



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



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

**March 2022**  
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>March 31, 2022</u>	<u>December 31, 2021</u>
<b>Non-current assets:</b>			
Property, plant and equipment, net	5 ¢	5,164,481	5,223,272
Intangible assets, net	6	100,747	97,446
Other assets		11,085	11,919
Equity investments		7,888	7,831
Notes and other accounts receivable, net		175,399	179,172
Investments in financial instruments	7	329,790	325,458
<b>Total non-current assets</b>		<b>5,789,390</b>	<b>5,845,098</b>
<b>Current assets:</b>			
Inventories	8	42,132	34,823
Notes and other accounts receivable, net		59,852	52,360
Investments in financial instruments	9	163,090	121,634
Trade receivables, net		188,836	173,218
Prepaid expenses		10,311	7,820
Other assets		323	669
Cash and cash equivalents		455,276	429,632
Assets held for sale		49	70
<b>Total current assets</b>		<b>919,869</b>	<b>820,226</b>
<b>Total assets</b>	<b>¢</b>	<b>6,709,259</b>	<b>6,665,324</b>
<b><u>Liabilities and equity</u></b>			
<b>Equity:</b>			
Paid-in capital	¢	155	155
Reserves		2,270,290	2,323,529
Retained earnings		308,947	306,908
Equity attributable to owners of Grupo ICE		2,579,392	2,630,592
Non-controlling interests		5,782	5,769
<b>Net equity</b>		<b>2,585,174</b>	<b>2,636,361</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bonds payable	10	949,506	923,371
Loans payable	10	1,474,917	1,460,736
Lease liabilities	10	342,828	353,118
Employee benefits	11	475,083	468,742
Accounts payable		148,033	153,339
Contract liabilities		65,501	65,758
Deferred income - Government grants		15,972	16,453
Deferred tax liabilities		87,750	89,033
Provisions	12	2,046	2,338
<b>Total non-current liabilities</b>		<b>3,561,636</b>	<b>3,532,888</b>
<b>Current liabilities:</b>			
Bonds payable	10	91,950	88,859
Loans payable	10	113,374	114,556
Lease liabilities	10	50,129	44,131
Employee benefits	11	82,178	93,124
Accounts payable		144,355	92,422
Contract liabilities		10,063	10,508
Deferred income - Government grants		281	281
Accrued interest payable		41,544	19,969
Provisions		4,014	4,455
Other liabilities	12	24,561	27,770
<b>Total current liabilities</b>		<b>562,449</b>	<b>496,075</b>
<b>Total liabilities</b>		<b>4,124,085</b>	<b>4,028,963</b>
<b>Total liabilities and equity</b>	<b>¢</b>	<b>6,709,259</b>	<b>6,665,324</b>

Preliminary translation

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

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

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

For the three months ended March 31,

	Note	2022	2021
<b>Revenue</b>	13	€ <b>348,106</b>	<b>324,893</b>
Operating costs:			
Operation and maintenance		119,825	122,392
Operation and maintenance of leased assets		22,157	17,359
Purchases and supplemental services		39,772	43,030
Selling expenses		16,847	15,513
Production management		24,174	22,548
Total operating costs		222,775	220,842
<b>Gross profit</b>		<b>125,331</b>	<b>104,051</b>
Other income		7,345	7,377
Operating expenses:			
Administrative expenses		26,702	30,560
Selling expenses		32,705	30,459
Preliminary studies		5,668	5,703
Supplemental expenses		340	1,103
Loss on impairment of balances receivable		2,445	1,100
Other expenses		6,603	8,154
Total operating expenses		74,463	77,079
<b>Operating profit</b>		<b>58,213</b>	<b>34,349</b>
Finance income and finance costs:			
Finance income		8,251	8,624
Finance costs		(57,943)	(60,009)
Foreign exchange differences, net		(54,375)	16,673
<b>Net finance costs</b>		<b>(104,067)</b>	<b>(34,712)</b>
Share of profit of equity-accounted investees		25	17
<b>Net loss before tax</b>		<b>(45,829)</b>	<b>(346)</b>
Income tax		1,129	1,463
<b>Loss (profit) for the period, net</b>	€	<b>(44,700)</b>	<b>1,117</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Effect of actuarial losses for the period	€	65	152
		<b>65</b>	<b>152</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Valuation of equity investments at fair value	€	79	(152)
Net gain on fair value of cash flow hedges		-	5,130
Valuation of investments in financial instruments at fair value		(6,675)	-
		<b>(6,596)</b>	<b>4,978</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>(6,531)</b>	<b>5,130</b>
<b>Total comprehensive income for the period</b>	€	<b>(51,231)</b>	<b>6,247</b>
<b>Profit attributable to:</b>			
Owners of Grupo ICE	€	(44,712)	1,113
Non-controlling interests		12	4
	€	<b>(44,700)</b>	<b>1,117</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of Grupo ICE	€	(51,243)	6,243
Non-controlling interests		12	4
	€	<b>(51,231)</b>	<b>6,247</b>
Preliminary translation			

