



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



Group ICE
ICE
CNFL
RACSA
CRICSA
Gestión Cobro

September 2021
Financial Management



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

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

<u>Assets</u>	<u>Note</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Non-current assets:			
Property, plant and equipment, net	5 ¢	5,288,690	5,427,354
Intangible assets, net	6	99,947	107,612
Other assets		12,728	15,230
Equity investments		7,373	7,305
Notes and other accounts receivable, net		182,237	184,684
Investments in financial instruments	7	321,005	266,745
Total non-current assets		5,911,980	6,008,930
Current assets:			
Inventories	8	37,061	56,455
Notes and other accounts receivable, net		53,271	69,210
Investments in financial instruments	9	187,218	212,416
Trade receivables, net		181,837	175,829
Prepaid expenses		7,719	5,090
Other assets		892	3,708
Cash and cash equivalents		534,353	311,743
Assets held for sale		16	150
Total current assets		1,002,367	834,601
Total assets	¢	6,914,347	6,843,531
<u>Liabilities and equity</u>			
Equity:			
Paid-in capital	¢	155	155
Reserves		2,384,505	2,384,278
Retained earnings		317,942	319,371
Equity attributable to owners of Grupo ICE		2,702,602	2,703,804
Non-controlling interests		5,971	5,989
Net equity		2,708,573	2,709,793
Liabilities:			
Non-current liabilities:			
Bonds payable	10	711,542	720,010
Loans payable	10	1,401,311	1,435,803
Lease liabilities	10	351,862	375,391
Employee benefits	11	455,188	436,657
Accounts payable		139,798	145,283
Contract liabilities		66,930	62,839
Deferred income - Government grants		14,477	15,203
Deferred tax liabilities		90,403	94,365
Provisions	12	2,866	25
Other liabilities		385	-
Total non-current liabilities		3,234,762	3,285,576
Current liabilities:			
Bonds payable	10	429,767	380,870
Loans payable	10	164,687	131,408
Lease liabilities	10	42,416	38,953
Employee benefits	11	121,995	98,086
Accounts payable		125,712	137,489
Contract liabilities		11,142	12,564
Deferred income - Government grants		281	281
Income tax payable		-	3,283
Accrued interest payable		40,111	14,412
Provisions	12	4,563	9,710
Other liabilities		30,338	21,106
Total current liabilities		971,012	848,162
Total liabilities		4,205,774	4,133,738
Total liabilities and equity	¢	6,914,347	6,843,531

Preliminary translation

The notes on pages 1 to 29 are an integral part of these consolidated condensed financial statements.

Hazel Cepeda Hodgson
General Manager

Juan Carlos Pacheco Romero
Chief Financial Officer

Jeimy Sánchez Umaña
Accounting Process Coordinator

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

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

For the nine and three months ended September 30,

		For the nine months ended September 30	For the nine months ended September 30	For the three months ended September 30	For the three months ended September 30
	Note	2021	2020	2021	2020
Revenue	€	979,198	1,041,260	322,870	341,017
Operating costs:					
Operation and maintenance		362,154	380,884	119,085	132,817
Operation and maintenance of leased assets		34,718	41,467	12,210	13,732
Purchases and supplemental services		95,034	90,483	19,841	17,519
Costs of sale		46,085	43,844	14,071	15,666
Production management		66,449	62,576	21,042	22,794
Total operating costs	27	<u>604,440</u>	<u>619,255</u>	<u>186,249</u>	<u>202,529</u>
Gross profit		374,758	422,005	136,621	138,488
Other income	28	<u>24,071</u>	<u>37,843</u>	<u>7,552</u>	<u>20,659</u>
Operating expenses:					
Administrative expenses		90,895	103,284	29,047	32,865
Selling expenses		95,062	96,119	31,357	31,389
Preliminary studies		17,843	18,524	5,773	6,112
Supplemental expenses		2,195	2,636	555	1,776
Impairment loss on trade receivables		5,040	8,101	4,813	6,447
Other expenses		23,353	21,718	7,972	8,113
Total operating expenses	27	<u>234,388</u>	<u>250,382</u>	<u>79,517</u>	<u>86,702</u>
Operating income		164,441	209,466	64,656	72,445
Finance income and finance costs:	29				
Finance income		22,545	27,384	1,972	10,831
Finance costs		(179,709)	(202,365)	(53,300)	(69,674)
Foreign exchange differences, net		(31,351)	(123,114)	(25,035)	(82,924)
Net finance costs		(188,515)	(298,095)	(76,363)	(141,767)
Share of profit of equity-accounted investees		<u>65</u>	<u>15</u>	<u>30</u>	<u>48</u>
(Loss) profit before tax		(24,009)	(88,614)	(11,677)	(69,274)
Income tax benefit:		3,919	3,723	1,186	1,146
Loss for the period	€	(20,090)	(84,891)	(10,491)	(68,128)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Effect of actuarial losses for the period	€	188	-	-	-
		<u>188</u>	<u>-</u>	<u>-</u>	<u>-</u>
Items that are or may be reclassified subsequently to profit or loss:					
Valuation of equity investments at FVOCI	€	7	-	2	-
Gain on fair value of cash flow hedges		-	(16,543)	-	(2,820)
Valuation of investments in financial instruments at FVOCI		18,681	-	10,404	-
		<u>18,688</u>	<u>(16,543)</u>	<u>10,406</u>	<u>(2,820)</u>
Other comprehensive income for the year, net of tax		18,876	(16,543)	10,406	(2,820)
Total comprehensive income for the period	€	(1,214)	(101,434)	(85)	(70,948)
Profit attributable to:					
Owners of Grupo ICE	€	(20,078)	(84,864)	(10,508)	(68,128)
Non-controlling interests		(13)	(27)	16	-
	€	<u>(20,090)</u>	<u>(84,891)</u>	<u>(10,492)</u>	<u>(68,128)</u>
Total comprehensive income for the year attributable to:					
Owners of Grupo ICE	€	(1,197)	(101,407)	(101)	(70,948)
Non-controlling interests		(18)	(27)	15	-
	€	<u>(1,215)</u>	<u>(101,434)</u>	<u>(86)</u>	<u>(70,948)</u>
Preliminary translation					

The notes on pages 1 to 29 are an integral part of these consolidated condensed financial statements.

