CONDENSED INTERIM FINANCIAL STATEMENTS

Instituto Costarricense de Electricidad and Subsidiaries

Group ICE
ICE
CNFL
RACSA
CRICSA
Gestión Cobro

SEPTEMBER 2022
Financial Management

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

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

Assets	Note	September 30, 2022	December 31, 2021
Non-current assets:			
Property, plant and equipment, net	5 ¢	5,063,257	5,223,272
Intangible assets, net	6	94,805	97,446
Other assets		9,170	11,919
Equity investments		7,880	7,831
Notes and other accounts receivable, net		176,479	179,172
Investments in financial instruments	7	368,329	325,458
Total non-current assets		**5,719,920**	**5,845,098**
Current assets:			
Inventories	8	48,721	34,823
Notes and other accounts receivable, net		57,015	52,360
Investments in financial instruments	9	216,050	121,634
Trade receivables, net		188,183	173,218
Prepaid expenses		10,454	7,820
Other assets		140	669
Cash and cash equivalents		373,360	429,632
Assets held for sale		383	70
Total current assets		**894,306**	**820,226**
Total assets	¢	**6,614,226**	**6,665,324**
Liabilities and equity			
Equity:			
Paid-in capital	¢	155	155
Reserves		2,411,679	2,323,529
Retained earnings		327,989	306,908
Equity attributable to owners of Grupo ICE		2,739,823	2,630,592
Non-controlling interests		6,027	5,769
Net equity		**2,745,850**	**2,636,361**
Liabilities:			
Non-current liabilities:			
Bonds payable	10	851,728	923,371
Loans payable	10	1,406,988	1,460,736
Lease liabilities	10	305,096	353,118
Employee benefits	11	481,584	468,742
Accounts payable		143,990	153,339
Contract liabilities		62,173	65,758
Deferred income - Government grants		20,102	16,453
Deferred tax liabilities		85,090	89,033
Provisions	12	2,143	2,338
Total non-current liabilities		**3,358,894**	**3,532,888**
Current liabilities:			
Bonds payable	10	56,546	88,859
Loans payable	10	101,851	114,556
Lease liabilities	10	45,918	44,131
Employee benefits	11	115,720	93,124
Accounts payable		103,860	92,422
Contract liabilities		10,238	10,508
Deferred income - Government grants		281	281
Accrued interest payable		43,898	19,969
Provisions		4,073	4,455
Other liabilities	12	27,097	27,770
Total current liabilities		**509,482**	**496,075**
Total liabilities		**3,868,376**	**4,028,963**
Total liabilities and equity	¢	**6,614,226**	**6,665,324**

Preliminary translation

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

HAROLD CORDERO VILLALOBOS (FIRMA) Firmado digitalmente por HAROLD CORDERO VILLALOBOS (FIRMA) Fecha: 2022.12.23 08:28:58 -06'00'

Harold Cordero Villalobos
General Manager

KEINER ARCE GUERRERO (FIRMA) Firmado digitalmente por KEINER ARCE GUERRERO (FIRMA) Fecha: 2022.12.22 14:46:33 -06'00'

Keiner Arce Guerrero
Chief Financial Officer

LIZBETH EUGENIA HERNANDEZ CASTILLO (FIRMA) Firmado digitalmente por LIZBETH EUGENIA HERNANDEZ CASTILLO (FIRMA) Fecha: 2022.12.22 12:11:11 -06'00'

Lizbeth Hernández Castillo
Accounting Director

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Registro Profesional: 13537
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Estado de Situación Financiera
2022-11-16 16:10:42 -0600

CONTADOR PRIVADO INCORPORADO
HERNANDEZ CASTILLO LISBETH
CPI No. 13537
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COSTA RICA
Aniversario 70
¢300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: 4KVA0B2q
https://timbres.contador.co.cr