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

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

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

For the three months ended March 31,

	Reserves								Retained earnings							
	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	Equity attributable to owners of Grupo ICE	Non-controlling interests	Total equity
<b>Balance as of January 01, 2021</b>	€ 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
<b>Comprehensive income for the period:</b>																
Profit for the period	-	-	-	-	-	-	-	-	-	-	165	948	1,113	1,113	4	1,117
<b>Other comprehensive income for the period:</b>																
Effect of actuarial loss for the period	-	-	-	152	-	-	-	-	-	152	-	-	-	152	-	152
Net loss on fair value of cash flow hedges	-	-	-	-	-	5,130	-	-	-	5,130	-	-	-	5,130	-	5,130
Valuation of equity investments at fair value	-	-	-	-	-	(152)	-	-	-	(152)	-	-	-	(152)	-	(152)
<b>Total other comprehensive income for the period</b>	-	-	-	152	-	4,978	-	-	-	5,130	165	948	1,113	6,243	4	6,247
<b>Comprehensive income for the period:</b>																
Appropriation to reserves	-	-	-	-	-	-	-	12	-	12	-	-	-	12	-	12
Transfer to capital reserve	-	-	-	-	-	-	948	-	-	948	64	(948)	(884)	64	-	64
Audit adjustments to be recorded	-	-	-	-	-	-	(3,948)	-	-	(3,948)	-	-	-	(3,948)	-	(3,948)
<b>Total comprehensive income for the period:</b>	-	-	-	-	-	-	(3,000)	12	-	(2,988)	64	(948)	(884)	(3,872)	-	(3,872)
<b>Balance as of March 31, 2021</b>	€ 155	3,739	71	(16,844)	1,032	(5,656)	2,328,676	13,022	62,380	2,386,420	319,600	-	319,600	2,706,175	5,993	2,712,168
<b>Balance as of January 01, 2022</b>	€ 155	3,739	71	(17,033)	1,503	31,695	2,228,073	13,101	62,380	2,323,529	306,908	-	306,908	2,630,592	5,769	2,636,361
<b>Comprehensive income for the period:</b>																
Loss for the period	-	-	-	-	-	-	-	-	-	-	2,039	(46,751)	(44,712)	(44,712)	12	(44,700)
<b>Other comprehensive income for the period:</b>																
Effect of actuarial loss for the period	-	-	-	65	-	-	-	-	-	65	-	-	-	65	-	65
Valuation of investments in financial instruments at fair value	-	-	-	-	-	(6,675)	-	-	-	(6,675)	-	-	-	(6,675)	-	(6,675)
Valuation of equity investments at fair value	-	-	-	-	79	-	-	-	-	79	-	-	-	79	-	79
<b>Total other comprehensive income for the period</b>	-	-	-	65	79	(6,675)	-	-	-	(6,531)	2,039	(46,751)	(44,712)	(51,243)	12	(51,231)
<b>Comprehensive income for the period:</b>																
Appropriation to reserves	-	-	-	-	-	-	-	43	-	43	-	-	-	43	-	43
Transfer to capital reserve	-	-	-	-	-	-	(46,751)	-	-	(46,751)	-	-	-	46,751	-	43
<b>Total comprehensive income for the period:</b>	-	-	-	-	-	-	(46,751)	43	-	(46,708)	-	-	-	46,751	43	43
<b>Balance as of March 31, 2022</b>	€ 155	3,739	71	(16,968)	1,582	25,020	2,181,322	13,144	62,380	2,270,290	308,947	-	308,947	2,579,392	5,782	2,585,174

Preliminary translation

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

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

Consolidated Statement of Cash Flows  
(In millions of colones)

For the three months ended March 31,

	Note	2022	2021
Cash flows from operating activities			
Loss (profit) for the period, net	¢	(44,700)	1,117
Adjustments for:			
Depreciation		75,208	85,673
Amortization		5,973	5,755
Amortization of contract liabilities	13	(5,802)	(7,036)
Net finance costs		49,692	51,385
Loss on impairment of balances receivable		2,445	1,100
Share of profit of equity-accounted investees, net of tax		(25)	(17)
Loss on disposal of assets		3,439	4,819
Obligations for employee benefits		5,040	5,008
Income tax		(1,129)	(1,463)
Foreign exchange differences		51,350	(15,363)
		<u>141,491</u>	<u>130,978</u>
Changes in:			
Notes and other accounts receivable		(3,560)	19,074
Trade receivables		(18,048)	(2,354)
Inventories		(8,756)	14,210
Accounts payable		46,627	39,541
Contract liabilities		5,100	6,214
Employee benefits and other provisions		(15,651)	(29,602)
Other liabilities		(7,691)	88
Cash flows from operating activities		<u>139,512</u>	<u>178,149</u>
Income taxes paid		(156)	(2,733)
Net cash from operating activities		<u>139,356</u>	<u>175,416</u>
Cash flows from investing activities			
Interest received		194	1,727
Investments in financial instruments		(42,110)	13,029
Additions to property, plant and equipment		(19,018)	(38,523)
Gains on the sale of property, plant and equipment		-	337
Additions to intangible assets		(3,177)	(5,908)
Government grants received		(481)	(242)
Other assets		(1,058)	(4,737)
Net cash used in investing activities		<u>(65,650)</u>	<u>(34,317)</u>
Cash flows from financing activities:			
Increase in bonds payable	10	-	4,619
Amortization of bonds payable	10	(679)	-
Increase in loans payable	10	20,460	4,644
Amortization of loans payable	10	(25,044)	(20,530)
Amortization of lease liabilities	10	(19,312)	(16,028)
Interest paid		(26,512)	(31,107)
Net cash used in financing activities		<u>(51,087)</u>	<u>(58,402)</u>
Net increase in cash and cash equivalents		22,619	82,697
Cash and cash equivalents as of January 01		429,632	311,743
Effect of movements in exchange rates on cash held		3,025	(1,310)
Cash and cash equivalents as of March 31	¢	<u>455,276</u>	<u>393,130</u>

