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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Refinadora Costarricense de Petróleo, S.A.

Opinion

We have audited the accompanying financial statements expressed in U.S. dollars of Refinadora Costarricense de Petróleo, S.A. ("RECOPE" or "the Company"), which comprise the statements of financial position as of December 31, 2021 and 2020 and the corresponding statements of profit or loss, statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Refinadora Costarricense de Petróleo, S.A. as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of RECOPE in accordance with the Code of Professional Ethics of the Association of Certified Public Accountant of Costa Rica and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis on Matters

Without qualifying our opinion, we draw attention to Note 24 to the financial statements, which indicates the impacts and actions taken by the Company due to the spread of the COVID-19 pandemic.

Other Matter

The financial statements originally issued in Spanish have been translated into English for the convenience of the readers outside of Costa Rica.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Audit Approach on Key Audit Matter
Inventories - There are inventories as of December 31, 2021 for US$3,579 million, which represent 23,22% of total assets (¢2,3423 million, 14,48% of total assets in 2020), which are recognized on the cost basis, or net realizable value, whichever is lower (Note 4). The Company imports mainly 4 types of fuels (Super gasoline, diesel, Plus 91 gasoline and A-1 jet) and distributes them through its plants located in certain areas of the country. The international prices of fuels have had an increase always related to COVID-19 during 2021, however, these prices are subject to the interaction of world supply and demand, they continued with the oscillations typical of said interaction and as a consequence of the restrictions in both local and global mobility. These market conditions can erode commercial margins due to increases and decreases in inventories due to changes in prices and consumption. These factors resulted in a risk that fuel inventory costs may be above the realizable value and this is considered a key audit matter.	When considering the value of fuel inventories at net realizable value, we compared the estimated selling price of inventories, taken from the latest price list, with the available fuel cost.

Other Information

Management is responsible for the other information. Other information includes the explanatory notes of the financial indicators obtained before issuing the financial statements, and is included in pages 68 to 71. Our opinion on the financial statements does not include the other information, and we do not express any form of conclusion or assurance on it.

In relation to the audit of financial statements, it is our responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. If, based on the work we have performed on the information we have obtained before issuing the report, we identify material inconsistencies on the other information, we must report them to you. We have nothing to report on this regard.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the RECOPE's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RECOPE or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the RECOPE's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RECOPE's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RECOPE's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause RECOPE to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

José Ant. Amador Zamora - C.P.A. No.2760
Insurance Policy No.0116 FIG 7
Expires: September 30, 2022
Revenue law stamp for ¢1.000, law No.6663
La Ribera de Belén, Heredia, Costa Rica

May 26, 2022

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1c, 2	US$ 233,131,627	US$ 109,605,724
Accounts receivable	1d, 3	4,826,784	2,342,866
Supplier advances		3,578,875	3,393,090
Inventories	1e, 1f, 1g, 4	414,680,135	212,454,037
Prepaid expenses	5	2,496,167	4,296,147
Total current assets		658,713,588	332,091,864
LONG TERM ACCOUNTS RECEIVABLE	1d, 3	95,434	595,430
PROPERTY, PLANT, VEHICLES AND EQUIPMENT - Net	1h, 1i, 1j, 1k, 6	999,368,953	1,025,013,278
INVESTMENT IN FINANCIAL ASSETS	8	106,445,706	85,299,684
OTHER ASSETS	9	21,460,995	24,260,270
TOTAL		US$1,786,084,676	US$1,467,260,526
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Bonds payable maturing in the short term	12	US$ 50,102,420	
Current portion of the long term debt	13	1,579,599	US$ 1,579,599
Accounts payable	10	396,400,859	132,982,257
Deferred income	1n	12,489,907	11,366,674
Accumulated expenses and other liabilities	1p, 1q, 1r, 1s, 1t, 11	10,042,608	9,130,875
Total current liabilities		470,615,393	155,059,404
LONG TERM DEBT	12	7,108,196	8,687,794
LONG TERM BONDS PAYABLE	13	130,335,274	182,386,097
DEFERRED INCOME TAX	1n, 14	148,432,670	141,152,400
ALLOWANCE FOR EMPLOYEES' LEGAL BENEFITS	1o, 1p, 22	6,395,816	21,765,305
Total liabilities		762,887,348	509,051,001