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,

	Note		For the nine months ended September 30, 2022	For the nine months ended September 30, 2021	For the three months ended September 30, 2022	For the three months ended September 30, 2021
Revenue	13	¢	**1,069,272**	**977,039**	**352,700**	**322,046**
Operating costs:						
Operation and maintenance			353,723	362,154	117,328	119,076
Operation and maintenance of leased assets			45,264	34,718	11,166	12,210
Purchases and supplemental services			92,721	95,034	19,361	19,841
Selling expenses			60,956	46,085	21,762	14,071
Production management			70,653	66,449	27,117	21,051
Total operating costs			623,317	604,440	196,734	186,249
Gross profit			**445,955**	**372,599**	**155,966**	**135,797**
Other income			27,013	24,071	13,351	7,552
Operating expenses:						
Administrative expenses			84,631	90,895	29,597	29,047
Selling expenses			93,097	95,062	29,721	31,357
Preliminary studies			16,680	17,843	5,362	5,773
Supplemental expenses			1,563	2,195	969	555
Loss on impairment of balances receivable			7,248	5,040	4,518	4,813
Other expenses			16,743	23,353	4,362	7,972
Total operating expenses			219,962	234,388	74,529	79,517
Operating profit			**253,006**	**162,282**	**94,788**	**63,832**
Finance income and (costs):						
Finance income			24,073	24,704	6,143	2,796
Finance costs			(177,934)	(179,709)	(54,688)	(53,300)
Foreign exchange differences, net			36,499	(28,269)	131,294	(23,078)
Net finance costs, net			**(117,362)**	**(183,274)**	**82,749**	**(73,582)**
Share of profit of equity-accounted investees			(59)	65	(104)	30
Net profit (loss) before tax			**135,585**	**(20,927)**	**177,433**	**(9,720)**
Income tax			3,702	3,919	1,162	1,186
Profit (loss) for the period, net		¢	**139,287**	**(17,008)**	**178,595**	**(8,534)**
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Effect of actuarial gain for the period		¢	47	188	(18)	-
			47	**188**	**(18)**	**-**
Items that are or may be reclassified subsequently to profit or loss:						
Valuation of equity investments at fair value		¢	46	7	(60)	2
Valuation of investments in financial instruments at fair value			(30,080)	18,681	(17,197)	10,404
			(30,034)	**18,688**	**(17,257)**	**10,406**
Other comprehensive income for the period, net of tax			**(29,987)**	**18,876**	**(17,275)**	**10,406**
Total comprehensive income for the period		¢	**109,300**	**1,868**	**161,320**	**1,872**
Profit attributable to:						
Owners of Grupo ICE		¢	139,029	(16,995)	178,448	(8,550)
Non-controlling interests			258	(13)	147	16
		¢	**139,287**	**(17,008)**	**178,595**	**(8,534)**
Total comprehensive income for the period attributable to:						
Owners of Grupo ICE		¢	109,042	1,886	161,173	1,857
Non-controlling interests			258	(18)	147	15
		¢	**109,300**	**1,868**	**161,320**	**1,872**

Preliminary translation

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

HAROLD CORDERO VILLALOBOS (FIRMA)
Firmado digitalmente por HAROLD CORDERO VILLALOBOS (FIRMA)
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Harold Cordero Villalobos
General Manager

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Keiner Arce Guerrero
Chief Financial Officer

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2022-11-16 16:10:46 -0600

CONTADOR PRIVADO INCORPORADO
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Aniversario 70
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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					
	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**
Balance as of January 01, 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)	(15,580)	(16,996)	(16,995)	(13)	(17,008)
Other comprehensive income for the period:																
Effect of actuarial gain for the period	-	-	-	188	-	-	-	-	-	188	-	-	-	188	-	188
Valuation of investments in financial instruments at fair value	-	-	-	-	-	18,686	-	-	-	18,686	-	-	-	18,686	(5)	18,681
Valuation of equity investments at fair value	-	-	-	-	7	-	-	-	-	7	-	-	-	7	-	7
Total other comprehensive income for the period	**-**	**-**	**-**	**188**	**7**	**18,686**	**-**	**-**	**-**	**18,881**	**(1,416)**	**(15,580)**	**(16,996)**	**1,886**	**(18)**	**1,868**
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	8	-	8	-	-	-	8	-	8
Transfer to capital reserve	-	-	-	-	-	-	(15,580)	-	-	(15,580)	(13)	15,580	15,567	(13)	-	(13)
Total comprehensive income for the period:	**-**	**-**	**-**	**-**	**-**	**-**	**(15,580)**	**8**	**-**	**(15,572)**	**(13)**	**15,580**	**15,567**	**(5)**	**-**	**(5)**
Balance as of September 30, 2021	**¢ 155**	**3,739**	**71**	**(16,808)**	**1,039**	**8,052**	**2,316,096**	**13,018**	**62,380**	**2,387,587**	**317,942**	**-**	**317,942**	**2,705,685**	**5,971**	**2,711,655**
Balance as of January 01, 2022	**¢ 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**
Comprehensive income for the period:																
Profit for the period	-	-	-	-	-	-	-	-	-	-	21,081	117,948	139,029	139,029	258	139,287
Other comprehensive income for the period:											-					
Effect of actuarial gain for the period	-	-	-	47	-	-		-	-	47	-	-	-	47	-	47
Valuation of investments in financial instruments at fair value	-	-	-	-	-	(30,080)		-	-	(30,080)	-	-	-	(30,080)	-	(30,080)
Valuation of equity investments at fair value	-	-	-	-	46	-	-	-	-	46	-	-	-	46	-	46
Total other comprehensive income for the period	**-**	**-**	**-**	**47**	**46**	**(30,080)**	**-**	**-**	**-**	**(29,987)**	**21,081**	**117,948**	**139,029**	**109,042**	**258**	**109,300**
Comprehensive income for the period:																
Appropriation to reserves	-	-	-	-	-	-	-	189	-	189	-	-	-	189	-	189
Transfer to capital reserve	-	-	-	-	-	-	117,948	-	-	117,948	-	(117,948)	(117,948)	-	-	-
Total comprehensive income for the period:	**-**	**-**	**-**	**-**	**-**	**-**	**117,948**	**189**	**-**	**118,137**	**-**	**(117,948)**	**(117,948)**	**189**	**-**	**189**
Balance as of September 30, 2022	**¢ 155**	**3,739**	**71**	**(16,986)**	**1,549**	**1,615**	**2,346,021**	**13,290**	**62,380**	**2,411,679**	**327,989**	**-**	**327,989**	**2,739,823**	**6,027**	**2,745,850**