Hazel Cepeda Hodgson
General Manager

Juan Carlos Pacheco Romero
Chief Financial Officer

Jeimy Sánchez Umaña
Accounting Process Coordinator

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

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

For the nine months ended September 30,

	Reserves								Retained earnings					Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity
	Paid-in capital	Legal reserve	Project development reserve	Actuarial gains (losses)	Valuation of equity investments at FVOCI	Valuation of non-derivative financial instruments and hedges	Development reserve	Capital reserve	Restricted profit from the capitalization of investment in subsidiary	Total	Retained earnings on subsidiaries	Loss for the period	Total			
Balance as of January 1, 2020	€ 155	3,328	71	(12,213)	579	1,995	2,439,905	12,717	62,380	2,508,762	309,802	-	309,802	2,818,719	6,083	2,824,802
Comprehensive income for the period:																
Loss for the period	-	-	-	-	-	-	-	-	-	-	4,469	(89,334)	(84,864)	(84,864)	(27)	(84,891)
Other comprehensive income for the period:																
Net loss on fair value of cash flow hedges	-	-	-	-	-	(16,543)	-	-	-	(16,543)	-	-	-	(16,543)	-	(16,543)
Total other comprehensive income for the period (restated)	-	-	-	-	-	(16,543)	-	-	-	(16,543)	4,469	(89,334)	(84,864)	(101,407)	(27)	(101,434)
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	674	-	674	-	-	-	674	-	674
Transfer to capital reserve	-	-	-	-	-	-	(89,334)	-	-	(89,334)	(27)	89,334	89,307	(27)	-	(27)
Total comprehensive income for the period:	-	-	-	-	-	-	(89,334)	674	-	(88,660)	(27)	89,334	89,307	647	-	647
Balance as of September 30, 2020 (restated)	€ 155	3,328	71	(12,213)	579	(14,548)	2,350,571	13,391	62,380	2,403,559	314,244	-	314,244	2,717,959	6,056	2,724,015
Balance as of January 1, 2021	€ 155	3,739	71	(16,996)	1,032	(10,634)	2,331,676	13,010	62,380	2,384,278	319,371	-	319,371	2,703,804	5,989	2,709,793
Comprehensive income for the period:																
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,416)	(18,662)	(20,078)	(20,078)	(13)	(20,090)
Other comprehensive income for the period:																
Effect of actuarial loss for the period	-	-	-	188	-	-	-	-	-	188	-	-	-	188	-	188
Valuation of investments in financial instruments at FVOCI	-	-	-	-	-	18,686	-	-	-	18,686	-	-	-	18,686	(5)	18,681
Valuation of equity instruments at FVOCI	-	-	-	-	7	-	-	-	-	7	-	-	-	7	-	7
Total other comprehensive income for the period	-	-	-	188	7	18,686	-	-	-	18,881	(1,416)	(18,662)	(20,078)	(1,197)	(18)	(1,215)
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	8	-	8	-	-	-	8	-	8
Transfer to capital reserve	-	-	-	-	-	-	(18,662)	-	-	(18,662)	(13)	18,662	18,649	(13)	-	(13)
Total comprehensive income for the period:	-	-	-	-	-	-	(18,662)	8	-	(18,654)	(13)	18,662	18,649	(5)	-	(5)
Balance as of September 30, 2021	€ 155	3,739	71	(16,808)	1,039	8,052	2,313,014	13,018	62,380	2,384,505	317,942	-	317,942	2,702,602	5,971	2,708,573

Preliminary translation

The notes on pages 1 to 29 are an integral part of these consolidated condensed financial statements.

Hazel Cepeda Hodgson
General Manager

Juan Carlos Pacheco Romero
Chief Financial Officer

Jeimy Sánchez Umaña
Accounting Process Coordinator

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

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

For the nine months ended September 30,

	Note	2021	2020
Cash flows from operating activities			
Loss for the period	¢	(20,090)	(84,891)
Adjustments for:			
Depreciation		229,632	242,447
Amortization		17,072	20,105
Amortization of contract liabilities	13	(5,226)	(5,051)
Net realizable value of inventories		5	(445)
Net finance costs		157,164	174,981
Impairment loss on trade receivables	14	5,040	8,101
Share of profit of equity-accounted investees		(61)	(338)
Loss on disposal of assets		10,918	12,318
Employee benefits	11	13,035	14,081
Income tax benefit		(3,919)	(3,723)
Foreign exchange differences		28,819	111,730
		432,389	489,315
Changes in:			
Notes and other accounts receivable		19,505	(14,271)
Trade receivables		(11,338)	(46,616)
Inventories		7,694	(8,305)
Accounts payable		(17,262)	6,704
Contract liabilities		7,895	6,938
Employee benefits and other provisions		10,078	27,375
Other liabilities		9,599	(1,050)
Cash flows from operating activities		458,560	460,090
Income taxes paid		(3,326)	(6,944)
Net cash from operating activities		455,234	453,146
Cash flows from investing activities			
Interest received		21,716	26,702
Investments in financial instruments		(15,260)	20,044
Additions to property, plant and equipment		(67,247)	(87,604)
Proceeds from sale of property, plant and equipment		814	1,227
Additions to intangible assets		(11,208)	(8,573)
Investment properties		-	(413)
Government grants		(726)	(582)
Decrease in other assets		7	1,285
Net cash from (used in) investing activities		(71,904)	(47,913)
Cash flows from financing activities:			
Proceeds from the issue of bonds payable	10	67,436	-
Amortization of bonds payable	10	(45,307)	(1,947)
Proceeds from the issue of loans payable	10	89,131	48,775
Amortization of loans payable	10	(90,660)	(95,012)
Amortization of lease liabilities	10	(31,527)	(26,832)
Interest paid	10	(152,325)	(181,170)
Net cash used in financing activities		(163,252)	(256,187)
Net increase in cash and cash equivalents		220,078	149,046
Cash and cash equivalents as of January 1		311,743	197,366
Effect of movements in exchange rates on cash held		2,532	11,384
Cash and cash equivalents as of September 30	¢	534,353	357,796

Preliminary translation

The notes on pages 1 to 29 are an integral part of these condensed consolidated financial statements.