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	Notes	2021	2020
STOCKHOLDERS' EQUITY:			
Capital stock	16	US$ 370,515,185	US$ 370,515,185
Legal reserve	1u	11,921,807	6,722,053
Surplus from revaluation	1h	584,480,877	569,155,242
Retained earnings	18	531,513,432	443,966,759
Foreign exchange translation reserve	1b	(475,233,974)	(432,149,714)
Total stockholders' equity		1,023,197,327	958,209,525
TOTAL		US$1,786,084,676	US$1,467,260,526

(Concluded)

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	Notes	2021	2020
SALES	1x, 19	US$ 2,585,405,248	US$ 1,890,918,668
COST OF SALES	1y, 1z	(2,300,272,016)	(1,675,642,260)
GROSS PROFIT		285,133,232	215,276,408
OPERATING EXPENSES	1aa, 19	(145,983,316)	(180,539,898)
SALE OF SERVICES		27,277	16,351
FINANCIAL EXPENSES		(14,683,936)	(11,979,924)
FINANCIAL INCOME		9,455,567	6,757,225
EXCHANGE RATE DIFFERENCES - Net	1ff	(1,936,256)	(8,379,242)
RENTAL INCOME		224,750	192,705
EXTERNAL TRANSFERS	1q, 19	(22,689,308)	(54,349,683)
IMPAIRMENT FROM INVESTMENT IN JOINT VENTURE	7		(2,802,203)
OTHER EXPENSES - Net	6	(2,436,629)	5,094,613
PROFIT (LOSS) BEFORE INCOME TAXES		107,111,381	(30,713,648)
INCOME TAXES		23,912,301	
DEFERRED INCOME TAXES	1m, 14	(2,065,219)	3,358,930
NET PROFIT (LOSS)		US$ 81,133,861	US$ (27,354,718)

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in United States Dollars)

	Notes	2021	2020
NET PROFIT (LOSS)		US$ 81,133,861	US$ (27,354,718)
OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss:			
Increase in surplus due to asset revaluation		38,497,940	
Foreign currency translation adjustment	1b	(43,084,260)	(72,264,096)
Item not to be reclassified to profit or loss:			
Deferred tax liability from reappraisal of land	1g, 1*l*, 14	(11,542,479)	(43,738,571)
COMPREHENSIVE INCOME OF THE YEAR		US$ 88,090,020	US$(143,357,385)

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	Notes	Capital Stock	Legal Reserve	Surplus from Revaluation	Surplus from Donation	Retained Earnings	Foreign Exchange Translation Reserve	Total
BALANCES, DECEMBER 31, 2019		US$370,515,185	US$ 6,722,053	US$625,719,256	US$ 34,808,316	US$423,856,123	US$(359,885,617)	US$1,101,735,316
Comprehensive loss for the year				(43,738,571)		(27,354,718)	(72,264,096)	(143,357,385)
Transfer from surplus to retained earnings				(12,825,442)		12,657,038		(168,404)
Transfer of surplus from donation to retained earnings	1i				(34,808,316)	14,533,093		
BALANCES, DECEMBER 31, 2020		370,515,185	6,722,053	569,155,242		443,966,759	(432,149,714)	958,209,526
Comprehensive profit for the year						81,133,861	(43,084,260)	88,090,020
Increase in legal reserves	1u		5,199,754			(5,199,754)		
Transfer from surplus to retained earnings	1i			(11,627,828)		11,612,565		(15,263)
Surplus for appraisal of fixed assets				38,497,940				38,497,940
Deferred tax liability for revaluation of fixed assets	1v, 17			(11,544,478)				(11,544,478)
BALANCES, DECEMBER 31, 2021		US$370,515,185	US$11,921,807	US$584,480,877	US$	US$531,513,432	US$(475,233,974)	US$1,023,197,327

The accompanying notes are an integral part of these financial statements.