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

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

## Notes to the Interim Condensed Consolidated Financial Statements

(in millions of colones)

As of March 31, 2022

### **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 electricity services are directly regulated by the Public Services Regulation Authority [ARESEP, its Spanish acronym]. The following is a description of the main activities of the group’s subsidiaries:

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

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

- Radiográfica Costarricense, S.A.

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

- Compañía Radiográfica Internacional Costarricense, S.A.

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

- Cable Visión de Costa Rica

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

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

As of March 31, 2022, 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].

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 2. Basis of accounting**

These interim financial statements, which cover the three-month period ended on March 31, 2022, have been prepared in accordance with the IFRS, specifically IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the last consolidated annual financial statements of Grupo ICE, prepared as of December 31, 2021, and for the year then ended (the last annual financial statements). These interim financial statements do not include all of the information required to prepare complete annual financial statements in accordance with the IFRS. However, they include explanatory notes concerning the events and transactions that are relevant to understand the changes in financial position and the performance of Grupo ICE as of the date of the last annual financial statements.

These interim consolidated financial statements of Grupo ICE were authorized for issue on May 27, 2022.

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

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

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

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

**(i) Measurement of fair values**

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

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

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:

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

- 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, 2021.

The change in accounting policies shall also be reflected in the consolidated financial statements of Grupo ICE as of December 31, 2022.

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

*Reform to the interest rate benchmark - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)*

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

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

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

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

As of March 31, 2022, Grupo ICE has a series of secured bank loans that use the LIBOR rate and that will be subject to the reform. The Grupo ICE expects that the interest rate benchmark for these loans be changed to SOFR or to another benchmark deemed convenient and acceptable when the market establishes it, and that no material gains or losses result from this change due to the application of these amendments. To date, it is impossible to estimate the potential effect due to the uncertainty that exists in the market.

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

During the three-month period ended on March 31, 2022, additions to the property, plant, and equipment account amounted to ¢12,829, where the most relevant were those applied to the following projects:

- 1) Installation of residential services in the amount of ¢5,187.2.
- 2) Borinquen (geothermal energy project located in the Guanacaste mountain range) in the amount of ¢2,571.
- 3) Expansion and renewal of the technological platform (develops new requirements linked to the commercial management platforms) in the amount of ¢1,987.
- 4) FONATEL (project to implement infrastructure and provide voice and internet services) in the amount of ¢1,447.
- 5) Evolution of the Transport Network (State-of-the-art routing and optical transport network to optimize the fiber-optic infrastructure and provide the transport functionalities required in the mid- and long-term) in the amount of ¢954. Likewise, assets with a book value of ¢41 were written-off.

**Nota 6. Intangible assets, net**

During the three-month period ended on March 31, 2022, transactions in intangible assets pertained to additions of ¢3,177 mainly in licenses, systems, and applications, and effects caused by the amortization of the period, which amounted to ¢5,964.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

**Nota 7. Investments in financial instruments**

Net investments in financial instruments are described below:

		As of March 31, 2022	As of December 31, 2021
At fair value through other comprehensive income	¢	317,914	313,595
At fair value through profit or loss		11,876	11,863
	¢	<u>329,790</u>	<u>325,458</u>