Hazel Cepeda Hodgson
General Manager

Juan Carlos Pacheco Romero
Chief Financial Officer

Jeimy Sánchez Umaña
Accounting Process Coordinator

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

As of September 30, 2021

Nota 1. Reporting entity

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

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

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

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

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

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

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

- Radiográfica Costarricense, S.A.

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

- Compañía Radiográfica Internacional Costarricense, S.A.

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

- Cable Visión de Costa Rica

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

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

As of September 30, 2021, Cable Visión de Costa Rica (CVCR) is a company that registers no commercial activity.

- Gestión de Cobro Grupo ICE, S.A.

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

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Nota 2. Basis of accounting

These interim financial statements, which cover the nine-month period ended on September 30, 2021, have been prepared in accordance with the IFRS, specifically IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the last consolidated annual financial statements of Grupo ICE, prepared as of December 31, 2020 and for the year then ended (the last annual financial statements). These interim financial statements do not include all of the information required to prepare complete annual financial statements in accordance with the IFRS. However, they include explanatory notes concerning the events and transactions that are relevant to understand the changes in financial position and the performance of Grupo ICE as of the date of the last annual financial statements.

These interim consolidated financial statements were authorized by the General Management for issue on September 25, 2021.

Nota 3. Use of judgments and estimates

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

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

(i) Measurement of fair values

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

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

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

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

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

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

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

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

Nota 4. Changes to significant accounting policies

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

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

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

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

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

If changes are made to the financial assets or financial liabilities in addition to changes made to the basis to determine the contractual cash flows required by the reform to the interest rate

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

benchmark, then Grupo ICE shall first update the effective interest rate of the financial asset or financial liabilities to reflect the change that the reform to the interest rate benchmark requires. Subsequently, Grupo ICE shall apply the accounting policies of the reforms described above to the additional changes.

Nota 5. Property, plant, and equipment - net

During the nine-month period ended on September 30, 2021, additions to the property, plant, and equipment account amounted to ¢67,247, where the most relevant were those applied to the following projects:

- 1) Residential Services Installation (installation project to provide new residential services throughout the country) in the amount of ¢17,628.
- 2) RANGE II (project consisting of the design, construction, and maintenance of the New Generation Access Network), in the amount of ¢12,330.
- 3) Borinquen (geothermal energy project located in the Guanacaste mountain range) in the amount of ¢9,071.
- 4) Continuous Quality Improvement (consisting of a Global Multiple Works Program that includes the reconstruction of lines, addition of phases, and construction of new feeders associated with substation outputs and supports of existing networks) in the amount of ¢6,388.
- 5) Technological Platform Expansion and Renewal (develops new requirements of the Business Support Systems (BSS) in the amount of ¢5,622.
- 6) Last Mile Replacement (Replaces (migrates) the copper network of existing customers in areas initially implemented under the RANGE II projects to provide high-tech, ultra-broadband multiplay services) in the amount of ¢3,880.
- 7) Development of networks (allows to improve the security and mobility conditions of citizens who move or are located in parks, bridges, and streets across different communities scattered throughout the national) in the amount of ¢3,639.
- 8) Network improvements (ongoing implementation project to ensure, through improvements, the proper functioning and access of all systems and networks of the telecommunications system) in the amount of ¢2,477.
- 9) Enterprise Services Installation (includes new service works connecting enterprise customers with new infrastructure installation to provide complete solutions) in the amount of ¢2,405. In addition, assets with a book value of ¢549 were sold, while assets with a book value of ¢958 were retired due to deterioration.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Nota 6. Intangible assets, net**

During the nine-month period ended on September 30, 2021, transactions in intangible assets pertained to additions of ¢11,208 mainly in licenses, systems, and applications, and effects caused by the amortization of the period, which amounted to 17,072.

Nota 7. Investments in financial instruments

Investments in financial instruments are described below:

		As of September 30, 2021	As of December 30, 2020
At fair value through other comprehensive income	¢	308,957	253,982
At fair value through profit or loss		12,048	12,763
	¢	<u>321,005</u>	<u>266,745</u>

A total of ¢319,636 (¢262,074 in 2020) of the investments in financial instruments are destined for the specific operation of the Guarantee and Savings Fund of the ICE.