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	Notes	2021	2020
OPERATING ACTIVITIES			
Net profit (loss) of the year		US$ 81,133,861	US$ (27,354,718)
Deferred tax	14	2,065,219	(3,358,930)
Loss from asset disposal	6	932,615	421,043
Effect from participation in joint venture	7		454,297
Impairment of assets - long term	9	1,926,583	2,802,203
Interest expense			11,068,321
Depreciation and amortization	6	45,969,417	45,387,714
Estimated expected credit loss		46,550	
Unrealized exchange rate differences		3,804,299	9,912,989
Changes in operating assets and liabilities:			
Accounts receivable		2,171,433	6,622,391
Inventories		(217,580,569)	103,876,019
Supplier advances and prepaid expenses		1,331,513	1,069,207
Accounts payable		292,019,284	(56,265,619)
Deferred income		1,649,890	130,701
Accumulated expenses and other liabilities		13,284,549	3,076,454
Employees’ legal benefits		(14,914,512)	677,262
Cash provided by operating activities		213,840,132	98,519,344
Tax paid		(11,342,657)	
Interest paid		(14,076,575)	(15,366,137)
Net cash provided by operating activities		188,420,900	83,153,207
INVESTMENT ACTIVITIES			
New investments of financial assets	8	(22,795,296)	(29,623,793)
Additions of fixed assets	6	(26,249,664)	(35,373,176)
Return of investment			14,250,000
Other assets		(89,891)	449,839
Net cash used in investment activities		(49,134,851)	(50,297,129)
FINANCING ACTIVITIES			
Debt amortization		(1,799,417)	(2,899,514)
Net cash used in financing activities		(1,799,417)	(2,899,514)

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in United States Dollars)

	2021	2020
NET CHANGES IN CASH AND CASH EQUIVALENTS	US$ 137,486,632	US$ 29,956,563
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	109,605,724	89,958,639
EFFECTS ON EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(13,960,729)	(10,309,477)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	US$ 233,131,627	US$109,605,724

(Concluded)

The accompanying notes are an integral part of these financial statements.

1. NATURE OF THE BUSINESS, PRESENTATION BASIS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Refinadora Costarricense de Petróleo, S.A. ("RECOPE", or the "Company") was incorporated in accordance with the laws of the Republic of Costa Rica by means of a notarial instrument. As stipulated in Law Number 5508 of April 19, 1974: all the shares of Allied Chemical and Atico, S.A. were transferred and assigned to the government of Costa Rica for the price of one US dollar (US$1.00). The central offices are located in Barrio Tournón, in San José de Costa Rica.

As a result of this transfer agreement, the government of Costa Rica received 19,300 shares of RECOPE's capital stock. In this way, the President's Cabinet holds Stockholders' meetings as the highest authority at RECOPE. Upon decree No. 7927-H from December 15, 1977, RECOPE, S.A. is regulated as a state-owned company structured as a mercantile corporation, but under the oversight and monitoring of the Office of the Comptroller General of the Republic.

In accordance with Law Number 6588 of August 13, 1981, its main objectives are the following:

- Refining and processing of oil, gas, and other hydrocarbons, as well as their derivatives

- Manufacturing of petrochemical products and that of the directly or indirectly related products

- Commercializing and transporting oil and its derivatives by bulk

- Maintaining and developing the necessary facilities

- Executing, as appropriate and subject to prior authorization by the Office of the Comptroller General of the Republic, development plans for the energy sector in accordance with the Plan for National Development

Among other matters, the above law prohibits RECOPE, without prior legal authorization, from doing the following:

- Grant loans
- Make donations
- Award subsidies or grants
- Build inter-oceanic pipelines

Law No.7356 published in the official newspaper La Gaceta of September 6, 1993 states that RECOPE is declared a monopoly in behalf of the State to import, refine and distribute crude oil, derivative fuels, asphalt and naphtha. Article No.2 of the law establishes that the State grants the monopoly's administration to RECOPE, provided that its capital stock entirely belongs to the State. Likewise, the State shall not be able to assign, dispose, or give in guarantee any representative share of RECOPE.