Preliminary translation

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

HAROLD CORDERO VILLALOBOS (FIRMA)
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Harold Cordero Villalobos
Gerenal Manager

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Keiner Arce Guerrero
Chief Financial Officer

LIZBETH EUGENIA HERNANDEZ CASTILLO (FIRMA)
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Lizbeth Hernández Castillo
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INSTITUTO COSTARRICENSE DE ELECTRICIDAD
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Contador: HERNANDEZ CASTILLO LISBETH
Estado de Cambios en el Patrimonio
2022-11-16 16:10:57 -0600

CONTADOR PRIVADO INCORPORADO
HERNANDEZ CASTILLO LISBETH
CPI No. 13537
COSTA RICA

TIMBRE 300.0 COLONES

VERIFICACIÓN: 4KVA0B2q
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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) Y SUBSIDIARIAS
(San José, Costa Rica)

Consolidated Statement of Cash Flows
(In millions of colones)

For the nine months ended September 30,

	Note	2022	2021
Cash flows from operating activities			
Profit (loss) for the period, net		¢ **139,287**	**(17,008)**
Adjustments for:			
Depreciation		223,923	229,632
Amortization		18,314	17,072
Amortization of contract liabilities	13	(7,843)	(5,226)
Net realizable value of inventories		(202)	5
Net finance costs		153,861	155,005
Loss on impairment of balances receivable		7,248	5,040
Share of profit of equity-accounted investees, net of tax		59	(68)
Loss on disposal of assets		2,705	10,918
Obligations for employee benefits		12,670	13,035
Income tax		(3,702)	(3,919)
Foreign exchange differences		(28,660)	25,687
		517,660	430,173
Changes in:			
Notes and other accounts receivable		(676)	21,664
Trade receivables		(21,581)	(11,338)
Inventories		(14,960)	7,694
Accounts payable		2,089	(20,344)
Contract liabilities		3,988	7,895
Employee benefits and other provisions		7,032	10,077
Other liabilities		(6,079)	5,029
Cash flows from operating activities		487,473	450,850
Income taxes paid		(242)	(3,326)
Net cash from operating activities		**487,231**	**447,524**
Cash flows from investing activities			
Interest received		7,810	21,716
Investments in financial instruments		(176,692)	(11,161)
Additions to property, plant and equipment		(55,678)	(67,249)
Gains on the sale of property, plant and equipment		15	814
Additions to intangible assets		(9,457)	(11,208)
Government grants received		3,649	(726)
Other assets		546	3,570
Net cash used in investing activities		**(229,807)**	**(64,244)**
Cash flows from financing activities:			
Increase in bonds payable	10	-	67,436
Amortization of bonds payable	10	(95,546)	(45,307)
Increase in loans payable	10	83,109	89,131
Amortization of loans payable	10	(113,997)	(90,660)
Amortization of lease liabilities	10	(42,059)	(31,527)
Interest paid		(137,364)	(152,325)
Net cash used in financing activities		**(305,857)**	**(163,252)**
Net decrease (increase) in cash and cash equivalents		(48,433)	220,028
Cash and cash equivalents as of January 01		429,632	311,743
Effect of movements in exchange rates on cash held		(7,839)	2,582
Cash and cash equivalents as of September 30		¢ **373,360**	**534,353**