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

Issuer	Type of financito instrument	Currency	As of September 30, 2021		
			Balance	Interest rate	Maturity
At fair value through other comprehensive income					
Government					
Bonds	Fixed-rate instruments	Colones	181,803	5,27% - 10,75%	2022 to 2026
Bonds	Fixed-rate instruments	Colones	49,300	4,54% - 5,88%	2026 to 2044
Bonds	Variable-rate instruments	US dollars	33,376	9,41% - 12,00%	2023 to 2030
Bonds	Fixed-rate instruments	DU	13,774	5,07% - 7,34%	2026 to 2040
Public financito entities					
Bonds	Variable-rate instruments	Colones	8,822	4,36% - 4,56%	2023 to 2031
Bonds	Fixed-rate instruments	Colones	7,872	5,84% - 10,24%	2023 to 2025
Private financito entities					
Bonds	Fixed-rate instruments	Colones	4925	4,97% - 9,25%	2022 to 2024
Bonds	Fixed-rate instruments	US dollars	1847	8,71%	2023
Public non-financito entities					
Bonds	Fixed-rate instruments	US dollars	2,505	10% - 11%	2027
Bonds	Fixed-rate instruments	Colones	2,400	5% - 8,62%	2023
Bonds	Variable-rate instruments	US dollars	2,333	4,51% - 5,52%	2023 to 2027
			<u>308,957</u>		
At fair value through profit or loss					
Public financito entities					
Bonds	Dividend closed fund	US dollars	10,696	4,54% - 9,35%	-
Private financito entities					
Bonds	Dividend closed fund	US dollars	1,352	5,87% - 12,19%	-
			<u>12,048</u>		
			<u>¢ 321,005</u>		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Issuer	Type of financial instrument	Currency	December 31, 2020		
			Balance	Interest rate	Maturity
At fair value through other comprehensive income					
Public financial entities					
Bonds	Fixed rate instruments	Colones	¢ 7,468	5.84% to 8.42%	2022 to 2024
Bonds	Fixed rate instruments	US dollars	424	13.01%	2022
Bonds	Variable rate instruments	Colones	5,615	4.61% to 8.25%	2022 to 2024
Bonds	Variable rate instruments	US dollars	197	2.50% to 4.75%	2024 to 2025
Public non-financial entities					
Bonds	Fixed rate instruments	US dollars	1,697	5.27% to 13.50%	2022 to 2028
Government					
Bonds	Fixed rate instruments	Colones	118,979	7.91% to 10.25%	2022 to 2031
Bonds	Fixed rate instruments	US dollars	31,018	1.54% to 6.73%	2022 to 2029
Bonds	Fixed rate instruments	DU	13,164	1.46% to 3.70%	2022 to 2026
Bonds	Variable rate instruments	Colones	58,729	3.17% to 5.94%	2022 to 2044
Private financial entities					
Bonds	Fixed rate instruments	Colones	7,718	6.96% to 9.60%	2022 to 2023
Bonds	Fixed rate instruments	US dollars	1,802	12.17%	2023
Bonds	Variable rate instruments	Colones	1,495	4.78% to 5.65%	2022 to 2033
Private non-financial entities					
Bonds	Fixed rate instruments	Colones	719	8.62% to 8.85%	2023
Bonds	Fixed rate instruments	US dollars	3,145	14.07% to 14.65%	2022 to 2027
Bonds	Variable rate instruments	Colones	1,812	4.93%	2023
			<u>253,982</u>		
At fair value through profit or loss					
Public financial entities					
Bonds	Closed fund - dividends	US dollars	5,230	7.09% al 19.26%	-
Private financial entities					
Bonds	Closed fund - dividends	US dollars	7,533	7.38% al 11.62%	-
			<u>12,763</u>		
			<u>266,745</u>		
		¢			

Nota 8. Inventories

As of September 30, 2021, inventories include reductions related to their net realizable value in the amount of ¢31,351 (¢32,249 as of December 31, 2020), as well as a total of ¢902 that were used during the nine-month period ended on that date. During the same period, no other value reductions to the inventory level were recorded.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Nota 9. Investments in financial instruments**

Investments in financial instruments are described below:

	<u>As of September 30,</u> 2021	<u>As of December 30,</u> 2020
At amortized cost	86,072	85,242
At fair value through other comprehensive income	74,080	102,968
At fair value through profit or loss	27,066	24,206
	<u>187,218</u>	<u>212,416</u>

Investments in financial instruments measured at amortized cost include a total of ¢18,854 (¢12,248 in 2020) that are deemed restricted, as they are part of a reserve that is used for the quarterly payment of interests and principal of the series of bonds payable that is closest to maturity, which, as of September 30, 2021, amounts to ¢52,406 (¢44,735 in 2020). Likewise, a total of ¢54,235 (¢50,179 in 2020) of the investments in financial instruments is destined for the specific operation of the Guarantee and Savings Fund.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

Issuer	Type of financial instrument	Currency	As of September 30, 2021		
			Balance	Interest rate	Maturity
At amortized cost					
Public financial entities					
Bonds	Fixed-rate instruments	US dollars	54,269	1,88% - 2,94%	2021
Bonds	Fixed-rate instruments	Colones	15,336	1,75% - 3,40%	2021
Bonds	Variable-rate instruments	Colones	5,369	2,32% - 4,77%	2021
Bonds	Variable-rate instruments	US dollars	3,461	1,46% - 2,81%	2021
Bonds	Investment fund	Colones	119	1.00%	2021
Private financial entities					
Bonds	Fixed-rate instruments	Colones	4,037	3% - 3,25%	2021
Bonds	Variable-rate instruments	US dollars	2,203	2.00%	2021
Government					
Bonds	Fixed-rate instruments	Colones	1,278	1,97% - 2,43%	2021
			<u>86,072</u>		
At fair value through other comprehensive income					
Government					
Bonds	Fixed-rate instruments	US dollars	55,448	6,48% - 13,46%	2021
Bonds	Fixed-rate instruments	Colones	1,306	6,34% - 7,37%	2021
Public financial entities					
Bonds	Fixed-rate instruments	Colones	5,908	2,20% - 9,08%	2021
Bonds	Variable-rate instruments	Colones	3,203	5,16% - 5,69%	2021
Bonds	Fixed-rate instruments	US dollars	2,143	11.12%	2021
Private financial entities					
Bonds	Fixed-rate instruments	Colones	4,449	5,53% - 9,08%	2021
Bonds	Variable-rate instruments	Colones	998	4.73%	2021
Bonds	Fixed-rate instruments	US dollars	625	6.98%	2021
			<u>74,080</u>		
At fair value through profit or loss					
Public financial entities					
Bonds	Investment certificates	Colones	26,928	0,30% - 0,63%	2021
Bonds	Investment certificates	US dollars	138	4,29% - 4,57%	2021
			<u>27,066</u>		
			<u>187,218</u>		
			¢		

