposes of allocating the resources and assessing the performance of the segments.

(d) Assets and liabilities by segments

		As of September 30, 2019 and December 31, 2018.					
		Electricity		Telecommunications		Consolidated total	
Segment assets and liabilities		2019	2018 *	2019	2018 *	2019	2018 *
Assets	¢	4,865,350	4,796,771	1,325,805	1,268,836	6,191,155	6,065,607
Liabilities		2,953,135	2,948,625	491,111	483,518	3,444,246	3,432,143

* Restated. See notes 32.

In order to monitor the performance of the segments and allocation of resources among segments:

- There are no assets and liabilities that have not been allocated to the segments.

- All the assets and liabilities jointly used by the segments that have to reported are allocated according to the methodology to allocate the expenditures of the Corporation to the business where the financing percentages are established according to the drivers defined by each unit for the different services provided by the administrative centers and the service centers to each business unit. Each service has a specific measurement unit and the allocation is based on the consumption of the services, which methodology is based on the ABC Costing (activity-based costing), as approved by the Board of Directors.

(Continued)

(in millions)

(e) Other information of the Segment

		Depreciation and amortization		Additions to nom-current assets	
		Period ended september 30,		Period september june 30,	
		2019	2018	2019	2018
Telecom Segment	¢	95,081	98,384	28,267	4,677
Electricity Segment		127,402	122,639	31,757	13,065
Total	¢	222,483	221,023	60,024	17,742

Nota 39. Subsequent events

Assignment of the Rights and Obligations of Cable Visión de Costa Rica S.A. to ICE

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 guarantee the continuity and quality of telecommunication and internet services provided by the cable company and to strengthen its offering. The effective date of this assignment is September 01, 2019, and, therefore, as a result of delays, it is expected that ICE (parent company) will have absorbed CVCR’s rights and obligations by the closing of the fiscal year.

On April 10, 2019, the Agreement to Assign the Rights and Obligations of Cable Visión de Costa Rica to ICE was executed, upon agreement taken by the Board of Directors of ICE. The signing of such agreement took place after the technical, financial-commercial and legal aspects required to complete the assignment were defined.

Once the assignment of rights and obligations is completed, and CVCR meets the “obligation-free” status, the ICE shall assess whether it proceeds with the dissolution of CVCR or not.