Preliminary translation

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

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Harold Cordero Villalobos
Gerenal Manager

KEINER ARCE GUERRERO (FIRMA) Firmado digitalmente por KEINER ARCE GUERRERO (FIRMA) Fecha: 2022.12.22 14:48:14 -06'00'

Keiner Arce Guerrero
Chief Financial Officer

LIZBETH EUGENIA HERNANDEZ CASTILLO (FIRMA) Firmado digitalmente por LIZBETH EUGENIA HERNANDEZ CASTILLO (FIRMA) Fecha: 2022.12.22 12:12:49 -06'00'

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Estado de Flujos de Efectivo
2022-11-16 16:11:00 -0600

CONTADOR PRIVADO INCORPORADO
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COSTA RICA
COLEGIO DE CONTADORES PRIVADOS DE COSTA RICA
Aniversario 70
₡300 COLONES

TIMBRE 300.0 COLONES

VERIFICACIÓN: 4KVA0B2q
https://timbres.contador.co.cr

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.

(Continued)

- *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, 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].

(Continued)

Nota 2. <u>Basis of accounting</u>

These interim financial statements, which cover the nine-month period ended on June 30, 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 November 25, 2022.

Nota 3. <u>Use of judgments and estimates</u>

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

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

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.

(Continued)

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:

- 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. <u>Changes to significant accounting policies</u>

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, when applicable.

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

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.

(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 September 30, 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 nine-month period ended on September 30, 2022, additions to the property, plant, and equipment account amounted to ¢72,837, where the most relevant were those applied to the following projects:

1. Installation of residential services in the amount of ¢15,888.
2. Expansion and renewal of the technological platform (develops new requirements linked to the commercial management platforms) in the amount of ¢9,994.
3. Borinquen (geothermal energy project located in the Guanacaste mountain range) in the amount of ¢7,847.
4. Continuous Quality Improvement (Global Multiple Works Program that includes the reconstruction of lines, addition of phases, and construction of new feeders) in the amount of ¢6,003.
5. FONATEL (project to implement infrastructure and provide voice and internet services) in the amount of ¢3,757.

(Continued)

(in millions of colones)

6. Service connections (pertains to measurement equipment) in the amount of ¢3,062.
7. 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 ¢2,767.
8. Aerial and underground extensions in the amount of ¢1,960.

The institute also capitalized ¢47,243, out of which ¢10,948 capitalized for the "Extension of the 3G/LTE access" was one of the most relevant amounts.

Likewise, impaired assets with a book value of ¢1,581 were written-off.

Nota 6. <u>Intangible assets, net</u>

During the nine-month period ended on September 30, 2022, transactions in intangible assets pertained to additions of ¢9.457 and capitalizations of ¢6.313, mainly in licenses, systems, and applications, and the net effects caused by the amortization of the period, which amounted to ¢18,305.

Nota 7. <u>Investments in financial instruments</u>

Investments in financial instruments are described below:

		As of September 30, 2022	As of December 31, 2021
At amortized cost	¢	43,741	-
At fair value through other comprehensive income		313,599	313,595
At fair value through profit or loss		10,989	11,863
	¢	368,329	325,458

A total of ¢324,282 (¢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.

(Continued)

(in millions of colones)

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

				September 30, 2022		
Issuer	Type of financito instrument	Currency		Balance	Interest rate	Maturity
At amortized cost						
Government						
Bonds	Fixed-rate instruments	US dollars	¢	37,268	5,75% to 9,20%	2024 to 2025
Public financito entities						
Bonds	Fixed-rate instruments	US dollars		6,241	3,90%	2024
Term deposit certificate	Fixed-rate instruments	US dollars		149	3,30% to 4,75%	2024 to 2025
Term deposit certificate	Fixed-rate instruments	Colones		83	2,60% to 8,25%	2023 to 2024
				43,741		
At fair value through other comprehensive income						
Government						
Bonds	Fixed-rate instruments	Colones		157,309	5,94% to 10,75%	2024 to 2036
Bonds	Variable-rate instruments	Colones		56,587	4,11% to 5,47%	2026 to 2044
Bonds	Fixed-rate instruments	US dollars		50,086	5,41% to 7,90%	2024 to 2034
Bonds	Fixed-rate instruments	DU		23,697	3,39% to 6,35%	2026 to 2043
Private financito entities						
Bonds	Fixed-rate instruments	Colones		11,544	4,26% to 9,60%	2023 to 2027
Bonds	Fixed-rate instruments	US dollars		1,980	3,77% to 4,74%	2023 to 2024
Public financito entities						
Bonds	Fixed-rate instruments	Colones		5,085	5,46% to 8,79%	2024 to 2025
Bonds	Variable-rate instruments	Colones		2,396	4,27%	2023
Private non-financial entities						
Bonds	Variable-rate instruments	Colones		1,824	6,32%	2023
Bonds	Fixed-rate instruments	US dollars		1,352	6,52%	2027
Public non-financial entities						
Bonds	Fixed-rate instruments	US dollars		1,394	5,85% to 6,48%	2028 to 2029
Bonds	Variable-rate instruments	Colones		345	5,30% to 6,23%	2027 to 2033
				313,599		
At fair value through profit or loss						
Private financito entities						
Bonds	Dividend closed fund	US dollars		8,545	1,42% to 5,00%	-
Public financito entities						
Bonds	Dividend closed fund	US dollars		2,444	0,72% to 8,03%	-
				10,989		
			¢	368,329		