RECOPE, S.A. is an entity regulated by the General Superintendence of Securities (SUGEVAL), the National Stock Exchange (Bolsa Nacional de Valores de Costa Rica, S.A.), and the Securities Market Regulatory Law, and it was authorized through resolution SGV-R-2702 of August 27, 2012, in order to issue debt securities to be marketed in the brokerage market of Costa Rica.

The financial statements in US$ as of December 31, 2021 of RECOPE, were duly approved by the Administration on May 26, 2022.

Presentation Basis - The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the IASB.

The financial statements have been prepared on the historical cost basis (except for property, plant, vehicles and equipment, which are shown at their fair values). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and, measurements that have some similarities to fair value but are not fair value, such as net realizable value under IAS 2 or value in use under IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- **Level 1** - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- **Level 2** - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- **Level 3** - Inputs are unobservable inputs for asset or liability.

Significant Accounting Policies - The significant accounting policies used in the preparation of the financial statements are summarized as follows:

a. ***Currency and Transactions in Foreign Currency*** - Management has determined that the Costa Rican colon is RECOPE's functional currency. The transactions denominated in US dollars are registered at the exchange rates in force as of the date of the transaction; RECOPE's assets are registered at the purchasing exchange rate and liabilities at the selling exchange rate. Exchange rate differences originated from the liquidation of assets and obligations denominated in such currency, as well as the adjustment of balances as of closing date, are registered as part of RECOPE's results. As of December 31, 2021 and 2020, the exchange rate of the colon regarding the US dollar for companies of the non-banking public sector was ¢642,66 and ¢615,74 for selling transactions, respectively, and ¢642,02 and ¢615,12 for purchasing transactions, respectively.

   As of the date of issue of the financial statements, the current exchange rate of the Central Bank of Costa Rica was ¢681,81 and ¢676,06, for selling and purchasing transactions, respectively.

b. ***Currency Translation into U.S. Dollars*** - The Company's functional currency is the Costa Rican colón (¢). Accordingly, the local currency financial statements were translated into United States Dollars using the following basis: assets and liabilities were translated at the closing exchange rate, stockholder's equity was measured using the historical exchange rates prevailing when each transaction took place. Income and expense items were translated at the weighted average rate for the period. The effect of translation is charged to stockholder's equity in a separate item denominated Foreign Exchange Translation Reserve.

c. ***Cash and Cash Equivalents*** - Cash and cash equivalents include balance of cash on hand and due from banks, deposits at sight, and short-term (high liquidity) investments with an original maturity equal to or less than three months.

d. ***Financial Instruments*** - Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

   Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

   - **Financial Assets** - All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets - Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized Cost and Effective Interest Method - The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

- The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

- Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the "financial income" line item.

Impairment of Financial Assets - The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, trade accounts receivable and contractual assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes expected lifetime credit losses for trade accounts receivable and contractual assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an evaluation of both current and expected future conditions as of the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk - In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to RECOPE's core operations.

Measurement and Recognition of Expected Credit Losses - The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

- **Financial Liabilities** - All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

  The effective interest method is a method for calculating the amortized cost of a financial liability and for allocating interest expenses during the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, at the amortized cost of a financial liability.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

e. ***Inventories*** - Inventories are valued at the lower of cost or net realizable value. The net realizable value is the estimated selling price of a product in the normal course of operation, less the estimated necessary costs to perform the sale and a reasonable percentage of profit.

Finished product and works in progress are registered at the average manufacturing cost. The raw materials, materials, supplies, and spare parts are registered at the average cost, and merchandise in transit is registered at cost according to the suppliers' invoice. The raw materials inventory (petroleum and other raw materials), as well as materials and supplies are valued at the average weighted cost.

The following are recognized as direct shipping costs (CIF and other costs):

- Value of the invoice
- Cost of maritime freight
- Insurance cost
- Payment of single fuel tax, according to Law No.8114
- Payment of port services: JAPDEVA and independent inspectors

f. ***Allowance for Obsolete Inventory*** - The amount is calculated based on the materials declared obsolete by the user in coordination with the warehouse department and according to a projection from the warehouse department regarding the lines declared obsolete in respect of the total of lines existing in the inventory.

g. ***Single Fuel Tax*** - Upon enactment and enforcement of the Tax Simplification and Efficiency Law (Law No.8114), a single tax is instituted on fuel type - both domestically produced and imported fuel. The taxable event - as set forth in Article No.1 of this Law - takes place on two occasions:

- Upon import of finished goods prior to customs clearance.