A total of ¢317,158 (¢312,614 in 2021) 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	March 31, 2022		
			Balance	Interest rate	Maturity
<b><u>At fair value through other comprehensive income</u></b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	Colones	179,724	5,94% to 10,75%	2023 to 2036
Bonds	Fixed-rate instruments	US dollars	43,788	5,34% to 8,14%	2023 to 2033
Bonds	Variable-rate instruments	Colones	56,803	4,06% to 5,43%	2026 to 2044
Bonds	Fixed-rate instruments	DU	17,197	3,39% to 6,33%	2026 to 2043
<b>Public financito entities</b>					
Bonds	Fixed-rate instruments	Colones	3,256	5,46% to 8,03%	2023 to 2024
Bonds	Variable-rate instruments	Colones	2,414	4,22%	2023
<b>Public non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	1500	5,85% to 6,48%	2028 to 2029
<b>Private financito entities</b>					
Bonds	Fixed-rate instruments	Colones	6579	4,97% to 9,60%	2023 to 2024
Bonds	Fixed-rate instruments	US dollars	1963	4,74%	2023
<b>Private non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	1,566	6,52%	2027
Bonds	Fixed-rate instruments	Colones	744	8,62% to 8,85%	2023
Bonds	Variable-rate instruments	Colones	2,380	4,60% to 5,21%	2023 to 2033
			<u>317,914</u>		
<b><u>At fair value through profit or loss</u></b>					
<b>Private financito entities</b>					
Bonds	Dividend closed fund	US dollars	9,267	1,31% to 5,09%	-
<b>Public financito entities</b>					
Bonds	Dividend closed fund	US dollars	2,609	0,72% to 7,97%	-
			<u>11,876</u>		
		¢	<u>329,790</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, 2021		
			Balance	Interest rate	Maturity
<b><u>At fair value through other comprehensive income</u></b>					
<b>Government</b>					
Bonds	Fixed rate instruments	Colones	180,082	6,48% to 10,75%	2023 to 2036
Bonds	Fixed rate instruments	US dollars	40,526	10,46% to 13,40%	2023 to 2033
Bonds	Variable rate instruments	Colones	56,407	4,06% to 5,43%	2026 to 2044
Bonds	Fixed rate instruments	DU	14,048	6,57% to 8,87%	2026 to 2040
<b>Public financial entities</b>					
Bonds	Fixed rate instruments	Colones	5,411	5,46% to 8,42%	2023 to 2024
Bonds	Variable rate instruments	Colones	2,418	4,22%	2023
Bonds	Certificate of deposit	US dollars	150	3,30% to 4,75%	2023 to 2025
Bonds	Certificate of deposit	Colones	83	4,65% to 8,25%	2023 to 2024
<b>Public non-financial entities</b>					
Bonds	Fixed rate instruments	US dollars	1,261	5,84% to 11,45%	2028 to 2029
<b>Private financial entities</b>					
Bonds	Fixed rate instruments	Colones	6,707	4,97% to 9,60%	2023 to 2024
Bonds	Fixed rate instruments	US dollars	1,896	9,83%	2023
<b>Private non-financial entities</b>					
Bonds	Fixed rate instruments	US dollars	1,517	11,70%	2027
Bonds	Fixed rate instruments	Colones	753	8,62% to 8,84%	2023
Bonds	Variable rate instruments	Colones	2,336	4,37% to 5,21%	2023 to 2033
			313,595		
<b><u>At fair value through profit or loss</u></b>					
<b>Private financial entities</b>					
Bonds	Closed fund - dividends	US dollars	9,329	6,33% to 10,41%	-
<b>Public financial entities</b>					
Bonds	Closed fund - dividends	US dollars	2,534	5,61% to 12,88%	-
			11,863		
			325,458		

**Nota 8. Inventories**

As of March 31, 2022, inventories include reductions related to their net realizable value in the amount of ¢32,025 (¢32,543 as of December 31, 2021), as well as a total of ¢214 that were used during the three-month period ended on that date. During the same period, no other value reductions to the inventory level were recorded.

As of March 31, 2022, a total of ¢24,625 (¢69,563 as of December 31, 2021) in inventories were recognized as operating costs and expenses for the period, depending on the use or purpose given to such inventories.

**Nota 9. Investments in financial instruments**

Investments in financial instruments are described below:

		As of March 31,	As of December 31,
		2022	2021
At amortized cost	¢	105,911	56,281
At fair value through other comprehensive income		41,276	28,735
At fair value through profit or loss		15,903	36,618
	¢	163,090	121,634

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Investments in financial instruments measured at amortized cost include a total of ¢17,540 (¢16,873 in 2021) that are deemed restricted, as they are part of a reserve that is used for the quarterly payment of interest and principal of the series of bonds payable that is closest to maturity, which, as of March 31, 2022, amounts to ¢68,374 (¢55,211 in 2021) - included in note 10 (a). Likewise, a total of ¢53,128 (¢61,417 in 2021) of the investments in financial instruments are destined for the specific operation of the Guarantee and Savings Fund of the Grupo ICE.