(Continued)

(in millions of colones)

Issuer	Type of financial instrument	Currency		December 31, 2021 Balance	Interest rate	Maturity
At fair value through other comprehensive income						
Government						
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
Public financial entities						
Bonds	Fixed rate instruments	Colones		5,411	5,46% to8,42%	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
Public non-financial entities						
Bonds	Fixed rate instruments	US dollars		1,261	5,84% to 11,45%	2028 to 2029
Private financial entities						
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
Private non-financial entities						
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		
At fair value through profit or loss						
Private financial entities						
Bonds	Closed fund - dividends	US dollars		9,329	6,33% to 10,41%	-
Public financial entities						
Bonds	Closed fund - dividends	US dollars		2,534	5,61% to 12,88%	-
				11,863		
			¢	325,458		

(Continued)

(in millions of colones)

Nota 8. <u>Inventories</u>

As of September 30, 2022, inventories include reductions related to their net realizable value in the amount of ¢31,879 (¢32,543 as of December 31, 2021), as well as a total of ¢480 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.

As of September 30, 2022, a total of ¢72,264 (¢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. <u>Investments in financial instruments</u>

Investments in financial instruments are described below:

		As of September 30,	As of December 31,
		2022	2021
At amortized cost	¢	160,501	56,281
At fair value through other comprehensive income		37,053	28,735
At fair value through profit or loss		18,496	36,618
	¢	216,050	121,634

Investments in financial instruments measured at amortized cost include a total of ¢24,366 (¢16,873 in 2021) and 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. Likewise, a total of ¢48,555 (¢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.

(in millions of colones)

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

				September 30, 2022		
Issuer	Type of financial instrument	Currency		Balance	Interest rate	Maturity
At amortized cost						
Public financial entities						
Term deposit certificate	Fixed-rate instruments	Colones	¢	124,865	2,75% to 8,36%	2022 to 2023
Certificate of mortgage participation	Fixed-rate instruments	Colones		10,963	2,50% to 8,75%	2022 to 2023
Term deposit certificate	Fixed-rate instruments	US dollars		1,595	0,94% to 3,50%	2022 to 2023
Private financial entities						
Term deposit certificate	Fixed-rate instruments	Colones		13,152	3,40% to 8,40%	2022 to 2023
Term deposit certificate	Fixed-rate instruments	US dollars		9,926	0,80% to 1,55%	2022
				160,501		
At fair value through other comprehensive income						
Public financial entities						
Bonds	Fixed-rate instruments	Colones		20,200	3,17% to 8,42%	2022 to 2023
Government						
Bonds	Fixed-rate instruments	Colones		4,828	1,97% to 8,04%	2022 to 2023
Bonds	Fixed-rate instruments	US dollars		3,005	6,53%	2023
Private financial entities						
Bonds	Fixed-rate instruments	Colones		7,454	5,71% to 9,25%	2022 to 2023
Public non-financial entities						
Bonds	Fixed-rate instruments	US dollars		630	5,50%	2022
Bonds	Variable-rate instruments	Colones		210	5,41%	2023
Private non-financial entities						
Bonds	Fixed-rate instruments	Colones		726	8,62% to 8,85%	2023
				37,053		
At fair value through profit or loss						
Public financial entities						
Bonds	Investment certificates	Colones		12,453	3,06% to 3,13%	
Investment certificates	Fixed-rate instruments	US dollars		5,828	0,78% to 1,25%	
Investment certificates	Investment certificates	Colones		121	1%	
Bonds	Investment certificates	US dollars		94	0,69% to 1,15%	
				18,496		
			¢	216,050		