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Issuer	Type of financial instrument	Currency	As of December 31, 2020		
			Balance	Interest rate	Maturity
At amortized cost					
Government					
Central Bank bonds	Variable rate instruments	US dollars	22,062	4.16% - 5.87%	2021
Public financial entities					
Bonds	Fixed rate instruments	US dollars	24,606	2.50% - 3.27%	2021
Bonds	Variable rate instruments	Colones	10,500	1.30% al 8.25%	2021
Bonds	Variable rate instruments	US dollars	6,138	1.35% - 4.75%	2021
Private financial entities					
Bonds	Fixed rate instruments	US dollars	11,069	2.85% - 3.80%	2021
Bonds	Variable rate instruments	Colones	4,862	3.15% - 3.25%	2021
Bonds	Variable rate instruments	US dollars	104	0.75% - 2.05%	2021
Private non-financial entities					
Bonds	Variable rate instruments	US dollars	5,901	0.00%	2021
			<u>85,242</u>		
At fair value through other comprehensive income					
Government					
Central Bank bonds	Fixed rate instruments	US dollars	52,763	5.52% - 14.35%	2021
Central Bank bonds	Fixed rate instruments	Colones	10,002	2.54%	2021
Monetary stabilization bonds	Fixed rate instruments	Colones	6,150	8.63%	2021
Central Bank bonds	Variable rate instruments	Colones	955	6.82%	2021
Public financial entities					
Bonds	Variable rate instruments	Colones	17,052	5.38% - 6.50%	2021
Bonds	Fixed rate instruments	Colones	6,112	2.61% - 9.15%	2021
Bonds	Fixed rate instruments	US dollars	3,105	5.88%	2021
Private financial entities					
Bonds	Fixed rate instruments	Colones	5,269	5.25% al 5.32%	2021
Bonds	Variable rate instruments	Colones	950	4.77% - 6.08%	2021
Investment certificates	Fixed rate instruments	US dollars	611	10.38%	2021
			<u>102,968</u>		
At fair value through profit or loss					
Public financial entities					
Bonds	Variable rate instruments	Colones	23,423	0.32% - 0.89%	2021
Bonds	Variable rate instruments	US dollars	783	7.18% - 7.93%	2021
			<u>24,206</u>		
			<u>212,416</u>		

Nota 10. Financial debt

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

	Liabilities			
	Bonds payable	Loans payable	Lease liabilities	Total
Balance as of January 1, 2021	¢ 1,100,880	1,567,211	414,344	3,082,435
New loans	67,436	89,131	3,745	160,312
Amortization	(45,307)	(90,660)	(31,527)	(167,494)
Effect of exchange rate fluctuations	18,301	316	7,715	26,332
Balance as of September 30, 2021	¢ <u>1,141,309</u>	<u>1,565,998</u>	<u>394,278</u>	<u>3,101,585</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

The characteristics of the financial debt are the following:

	Currency	Current interest rate	Maturity
Bonds payable	¢	Variable between 5,05% and 6,93%; and fixed between 7,56% and 8,63%	2021-2033
	US\$	Variable of 10,71%; and fixed between 6,38% and 7,65%.	2021-2043
Loans payable	¢	Variable between 5,80% and 9,70%; and fixed between 1,91% and 7,56%.	2022-2045
	US\$	Variable between 1,24% and 8,00%; and fixed between 0,70% and 6,40%.	2021-2044
	JPY	Fixed between 0,60% and 2,20%.	2026-2057
Lease liabilities	¢	Variable between 14,53% and 15,19%.	2021-2023
	US\$	Variable between 4,90% and 23,14%; and fixed of 9,93%	2021-2033

As of June 30, 2021, ICE was not complying with one of the covenants in Clause 4.06 in reference to the BID 2747/OC-CR and 3589/OC-CR loan agreements between ICE and the Inter-American Development Bank (IADB) dated October 31, 2012. This covenant required ICE to maintain an internal ratio of cash generation to debt service greater than 1.5:1. On June 29, 2021, ICE received a waiver from the IADB in connection with such non-compliance for a period of 12 months as of June 30, 2021.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Nota 11. Employee Benefits**

Employee benefits are detailed below:

	As of September 30,			As of December 31,		
	2021			2020		
	Non-current	Current	Total	Non-current	Current	Total
Severance benefits (1)	¢ 78,077	9,267	87,344	73,164	13,130	86,294
ICE Guarantee and Savings Fund:						
Employer contribution (2)	377,111	53,947	431,058	363,493	39,219	402,712
ICE Employer obligations:						
Vacations	-	25,228	25,228	-	22,575	22,575
Back-to-school bonus (3)	-	15,372	15,372	-	20,626	20,626
Statutory Christmas bonus (4)	-	17,996	17,996	-	1,717	1,717
Third and fifth biweekly salary	-	2	2	-	606	606
Occupational hazard insurance	-	182	182	-	213	213
	¢ 455,188	121,995	577,183	436,657	98,086	534,743

As of September 30, 2021, the main transactions in the employee benefit account are described below:

- (1) A net increase of ¢1,050 in benefits derived from increases in the accrual of this liability during the period of ¢14,188 (of which an amount of ¢ 13.035 pertains to the payroll of permanent employees), net of a decrease in the accrual of ¢13,135, which includes ¢7,950 in payments pertaining to *movilidad laboral voluntaria* [voluntary termination of employment, in English].
- (2) Increase in ICE's contribution to the Guarantee and Savings Fund in the amount of ¢28,346.
- (3) Net decrease of ¢5,254 pertaining to ¢22,077 and ¢16.823 for the payment of the *salario escolar* [school aid, in English], as well as an increase in the accrual of such benefit, respectively.
- (4) Recording of the accrual of the *aguinaldo* [Christmas bonus, in English] in December for the sum of ¢16,707, net of a decrease in payments for ¢428.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Nota 12. Provisions****Litigation**

As of September 30, 2021, a provision for ¢633 was recognized in relation to a trial involving the subsidiary RACSA and the Municipality of San José. The Municipality of San José seeks to collect a business license tax from previous years.

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

Grupo ICE generates revenues from the sale of electrical energy as well as from the sale of telecommunications services. Other sources of revenue include the sale of construction and engineering services.

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

	For the nine months ended September 30	
	2021	2020
Electricity services	¢ 554,370	609,642
Telecom services	424,828	431,618
	<u>979,198</u>	<u>1,041,260</u>
Others income		
Construction services	5,296	5,267
Engineering services	4,470	4,409
Sale of waste	1,706	520
Infrastructure operation and maintenance services	1,489	1,279
	<u>12,961</u>	<u>11,475</u>
	<u>¢ 992,159</u>	<u>1,052,735</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

The following table breaks down the ordinary revenue from contracts with clients relating to electricity and telecommunication services by geographical markets, main products and service lines, and opportunities to recognize ordinary revenue. The table also includes a reconciliation of the disaggregated ordinary revenue with the segments about which the Grupo ICE must report (see note 17).