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

Issuer	Type of financial instrument	Currency	March 31, 2022		
			Balance	Interest rate	Maturity
<b>At amortized cost</b>					
<b>Public financial entities</b>					
Bonds	Investment certificates	US dollars	¢ 28,335	1,85% to 5,67%	2022
Term deposit certificate	Fixed-rate instruments	Colones	24,988	2,60% to 8,25%	2022
Bonds	Fixed-rate instruments	US dollars	22,505	0,09% to 1,61%	2022
Bonds	Fixed-rate instruments	Colones	13,356	1,90% to 2,76%	2022
Certificate of mortgage participation	Fixed-rate instruments	Colones	5,946	2,50%	2022
Term deposit certificate	Fixed-rate instruments	US dollars	1,882	2,12% to 4,75%	2022
Bonds	Investment certificates	Colones	120	1,00%	2022
<b>Private financial entities</b>					
Term deposit certificate	Fixed-rate instruments	Colones	3,985	2,35%	2022
Bonds	Fixed-rate instruments	US dollars	2,559	0,55% to 1%	2022
Bonds	Fixed-rate instruments	Colones	1,501	1,30% to 2,75%	2022
Term deposit certificate	Fixed-rate instruments	US dollars	734	0,50%	2022
			<u>105,911</u>		
<b>At fair value through other comprehensive income</b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	Colones	4,680	2,00% to 9,01%	2022
Bonds	Fixed-rate instruments	US dollars	3,572	5,2% to 7,4%	2022
Property title	Fixed-rate instruments	US dollars	3,384	5,52%	2022
<b>Public financial entities</b>					
Bonds	Fixed-rate instruments	Colones	21,923	0,9% to 8,4%	2022
Bonds	Variable-rate instruments	Colones	3,211	4,8% to 5,7%	2022
Bonds	Fixed-rate instruments	US dollars	459	5,50%	2022
<b>Private non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	1,750	7,10%	2022
<b>Private financial entities</b>					
Bonds	Fixed-rate instruments	Colones	1,630	9,1% to 9,3%	2022
<b>Public non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	667	5,50%	2022
			<u>41,276</u>		
<b>At fair value through profit or loss</b>					
<b>Public financial entities</b>					
Bonds	Investment certificates	Colones	15,828	0,5% to 0,2%	2022
Bonds	Investment certificates	US dollars	75	0,40%	2022
			<u>15,903</u>		
			¢ <u>163,090</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, 2021		
			Balance	Interest rate	Maturity
<b><u>At amortized cost</u></b>					
<b>Public financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	¢ 20,997	1% to 4,77%	2022
Bonds	Fixed-rate instruments	Colones	13,837	1,75% to 4%	2022
Bonds	Investment certificates	Colones	120	1.00%	2022
<b>Private financial entities</b>					
Bonds	Fixed-rate instruments	Colones	4,037	3% to 3,25%	2022
Bonds	Certificate of deposit	US dollars	69	2,12% to 4,30%	2022
<b>Government</b>					
Bonds	Fixed-rate instruments	US dollars	17,221	5,48% to 5,61%	2022
			<u>56,281</u>		
<b><u>At fair value through other comprehensive income</u></b>					
<b>Government</b>					
Bonds	Fixed-rate instruments	Colones	5,098	2,00% to 9,08%	2022
Bonds	Fixed-rate instruments	US dollars	3,942	10,31% to 14,50%	2022
Property title	Fixed-rate instruments	US dollars	3,294	5.52%	2022
<b>Public financial entities</b>					
Bonds	Fixed-rate instruments	Colones	7,696	2,20% to 7,12%	2022
Bonds	Variable-rate instruments	Colones	3,229	4,76% to 5,69%	2022
Bonds	Fixed-rate instruments	US dollars	448	10.66%	2022
<b>Private non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	1,723	12.00%	2022
<b>Private financial entities</b>					
Bonds	Fixed-rate instruments	Colones	1,659	9,08% to 9,25%	2022
Bonds	Variable-rate instruments	Colones	1,004	4.22%	2022
<b>Public non-financial entities</b>					
Bonds	Fixed-rate instruments	US dollars	642	5.50%	2022
			<u>28,735</u>		
<b><u>At fair value through profit or loss</u></b>					
<b>Public financial entities</b>					
Bonds	Investment certificates	Colones	35,543	0,07% to 0,13%	2022
Bonds	Investment certificates	US dollars	1,075	4,50% to 5,08%	2022
			<u>36,618</u>		
			¢ <u>121,634</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
Balances as of December 31, 2021	¢ 1,012,230	1,575,292	397,249	2,984,771
New loans	-	20,460	-	20,460
Amortization	(679)	(25,044)	(19,312)	(45,036)
Effect of exchange rate fluctuations	29,905	17,583	15,020	62,509
Balances as of March 31, 2022	¢ 1,041,456	1,588,291	392,957	3,022,704

(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 4,50% and 6,63%; and fixed between 7,33% and 8,63%.	2023-2035
	US\$	Variable of 10,71%; and fixed between 6,38% and 7,61%	2022-2043
Loans payable	¢	Variable between 3,10% and 9,70%; and fixed between 7,61% and 7,91%.	2022-2048
	US\$	Variable between 1,19% and 6,40%; and fixed between 0,70% and 6,40%.	2022-2044
	JPY	Fixed between 0,60% and 2,20%	2026-2057
Lease liabilities	¢	Variable between 14,53% and 15,57%	2022-2023
	US\$	Variable between 4,90% and 23,14%	2022-2033

**Nota 11. Employee Benefits**

Employee benefits are detailed below:

	As of March 31,			As of December 31,			
	2022			2021			
	Non-current	Current	Total	Non-current	Current	Total	
Severance benefits (1)	¢	88,849	2,697	91,546	86,671	6,398	93,069
ICE Guarantee and Savings Fund (2):							
Employer contribution		386,234	45,941	432,175	382,071	42,655	424,726
ICE Employer obligations:							
Vacations		-	20,292	20,292	-	21,248	21,248
Back-to-school bonus (3)		-	5,132	5,132	-	19,907	19,907
Statutory Christmas bonus (4)		-	7,819	7,819	-	1,600	1,600
Third and fifth biweekly salary		-	-	-	-	863	863
Occupational hazard insurance		-	296	296	-	453	453
	¢	<u>475,083</u>	<u>82,178</u>	<u>557,261</u>	<u>468,742</u>	<u>93,124</u>	<u>561,866</u>

As of March 31, 2022, the main transactions in the employee benefit account are described below:

- (1) A net decrease of ¢1,523 in benefits derived from increases in the accrual of this liability during the period of ¢5,323 (of which an amount of ¢ 5.040 pertains to the payroll of permanent employees) and from a decrease in the provision in the amount of ¢6,846.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

- (2) Increase in ICE's contribution to the Guarantee and Savings Fund in the amount of ¢7,449.
- (3) Net decrease of ¢14,775 pertaining to ¢19,983 and ¢5,208 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 the sum of ¢6,290, net of a decrease in payments for ¢71.

**Nota 12. Provisions**

- **RANGE**

As of March 31, 2022, a decrease of ¢918 appears recorded in relation to the execution of the negotiation agreement signed executed between RANGE and Huawei.

**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 period ended March 31	
	2022	2021
Electricity services	¢ 206,078	181,093
Telecom services	142,028	143,800
	<u>348,106</u>	<u>324,893</u>
Others income		
Construction Services	2,727	1,894
Communication services	459	444
Infrastructure operation and maintenance services	472	493
	<u>3,659</u>	<u>2,831</u>
	<u>¢ 351,764</u>	<u>327,724</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).

	Electricity Segment		Telecom Segment		Total	
	For the three months ended March 31					
	2022	2021	2022	2021	2022	2021
Geographical markets:						
Local	¢ 198,464	175,748	141,388	143,334	339,853	319,082
Foreign	7,614	5,345	639	466	8,253	5,811
	¢ <u>206,078</u>	<u>181,093</u>	<u>142,028</u>	<u>143,800</u>	<u>348,106</u>	<u>324,893</u>
Products/lines of service:						
Electricity	¢ 180,506	157,143	-	-	180,506	157,143
Transmission charges	17,393	16,504	-	-	17,392	16,504
Public lighting	5,375	4,736	-	-	5,375	4,736
Services and others	2,805	2,710	-	-	2,805	2,710
Telecom	-	-	142,028	143,800	142,028	143,800
	¢ <u>206,078</u>	<u>181,093</u>	<u>142,028</u>	<u>143,800</u>	<u>348,106</u>	<u>324,893</u>
Timing of revenue recognition:						
Services transferred over time	¢ 206,078	181,093	121,749	125,677	327,828	306,770
Products transferred at a point in time	-	-	20,279	18,123	20,279	18,123
	<u>206,078</u>	<u>181,093</u>	<u>142,028</u>	<u>143,800</u>	<u>348,107</u>	<u>324,893</u>
Other income	3,659	2,831	-	-	3,659	2,831
	¢ <u>209,737</u>	<u>183,924</u>	<u>142,028</u>	<u>143,800</u>	<u>351,766</u>	<u>327,724</u>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

		As of March 31	As of December 31
		<u>2022</u>	<u>2021</u>
Trade receivables	¢	249,480	231,556
Contract liabilities	¢	(52,571)	(53,203)

An amount of ¢5,802 that was recognized under the contractual liabilities as of December 31, 2021, has been recognized as ordinary revenue in 2022 (¢7,036 included in the three-month period ended on March 31, 2021).

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		2022	2021	2020
<u>Mobiles telecom services</u>	<u>¢</u>	<u>38,794</u>	<u>21,738</u>	<u>1,056</u>

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

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

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

(1) Prepaid mobile:

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

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

This is the revenue received in relation to fixed and mobile telephony services. The revenue received for postpaid mobile services is recognized in the consolidated balance sheet when 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.

March 31, 2022

	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	¢	-	6,673	-	-	-	6,673	-	-	6,673	6,673
Notes and other receivables, net		-	-	235,251	-	-	235,251	-	-	-	-
Investments in financial instruments	7 y 9	-	359,190	105,911	27,779	-	492,880	-	386,969	-	386,969
Trade receivables, net		-	-	188,836	-	-	188,836	-	-	-	-
Cash and cash equivalents		-	-	455,276	-	-	455,276	-	-	-	-
	¢	<u>-</u>	<u>365,863</u>	<u>985,274</u>	<u>27,779</u>	<u>-</u>	<u>1,378,916</u>	<u>-</u>	<u>386,969</u>	<u>6,673</u>	<u>393,642</u>
<i>Financial liabilities</i>											
Financial debt	10 ¢	-	-	-	-	2,629,747	2,629,747	-	2,240,400	-	2,240,400
Accounts payable		-	-	-	-	292,388	292,388	-	-	-	-
Derivative financial instruments		4,337	-	-	-	-	4,337	-	4,337	-	4,337
	¢	<u>4,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,922,135</u>	<u>2,926,472</u>	<u>-</u>	<u>2,244,737</u>	<u>-</u>	<u>2,244,737</u>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