(in millions of colones)

Issuer	Type of financial instrument	Currency		December 31, 2021 Balance	Interest rate	Maturity
At amortized cost						
Public financial entities						
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%	2022
Private financial entities						
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
Government						
Bonds	Fixed-rate instruments	US dollars		17,221	5,48% to 5,61%	2022
				56,281		
At fair value through other comprehensive income						
Government						
Bonds	Fixed-rate instruments	Colones		5,098	2% 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
Public financial entities						
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
Private non-financial entities						
Bonds	Fixed-rate instruments	US dollars		1,723	12%	2022
Private financial entities						
Bonds	Fixed-rate instruments	Colones		1,659	9,08% to 9,25%	2022
Bonds	Variable-rate instruments	Colones		1,004	4,22%	2022
Public non-financial entities						
Bonds	Fixed-rate instruments	US dollars		642	5,5%	2022
				28,735		
At fair value through profit or loss						
Public financial entities						
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
				36,618		
			¢	121,634		

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 January 01, 2021	¢	1,012,230	1,575,292	397,249	2,984,771
New loans		-	83,109	266	83,375
Amortization		(95,546)	(113,997)	(42,059)	(251,602)
Effect of exchange rate fluctuations		(8,410)	(35,565)	(4,441)	(48,417)
Balances as of September 30, 2022	¢	908,274	1,508,839	351,014	2,768,128

(Continued)

(in millions of colones)

The characteristics of the financial debt are the following:

	Currency	Current interest rate	Maturity
Bonds payable	¢	Variable between 4,65% and 6,28%; and fixed between 7,33% and 8,63%.	2023-2033
	US$	Fixed between 6,38% and 7,61%	2024-2043
Loans payable	¢	Variable between 2,85% and 9,70%; and fixed 7,61%	2025-2047
	US$	Variable between 0,70% and 7,50%; and fixed 6,40%.	2023-2044
	JPY	Fixed between 0,60% and 2,20%	2026-2057
Lease liabilities	¢	Variable between 14,53% and 15,19%	2022-2023
	US$	Variable between 5,47% and 23,14%; and fixed between 4,90% and 7,46%.	2022-2041

As of June 30, 2022, ICE was not complying with Clauses 4.06 and 4.08 of the IADB loan agreements 2747 / OC-CR, dated October 31, 2012; and 3589 / OC-CR, dated February 07, 2019, made and entered by and between ICE and the Inter-American Development Bank (IADB). These clauses require that ICE maintain compliant financial indicators. As of November 19, 2021, the IADB granted a waiver to ICE in relation to such noncompliance, which shall remain valid until December 2022.

(in millions of colones)

Nota 11. <u>Employee Benefits</u>

Employee benefits are detailed below:

		As of September 30,			As of December 31,		
		2022			2021		
		Non-current	Current	Total	Non-current	Current	Total
Severance benefits (1)	¢	92,109	3,857	95,966	86,671	6,398	93,069
ICE Guarantee and Savings Fund (2):							
Employer contribution		389,475	55,652	445,127	382,071	42,655	424,726
ICE Employer obligations::							
Vacations			23,653	23,653	-	21,248	21,248
Back-to-school bonus (3)			14,942	14,942	-	19,907	19,907
Statutory Christmas bonus (4)		-	17,284	17,284	-	1,600	1,600
Third and fifth biweekly salary		-	-	-	-	863	863
Occupational hazard insurance		-	332	332	-	453	453
	¢	481,584	115,720	597,304	468,742	93,124	561,866

As of September 30, 2022, the main transactions in the employee benefit account are described below:

(1) A net increase of ¢2,897 in benefits derived from increases in the accrual of this liability during the period of ¢13,919 (of which an amount of ¢ 12.670 pertains to the payroll of permanent employees) and from a decrease in the provision in the amount of ¢11,022.

(2) Increase in ICE's contribution to the Guarantee and Savings Fund in the amount of ¢20,401.

(3) Net decrease of ¢4,965 pertaining to ¢20,126 and ¢15.161 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 ¢16,027, net of a decrease in payments for ¢342.

Nota 12. <u>Provisions</u>

As of September 30, 2022, the Group recorded ¢2,010 in consideration of the total cancellation of the execution of the agreement entered by and between RANGE and Huawei.

(Continued)

(in millions of colones)

Nota 13. Income from ordinary activities

a) Revenue streams

Grupo ICE generates revenues mainly from the sale of electric power, but also from the sale of telecommunications services.
Other sources of revenue include the sale of construction and engineering services, among others.