	<u>Electricity Segment</u>		<u>Telecom Segment</u>		<u>Total</u>	
	For the nine months ended September 30				2021	2020
	2021	2020	2021	2020	2021	2020
Geographical markets:						
Local	¢ 530,898	599,261	423,068	430,905	953,967	1,030,166
Foreing	23,472	10,381	1,760	713	25,231	11,094
	¢ <u>554,370</u>	<u>609,642</u>	<u>424,828</u>	<u>431,618</u>	<u>979,198</u>	<u>1,041,260</u>
Products/lines of service:						
Electricity	¢ 481,173	534,432	-	-	481,173	534,432
Transmission charges	49,588	47,826	-	-	49,588	47,826
Public lighting	13,994	16,709	-	-	13,994	16,709
Services and others	9,615	10,675	-	-	9,615	10,675
Telecom	-	-	424,828	431,618	424,828	431,618
	¢ <u>554,370</u>	<u>609,642</u>	<u>424,828</u>	<u>431,618</u>	<u>979,198</u>	<u>1,041,260</u>
Timing of renewe recognition:						
Services transferred over time	¢ 554,370	609,642	369,178	385,125	923,548	994,767
Products transferred at a point in time	-	-	55,650	46,493	55,650	46,493
	<u>554,370</u>	<u>609,642</u>	<u>424,828</u>	<u>431,618</u>	<u>979,198</u>	<u>1,041,259</u>
Other income	12,961	11,475	-	-	12,961	11,475
	¢ <u>567,331</u>	<u>621,117</u>	<u>424,828</u>	<u>431,618</u>	<u>992,159</u>	<u>1,052,735</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

	As of September 30	As of December 31
	2021	2020
Trade receivables	181,837	175,829
Contract liabilities	¢ (78,072)	(75,403)

An amount of ¢5,226 that was recognized under the contractual liabilities as of December 31, 2020, has been recognized as ordinary revenue as of September 30, 2021 (¢5,051 included in the nine-month period ended on September 30, 2020).

d) Price of the transaction assigned to remaining performance obligations

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

In millions of colones	2021	2022	2023
Mobiles telecom services	¢ 19,035	44,798	9,805

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

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

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

(1) Prepaid mobile:

It pertains to the income received in advance related to the sale of prepaid mobile services, which have not been consumed by clients as of the closing date. The revenue received for prepaid mobile services is recognized in the separate balance sheet when ICE receives the money from its

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

clients and wholesalers, and is recognized in the separate statement of profit or loss as end users use the services.

(2) Postpaid services

This is the revenue received in relation to fixed and mobile telephony services. The revenue received for postpaid mobile services is recognized in the consolidated balance sheet when ICE receives the money from its clients and wholesalers, and is recognized in the consolidated statement of profit or loss as end users use these services.

(3) Security deposits

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

e) Seasonality of operations

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

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

September 30, 2021

Note	Carrying amount						Fair value				
	Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
<i>Financial assets</i>											
Equity investments	¢	-	6,202	-	-	-	6,202	-	-	6,202	6,202
Notes and other receivables, net		-	-	235,508	-	-	235,508	-	-	-	-
Investments in financial instruments	7 y 9	-	383,037	86,072	39,114	-	508,223	-	422,151	-	422,151
Trade receivables, net		-	-	181,837	-	-	181,837	-	-	-	-
Cash and cash equivalents		-	-	534,353	-	-	534,353	-	-	-	-
	¢	<u>-</u>	<u>389,239</u>	<u>1,037,770</u>	<u>39,114</u>	<u>-</u>	<u>1,466,123</u>	<u>-</u>	<u>422,151</u>	<u>6,202</u>	<u>428,353</u>
<i>Financial liabilities</i>											
Financial debt	10 ¢	-	-	-	-	2,707,307	2,707,307	-	2,665,255	-	2,665,255
Accounts payable		-	-	-	-	265,510	265,510	-	-	-	-
Derivative financial instruments		3,841	-	-	-	-	3,841	-	3,841	-	3,841
Total financial liabilities	¢	<u>3,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,972,817</u>	<u>2,976,658</u>	<u>-</u>	<u>2,669,096</u>	<u>-</u>	<u>2,669,096</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

December 31, 2020

Note	Carrying amount					Fair value				
	Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>										
Equity investments	¢ -	6,202	-	-	-	6,202	-	-	6,202	6,202
Notes and other receivables, net	-	-	253,894	-	-	253,894	-	-	-	-
Investments in financial instruments	-	356,950	85,242	36,969	-	479,161	-	393,919	-	393,919
Trade receivables, net	-	-	175,829	-	-	175,829	-	-	-	-
Cash and cash equivalents	-	-	311,743	-	-	311,743	-	-	-	-
	¢ <u>-</u>	<u>363,152</u>	<u>826,708</u>	<u>36,969</u>	<u>-</u>	<u>1,226,829</u>	<u>-</u>	<u>393,919</u>	<u>6,202</u>	<u>400,121</u>
<i>Financial liabilities</i>										
Financial debt	¢ -	-	-	-	2,668,091	2,668,091	-	2,609,874	-	2,609,874
Accounts payable	-	-	-	-	282,772	282,772	-	-	-	-
Derivative financial instruments	2,491	-	-	-	-	2,491	-	2,491	-	2,491
Total financial liabilities	¢ <u>2,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,863</u>	<u>2,953,354</u>	<u>-</u>	<u>2,612,365</u>	<u>-</u>	<u>2,612,365</u>

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)Fair value of financial instruments

As of September 30, 2021, Grupo ICE has made no transfers between fair value levels.