December 31, 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	¢	-	6,673	-	-	-	6,673	-	-	6,673	6,673
Notes and other receivables, net			-	231,532	-	-	231,532	-	-	-	-
Investments in financial instruments	7 y 9	-	342,330	56,281	48,481	-	447,092	-	390,811	-	390,811
Trade receivables, net		-	-	173,218	-	-	173,218	-	-	-	-
Cash and cash equivalents		-	-	429,632	-	-	429,632	-	-	-	-
	¢	<u>-</u>	<u>349,003</u>	<u>890,663</u>	<u>48,481</u>	<u>-</u>	<u>1,288,147</u>	<u>-</u>	<u>390,811</u>	<u>6,673</u>	<u>397,484</u>
<i>Financial liabilities</i>											
Financial debt	10 ¢	-	-	-	-	2,587,522	2,587,522	-	2,197,998	-	2,197,998
Accounts payable		-	-	-	-	245,761	245,761	-	-	-	-
Derivative financial instruments		3,886	-	-	-	-	3,886	-	3,886	-	3,886
	¢	<u>3,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,833,283</u>	<u>2,837,169</u>	<u>-</u>	<u>2,201,884</u>	<u>-</u>	<u>2,201,884</u>

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

(in millions of colones)

As of March 31, 2022

Fair value of financial instruments

As of March 31, 2022, Grupo ICE has made no transfers between fair value levels.

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

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

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

*ii. Investments in equity securities*

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

*iii. Investments in financial instruments*

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

*iv. Derivative financial instruments - cash flow hedges*

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

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

To determine the fair value of long-term debt as of March 31, 2022, a discount rate between 2.37% and 8.68% in colones, and 0.10% and 8.09% in US dollars (between 1.29% and 7.91% in colones, and between 0.70% and 7.85% in US dollars, in December 2021), the rates available to Grupo ICE, were used.

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 estimates for trade receivables, accounts receivables, and notes receivables during the three-month period ended on March 31, 2022, is detailed below:

	As of March 31, 2021			
	Trade receivables	Non-trade receivables	Notes receivables	Total
Opening balance	¢ 58,338	861	4,711	63,910
Amounts written off	(123)	(8)	(2,479)	(2,610)
Recognized	2,429	16	(1)	2,444
Closing balance	¢ <u>60,644</u>	<u>869</u>	<u>2,231</u>	<u>63,744</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 March 31, 2022. The methodology to compute such estimate is the same one that is described in the last annual consolidated financial statements.

ii) Impairment of other financial assets

During the three-month period ended on March 31, 2022, the Grupo ICE recognized an impairment charge in the amount of ¢2,118 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

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

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

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

At a global scale, fundamental changes to interest rate benchmarks are being carried out, including the replacement of interbank offered rates (IBOR) with alternative, risk-free rates. Due to the nature of its business, the balance sheet of Grupo ICE includes fixed rate short-term financial liabilities. However, Grupo ICE is also exposed to IBOR (USD Libor, only) in its financial instruments, which shall be amended or replaced.

The Alternative Reference Rates Committee (ARRC) was convened by the Federal Reserve Board of the United States to help ensure a successful transition from USD LIBOR to an alternative interest rate. The ARRC is comprised of a diverse set of private-sector entities that have an importance presence in markets affected by USD LIBOR and a wide array of official-sector entities, including banking and financial sector regulators of the United States. In May 2021, the ARRC stated that the USD LIBOR rate would continue being published until June 30, 2023, and established it as the date limit to complete the amendment of agreements that should include fallback language to transition to the new reference rate that had been initially set for the end of 2021.

The main risks to which Grupo ICE is exposed as a result of the IBOR reform are operational. These operational risks include update to the terms and conditions of agreements and the revision of operational controls related to the Reform. The financial risk is predominantly limited to the interest rate risk.

According to initial tests that were run by applying the SOFR rate in the financial cash flows from loans that will have their rate replaced, the financial balance is not only upheld, but also the reference rate replacement, which is triggered by the cessation of the publication of the LIBOR rate, reflects that the new rate is neither excessive nor detrimental to the interests of the Institute, but rather benefits the Institution by improving its cash flows. Furthermore, the use of such reference rate shows an improvement in the borrowing cost under study.

*Reform to the benchmark rate in the face of the cessation of the interbank offered rates (IBOR)*

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

In September 2019, the International Accounting Standards (IASB) completed Phase 1 of the IBOR Reform and published the document “Interest Rate Benchmark Reform” (the “Reform”), which contains amendments to IFRS 9 and IFRS 7, effective for annual reporting periods beginning on or after January 1, 2020. On the other hand, in August 2020, the IASB published the Phase 2 amendments of the IBOR Reform, which effective date of application is January 1, 2021. The second phase of the project addressed clarifications and exemptions, and included new requirements and temporary waivers in relation to IFRS 9, IFRS 7, and IFRS 16.