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

		For the nine-month period ending September 30	
		2022	2021
Electricity services	¢	637,568	554,370
Telecom services		431,704	422,669
		1,069,272	977,039
Others income			
Engineering Services		5,510	4,470
Construction Services		3,691	5,296
Comunication services		1,395	1,333
Infrastructure operation and maintenance services		1,481	1,490
		12,077	12,589
	¢	1,081,349	989,628

(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 nine mounths ended September 30					
		2022	2021	2022	2021	2022	2021
Geographical markets:							
Local	¢	603,959	530,898	429,274	420,909	1,033,233	951,807
Foreing		33,609	23,472	2,430	1,760	36,039	25,232
	¢	637,568	554,370	431,704	422,669	1,069,272	977,039
Products/lines of service:							
Electricity	¢	566,491	481,173	-	-	566,491	481,173
Transmission charges		47,108	49,588	-	-	47,108	49,588
Public lighting		14,772	13,994	-	-	14,772	13,994
Services and others		9,197	9,615	-	-	9,197	9,615
Telecom		-	-	431,704	422,669	431,704	422,669
	¢	637,568	554,370	431,704	422,669	1,069,272	977,039
Timing of renueve recognition:							
Services transferred over time	¢	637,568	554,370	363,996	367,019	1,001,564	921,389
Products transferred at a point in time		-	-	67,708	55,650	67,708	55,650
		637,568	554,370	431,704	422,669	1,069,272	977,039
Other income		12,077	12,589	-	-	12,077	12,589
	¢	649,645	566,959	431,704	422,669	1,081,349	989,628

(Continued)

(in millions of colones)

c) Contract balances

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

		As of September 30 2022	As of December 31 2021
Trade receivables	¢	252,243	231,556
Contract liabilities	¢	(72,411)	(76,266)

An amount of ¢7,843 that was recognized under the contractual liabilities as of December 31, 2021, has been recognized as ordinary revenue in 2022 (¢5,226 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:

		Year 2022	Year 2023	Year 2024
Mobiles telecom services	¢	16,589	50,290	19,173

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 income received for prepaid mobile services is recognized in the consolidated balance sheet when Grupo ICE receives the money from its clients and wholesalers, and is recognized in the consolidated statement of 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 Grupo 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, Grupo 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, 2022

			Carrying amount						Fair value			
	Note		Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Equity investments		¢	-	6,673	-	-	-	6,673	-	-	6,673	6,673
Notes and other receivables, net			-	-	233,494	-	-	233,494	-	-	-	-
Investments in financial instruments	7 y 9		-	350,652	204,242	29,485	-	584,379	-	380,137	-	380,137
Trade receivables, net			-	-	188,183	-	-	188,183	-	-	-	-
Cash and cash equivalents			-	-	373,360	-	-	373,360	-	-	-	-
		¢	-	357,325	999,279	29,485	-	1,386,089	-	380,137	6,673	386,810
Financial liabilities												
Financial debt	10	¢	-	-	-	-	2,417,113	2,417,113	-	2,094,382	-	2,094,382
Accounts payable			-	-	-	-	247,850	247,850	-	-	-	-
Derivative financial instruments			5,825	-	-	-	-	5,825	-	5,825	-	5,825
		¢	5,825	-	-	-	2,664,963	2,670,788	-	2,100,207	-	2,100,207

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD [ICE] AND SUBSIDIARIES

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

	December 31, 2021										
		Carrying amount						Fair value			
	Note	Fair value - hedging instruments	FVCORI – Debt and equity instruments	Financial assets at amortized cost	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets											
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	-	-	-	-
	¢	-	349,003	890,663	48,481	-	1,288,147	-	390,811	6,673	397,484
Financial liabilities											
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
	¢	3,886	-	-	-	2,833,283	2,837,169	-	2,201,884	-	2,201,884

(Continued)

<u>Fair value of financial instruments</u>

As of September 30, 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. *<u>Notes receivable and other accounts receivable; trade receivables, net and accounts payable.</u>*

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. *<u>Investments in equity securities</u>*

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. *<u>Investments in financial instruments</u>*

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. *<u>Derivative financial instruments - cash flow hedges</u>*

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.

v. *<u>Debt</u>*

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.