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

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

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

ii. Investments in equity securities

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

iii. Investments in financial instruments

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

iv. Derivative financial instruments - cash flow hedges

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

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

Discount rates between 2.91% and 7.91% in colones, and 0.16% and 21.60% in US dollars, which are the rates available to ICE, were used to determine the fair value of the financial debt as of September 30, 2021.

i) Credit risk

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

The impairment estimate for trade receivables, accounts receivables, and notes receivables during the nine-month period ended on September 30, 2021, is detailed below:

	As of September 30, 2021			
	Trade receivables	Non Trade receivables	Notes receivables	Total
Opening balance	¢ 47,653	1,423	3,874	52,950
Used	(3,075)	(116)	(481)	(3,672)
Recognized	5,330	(475)	185	5,040
Closing balance	¢ <u>49,908</u>	<u>832</u>	<u>3,578</u>	<u>54,318</u>

The low increase in the impairment estimate is attributed to the low increase in trade receivables, as well as the decrease in notes receivable and accounts receivable as of September 30, 2021. The methodology to compute such estimate is the same one that is described in the last annual consolidated financial statements.

(Continued)

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

ii) Impairment of other financial assets

During the nine-month period ended on September 30, 2021, the Grupo ICE recognized an impairment charge in the amount of ¢2,689 in relation to financial assets valued at amortized cost. Impairment charges are recognized as financial costs in the statement of profit or loss.

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

General vision

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

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

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

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

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

The Financial Management monitors and manages the transition process of Grupo ICE to these alternative rates. The extent to which contracts refer to LIBOR cash flows is assessed,

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

including if these contracts will require amendments as a result of the LIBOR reform and how to manage the communication on the LIBOR reform with the counterparties.

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

The following table shows the total amounts of Grupo ICE that have not been reformed, as well as those with an adequate reserve clause as of September 30, 2021 and December 31, 2020. Amounts of financial liabilities and financial assets are shown as their book values, in dollars, considering the valid exchange rate as of the reporting date, while derivatives are shown with their theoretical amounts.

In millions of dollars	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
30 September 2021		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	457	457
Derivatives		
Interest rate swaps	29	29
31 December 2020		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	724	724
Derivatives		
Interest rate swaps	43	43

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Nota 15. Contingencies

As of September 30, 2021, the Grupo ICE was charged in several trials, which amount is estimated as ¢288,598 (¢71,071 as of December 31, 2020).

As of September 30, 2021, the total provision to face such trails amounts to ¢4,028 (¢3,536 as of December 31, 2020).

Grupo ICE recognized a provision of ¢633 pertaining to the claim filed by the Municipality of San José against RACSA, under which the former seeks to collect the business license tax of previous years.

In terms of contingent liabilities, the most substantial change regarding what was disclosed in the consolidated annual financial statements as of December 31, 2020, relates to the claim submitted by P.H. Chucás S.A., which resulted in an estimate in the amount of the claim. The following is a description of the claim:

The Chucás Hydroelectric Power Plant is a hydroelectric project located in the counties of Mora and Atenas, provinces of San José and Alajuela, respectively. Its construction began on 2011, reason why its commissioning was scheduled for September 2014. However, due to delays in the construction phase, the hydroelectric power plant was ready to start operating until November 2016. As a result of this delay, and in accordance with the power purchase agreement entered by and between both entities on February 3, 2011, the Grupo ICE proceeded to issue a fine for US\$9.4 million (¢5,092).

Thereafter, P.H. Chucás, S.A. 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 surplus costs incurred during the construction of the hydroelectric power station had not been recognized, and that it be declared that Grupo ICE had no right to collect such fine, as the delay was caused by events of Force Majeure. The alleged excess costs amount to US\$173 million (the budgeted cost for construction was US\$107 million, but the final cost reported to the arbitration tribunal was US\$280 million). P.H. Chucás, S.A. considers that these costs were the result of geological and other unpredictable factors. In November 2017, the CICA issued an arbitration award in favor of P.H. Chucás, S.A., stating that the Grupo ICE had to pay the amount claimed for alleged excess costs, professional fees, among others. In addition, the arbitration award indicated that the Grupo ICE was not entitled to exercise the penalty clause (to collect the above-mentioned fine). The main argument of the arbitration tribunal was the obligation to pay the real cost or the real value of the power station, to maintain the economic balance of the agreement and to prevent the alleged unfair enrichment by Grupo ICE. The arbitration award required the Grupo ICE to pay US\$112.7 million and ¢6,328.

On December 15, 2017, the Grupo ICE filed an Appeal for Annulment of an Arbitration Award before the First Chamber of the Supreme Court of Justice, alleging that certain defects that

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

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

On July 31, 2020, the Grupo ICE received a notification from the CICA, an AmCham affiliate, communicating a new arbitration request from P.H. Chucás, S.A.

On May 19, 2021, P. H. Chucás, S.A. formally requested arbitration. The Grupo ICE initially had 20 calendar days to submit its response to the claim. However, the original deadline was extended to June 23 due to the complexity and size of the claim, as well as the large amount of evidence to be gathered by the defense of Grupo ICE, including documentation, expert opinions, testimonies, and official translations.

On June 23, 2021, ICE submitted its response to the claim, as well as a preliminary objection based on lack of jurisdiction. Because of this and the possibility of approaching the First Chamber to decide whether the process should continue through arbitration or begin in a judicial venue, it is not possible to determine an approximate date for the end of the case.

Since P.H. Chucás, S.A. filed the formal claim against the Grupo ICE in May 2021, ICE was able to estimate and disclose the amount of that litigation for a total of US\$362 million (equivalent to ¢224,428), which resulted in the main variation in the estimated amount of the litigation between December 2020 and September 2021. Prior to this date there was only one request for arbitration that was being challenged by the Grupo ICE through both arbitration and judicial venues.