Phases 1 and 2 of the IBOR Reform are applicable to the extent that Grupo ICE identifies uncertainties in the measurement of its financial instruments upon transitioning to the new reference rate. As of March 31, 2022, these have not been adopted by Grupo ICE as no such uncertainties have been identified.

Grupo ICE is currently reviewing the agreements and assessing the potential impacts to the remeasurement of its financial liabilities once it replaces the initially agreed LIBOR rate with the SOFR. As of March 31, 2022, some of the loans in the portfolio of liabilities of Grupo ICE have already been transitioned to the SOFR to estimate their interest.

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 March 31, 2022, and December 31, 2021. Amounts of financial liabilities and financial assets are shown as their book values, in dollars, considering the valid exchange rate as of the reporting date, while derivatives are shown with their theoretical amounts.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

In millions of dollars	USD LIBOR	
	Total amount of unrefined contracts	Amount with appropriate fallback clause
March 31, 2022		
Financial assets		
Corporate debt securities	-	-
Financial liabilities		
Secured bank loans	356	356
Derivatives		
Interest rate swaps	21	21
December 31, 2021		
Financial assets		
Corporate debt securities	-	-
Financial liabilities		
Secured bank loans	635	635
Derivatives		
Interest rate swaps	29	29

**Nota 15. Contingencies**

Grupo ICE is a party to several lawsuits that have been estimated in the amount of ¢626,834 as of March 31, 2022. The total amount of the provisions linked to these lawsuits is ¢3,508 (¢3,379 as of December 2021).

Grupo ICE did not record any material changes in relation to the disclosed status of contingent liabilities in the separate annual financial statements for the period ended on December 31, 2021.

(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 March 31,	As of December 31,	As of March 31,	As of December 31,
	2022	2021	2022	2021
Government entities	¢ 63,720	44,444	8,112	5,921
Autonomous institutions	2,426	3,532	-	-
State financial entities	3,427	-	-	-
Empresa Propietaria de la Red, S.A.	2,034	6,673	-	-
	¢ 71,607	54,649	8,112	5,921

As of March 31, 2022, Grupo ICE maintained a total of ¢513,599 (¢504,015 in 2021) in bonds payable, as well as a total of ¢737,900 (¢721,927 in 2021) 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 March 31,	As of December 31,
		2022	2021
Cash equivalents	-	¢ 2,599	2,780
Investments in financial instruments	7 - 9	457,762	416,062
		¢ 460,361	418,842

As of March 31, 2022, interest receivable from securities issued by state-owned financial entities amount to a total of ¢71 (¢125 in 2021).

As of March 31, 2022, investments in the share capital of autonomous and non-governmental entities amount to ¢7,888 (¢7,831 in 2021).

(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 three-month period ended on March 31, 2022, and 2021, respectively, was as follows:

		For the three-month period ended March 31,	
		2022	2021
Short-term benefits	¢	1,643	2,978
Post-employment benefits		41	75
Other long-term benefits		93	130
	¢	1,778	3,183

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.

© 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 three months ended March 31,					
		Electricity Segment		Telecom Segment		Total	
		2022	2021	2022	2021	2022	2021
External revenues	¢	206,078	181,093	142,028	143,800	348,106	324,893
Inter-segment revenue		1,886	2,075	470	609	2,356	2,684
	¢	207,964	183,168	142,498	144,409	350,462	327,577
Loss (profit), net	¢	(49,686)	(2,755)	4,986	3,872	(44,700)	1,117

Note 13 breaks down such revenue by product.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

Segment profit or loss	Electricity Segment		Telecom Segment		Total	
	As of March 31, 2022	As of December 31, 2021	As of March 31, 2022	As of December 31, 2021	As of March 31, 2022	As of December 31, 2021
Assets	¢ 5,224,573	5,193,254	1,484,686	1,472,070	6,709,259	6,665,324
Liabilities	¢ 3,430,150	3,341,389	693,935	687,574	4,124,085	4,028,963

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.

**Nota 18. COVID-19 Pandemic Emergency**

The situation caused by the COVID-19 pandemic that is being experienced worldwide has had a significant impact on the institution from different perspectives. Nonetheless, the group has taken all actions necessary to guarantee its business continuity. At an operational level, Grupo 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 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.

Although at the end of 2021 several sectors of the economy were showing signs of reactivation, and this is continuing in 2022, the Institution continues to thoroughly analyze the behavior of its revenue and costs to guarantee that the company maintains its financial balance. In line with this, costs and expenses of the different areas of the Institution are undergoing continuous optimization, and investments are being subjected to analysis. The idea behind this is to guarantee, at all times, an adequate operation and maintenance that allows the Group to continue providing its services with the same quality that its customers demand and to guarantee future services.

With these actions the Group seeks to ensure compliance with the covenants it has entered, as well as service all debts incurred, whether due to loans or to acquire property and services, as foreseen in the institutional budget for 2022.