(Continued)

(in millions of colones)

To determine the fair value of long-term debt as of September 30, 2022, discount rates between 5.93% and 11.73% in colones, and 0.70% and 9.47% 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.

b) Financial risk management

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 loss estimate for trade receivables, accounts receivables, and notes receivables, during the nine-month period ended on September 30, 2022, is detailed below:

		As of September 30, 2022			
		Trade receivables	Non-trade receivables	Notes receivables	Total
Opening balance	¢	58,338	861	4,711	63,910
Amounts written off		(894)	(188)	19	(1,063)
Recognized		6,616	333	299	7,248
Closing balance	¢	64,060	1,006	5,029	70,095

The increase in the impairment loss is attributed to an increase in the aging of the portfolio. The methodology to compute such estimate is the same one that is described in the last annual consolidated financial statements.

ii) Impairment of financial assets

During the nine months ended on September 30, 2022, the Grupo ICE recognized an impairment charge in the amount of ¢2,725, related to representative values of financial assets valued at amortized cost. Impairment charges are recognized as financial costs in the statement of profit or loss and other comprehensive income.

(Continued)

iii) *<u>Management of the reform to the benchmark rate and associated risks</u>*

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.

(Continued)

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

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 September 30, 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 September 30, 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 September 30, 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.

In millions of dollars	USD LIBOR Total amount of unreformed contracts	USD LIBOR Amount with appropriate fallback clause
September 30, 2022		
Financial assets		
Coporate debt securities	-	-
Financial liabilities		
Secured bank loans	223	223
Derivatives		
Interest rate swaps	14	14
December 31, 2021		
Financial assets		
Coporate 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 ¢597,145 as of September 30, 2022. The total amount of the provisions linked to these lawsuits is ¢3,941 (¢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 consolidated annual financial statements for the period ended on December 31, 2021.

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

(Continued)

(in millions of colones)

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:

		As of September 30, 2022	As of December 31, 2021	As of September 30, 2022	As of December 31, 2021
Government entities	¢	52,957	44,444	9,016	5,921
Autonomous institutions		1,407	2,532	-	-
Empresa Propietaria de la Red, S.A.		1,684	6,673	-	-
State financial entities		3,895	-	-	-
	¢	59,943	53,649	9,016	5,921

As of September 30, 2022, Grupo ICE maintained a total of ¢410,245 (¢504,015 in 2021) in bonds payable, as well as a total of ¢702,816 (¢721,927 in 2021) of debts payable, in favor of 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, 2022	As of December 31, 2021
Cash equivalents		¢	23,076	2,780
Investments in financial instruments	7 - 9		525,432	416,062
		¢	548,508	418,842

As of September 30, 2022, interest receivable from securities issued by state-owned financial entities amount to a total of ¢923 (¢125 in 2021).

As of September 30, 2022, investments in the share capital of autonomous and non-governmental entities amounted to ¢7,880 (¢7,831 in 2021).

(Continued)

(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, 2022 and 2021, respectively, was as follows:

		For the nine mounths ended September 30	
		2022	2021
Short-term benefits	¢	6,032	3,865
Post-employment benefits		96	168
Other long-term benefits		198	176
Beneficios por terminación		-	30
	¢	6,326	4,240

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 from the segments that need to be reported

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

(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:

		For the nine months ended September 30,					
		Electricity		Telecom		Consolidated total	
Segment profit or loss		2022	2021	2022	2021	2022	2021
External revenues	¢	637,568	554,370	431,704	422,669	1,069,272	977,039
Inter-segment revenue		5,550	5,488	1,413	2,248	6,963	7,736
	¢	**643,118**	**559,858**	**433,117**	**424,917**	**1,076,235**	**984,775**
Loss (profit), net	¢	121,879	(25,633)	17,408	8,625	139,287	(17,008)

Note 13 breaks down such revenue by product.

(d) Assets and liabilities by segments

		Electricity		Telecom		Consilidated total	
Segment profit or loss		As of September 30, 2022	As of December 31, 2021	As of September 30, 2022	As of December 31, 2021	As of September 30, 2022	As of December 31, 2021
Assets	¢	5,126,139	5,193,254	1,488,087	1,472,070	6,614,226	6,665,324
Liabilities	¢	3,174,423	3,341,389	693,953	687,574	3,868,376	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.

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.

Grupo 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.

Nota 19. Note 19. Subsequent events

i. *Risk ratings of ICE*

As of October 25, 2022, Fitch Ratings, the international rating agency, affirmed the national long-term rating of Instituto Costarricense de Electricidad (ICE) and Subsidiaries at AA+ with a stable outlook.

ii. *Contingent litigations provision*

On November 04, 2022, the Contentious Administrative Court settled the Judgment Execution Procedure filed by the company Hidroflorencia S.A. against ICE, due to damages caused. As a result, the Group entered a provision in the amount of ¢8.637 as of the closing of October 2022.