In the opinion of the management and legal department of the Grupo ICE, based on the preliminary exception of lack of jurisdiction, to be heard and settled by the First Chamber of the Supreme Court of Justice, it is likely that this case will be settled in a judicial venue and not in arbitration. This would guarantee to Grupo ICE that the proceedings would be settled at law and not in equity, with a strong possibility that the legal ruling would be in favor of Grupo IC. Consequently, it is not considered necessary to record a provision.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements
(in millions of colones)**Nota 16. Balances and transactions with related parties**

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

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

	Receivable		Payable	
	As of September 30,	As of December 30,	As of September 30,	As of December 30,
	2021	2020	2021	2020
Government entities	¢ 51,422	46,866	9,668	10,201
Autonomous institutions	2,740	5,207	-	-
State financial entities	2,740	2,887	-	-
Empresa Propietaria de la Red, S.A.	2,824	2,022	-	-
	¢ 59,726	56,982	9,668	10,201

As of September 30, 2021, Grupo ICE maintained a total of ¢527,102 (¢499,015 in 2020) in bonds payable, as well as a total of ¢649,755 (¢631,229 in 2020) of debts payable, to state financial entities.

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

	Note	As of September 30,	As of December 31,
		2021	2020
Cash equivalents	¢	5,195	12,449
Investments in financial instruments	7 - 9	469,613	420,951
	¢	474,808	433,400

As of September 30, 2021, interest receivable from securities issued by state-owned financial entities amount to a total of ¢1,360 (¢594 in 2020).

As of September 30, 2021, investments in the share capital of autonomous and non-governmental entities amounted to ¢7,373 (¢7,305 in 2020).

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

The compensation of directors and other key members of management during the nine-month period ended on September 30, 2020 and 2021, respectively, was as follows:

	For the nine-month period ended September 30,	
	2021	2020
Short-term benefits	¢ 3,865	3,869
Severance benefits	168	164
Post-employment benefits	176	231
Other long-term benefits	30	18
	¢ 4,240	4,282

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

Nota 17. Information by segment(a) Bases for segmentation

Grupo ICE has the following reportable segments:

- Telecommunications Segment
- Electricity segment

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

(b) Products and services that generate the revenue of each segment

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

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

Segment profit or loss	For the nine months ended September 30,					
	Electricity Segment		Telecom Segment		Total	
	2021	2020	2021	2020	2021	2020
External revenues	¢ 554,370	609,642	424,828	431,618	979,198	1,041,260
Inter-segment revenue	5,488	6,773	2,248	2,099	7,736	8,872
	¢ 559,858	616,415	427,076	433,717	986,934	1,050,132
Loss (profit), net	¢ (28,715)	(76,289)	8,625	(8,602)	(20,090)	(84,891)

Note 13 breaks down such revenue by product.

(d) Assets and liabilities by segments

Segment profit or loss	Electricity Segment		Telecom Segment		Total	
	As of September 30, 2021	As of December 31, 2020	As of September 30, 2021	As of December 31, 2020	As of September 30, 2021	As of December 31, 2020
Assets	¢ 5,471,526	5,439,076	1,442,821	1,404,455	6,914,347	6,843,531
Liabilities	¢ 3,498,559	3,423,852	707,215	709,886	4,205,774	4,133,738

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

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

Nota 18. COVID-19 Global Pandemic Emergency

The situation caused by the pandemic (COVID-19) that is being experienced worldwide has had a significant impact on Grupo ICE from different perspectives. On the one hand, the institution's ordinary operations had to be adjusted to the existing situation, given the measures that have been defined by the Government and the Health Authorities.

At an operational level, the ICE, compliant with the measures to reduce onsite personnel, has made all of its virtual channels available to its customers so that they can access its services. In addition, there are many locations throughout the country and that have not been affected by these measures where customers can process their payments.

Invoicing, collection, delivery, and insurance processes, as well as business support services, have been adapted to guarantee the continuity of the operations of both sectors (telecommunications and electricity). All applicable positions have been moved to telework.

In relation to business customers, they continue to be serviced remotely, thus guaranteeing the quality of the services provided.

In addition, technical staff is available 24 hours a day, 7 days a week, to ensure continuity of the services provided by the institution.

ICE's power plants are operating as usual, according to their operational role and the requirements of the National Electrical System. It is clear that electricity is a vital service for the country, even more so in times of crisis. The Generation Business has maximized its efforts to guarantee the normal functioning of all processes, in particular the operation and maintenance of the power plants, thus confirming the Group's commitment to supply electricity for Costa Ricans and the Regional Market.

As part of the analysis carried out, certain payment facilities have been provided to customers who have been affected by the pandemic, both in the electricity and telecommunications business. The impact of these measures, as well as the decrease in the demand for the services of both businesses as a result of the impact suffered by several productive sectors of the country, which have seen a significant reduction of their activities, has required a thorough and rigorous analysis to determine the decline in expected revenues and take the necessary actions to maintain the financial soundness of the company.

The adjustments made seek to ensure compliance with the covenants, as well as the service of all scheduled debt payments, as foreseen in Grupo ICE's budget for 2021. Additionally, the institution benefits from already-authorized lines of credit with different financial institutions that it can use, if necessary.

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

Nota 19. Subsequent events

- a) Issuing bonds on the international market.

On September 30, 2021, the Grupo ICE placed a debt issue through a sustainability bond (COSICE 2021), for a total of \$300 million, and with a yield of 6.875%. This bond was disbursed on October 7, 2021 and its purpose will be the repayment of the COSICE 2021 bullet bonds

- b) Credit agreement entered by and between the Grupo ICE and the Banco de Costa Rica.

On 27 October 2021, the Grupo ICE executed a promissory note in the amount of ¢81.000 million, with a 10-year term and a preferential rate, the purpose of which shall be to repay the BULLET COSICE 2021 maturities.

- c) Issuance of green bonds in the domestic market.

On November 4, 2021, the Grupo ICE made an auction for the placement of the first green bond issued by a company in Costa Rica. The auction resulted was for the G3V series for an amount of ¢14.443 million. The main objective of such issuance is to consolidate the economic stability of ICE.

- d) Cancellation of 2011 international bond issuance

On November 10, 2021, the Grupo ICE, through the Bank of New York Mellon, paid \$483 million of an international bond issued in 2011 using the proceeds from the COSICE 2021 bond issuance.