- For local production, manufacturing, cracking or refining, RECOPE shall settle and pay this tax within the first 15 calendar days of each month.

RECOPE is the single taxpayer and records this tax in its financial statements, as the taxable event takes place as part of Account 2102020401 Accounts Payable - Single Tax, and when imported as finished product, in account 1111060094 Prepaid Expenses-Single Tax.

The tax on fuel type is updated on a quarterly basis, subject to changes in the Consumer Price Index determined by the National Statistics and Censuses Institute (INEC). Under no circumstances shall the quarterly adjustment be above 3%.

The current decree for the rate is No.42674-H, published in Digital Supplement No.214 of November 05, 2021, effective from November 1, 2021 to January 31, 2022, which made an adjustment (0.70%)).

This tax by product is broken down as follows:

Fuel	Tax by Liter (¢)	
	2021	2020
91 Plus gasoline	255,75	250,75
Premium gasoline	267,75	262,50
Diesel	151,25	148,00
Asphalt	52,00	51,00
Asphalt emulsion	39,25	38,50
Bunker (Fuel Oil)	24,75	24,00
G.L.P	52,00	51,00
Jet Fuel A1	153,50	150,25
Av Gas	255,75	250,75
Kerosene	73,00	71,50
Heavy diesel (gasoil)	50,00	49,00
Heavy naphtha	37,00	36,25
Light naphtha	37,00	36,25

The following are exempted from this tax payment (Article No.1 of Law No.8114):

- Fuel designated to supply commercial airlines and merchant ships or commercial passenger shipping lines, all providing international services.

- Fuels used by the National Fishing Fleet, for non-sports fishing, in accordance with Law No.7384.

- Product allocated for export.

- Products sold to companies that enjoy the export free zone regime benefits.

- Products sold to companies using the tax exemption benefit, under the specific legislation, in order to cover road construction service agreements.

- Fuel purchased by international missions, embassies, the Red Cross, and the Fire Department.

h. ***Property, Plant, Vehicles and Equipment*** - These assets are originally recorded at cost of acquisition and construction, as it corresponds, afterwards, any revaluation, less the accumulated depreciation or impairment of those assets is charged to such cost, so that they represent their fair value.

The land, the Moín port complex, the facilities, buildings, and heavy equipment and machinery kept for using in the production or supply of goods and services, or for administrative purposes, are shown in the statement of financial position at their revalued amounts, calculating the fair value as of the date of revaluation, less the subsequent depreciation or accumulated impairment losses. The revaluations will be done within a term of no less than five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Realization of the Appraisal for Fixed Assets - The appraisal included the realization of the physical inventory in accordance with the disaggregation of assets and with the level of detail that allows an adequate reconciliation between the physical dimension and the accounting dimension, in addition, the accounting reconciliation of the result of the physical inventory:

Account	Carrying Amount Net Assets Evaluated	Adjustment by I appraise at 30.06.2021	Foreign Exchange Translation	Carrying Amount at 30.06.2021
Properties	US$140,735,523	US$15,893,571	US$ (471,361)	US$156,157,733
Moín Port complex	105,417,713	(5,907,662)	175,205	99,684,716
Operation and storage facilities	338,600,916	(1,156,327)	34,294	337,478,883
Pipeline facilities	137,480,769	12,324,483	(365,511)	149,439,741
Building	834,653,001	21,516,826	(650,912)	104,331,215
Heavy machinery and equipment	409,741,734	(4,172,951)	123,759	36,924,982
Total	US$846,673,856	US$38,497,940	US$(1,154,526)	US$884,017,270

RECOPE's valuations focused on a macro analysis of investment costs for the diversity of equipment according to its technology, capacity and technical characteristics. Information on recent construction contracts for plants, storage tanks, LPG spheres, truck loading bays, as well as information on budgets, quotes and invoices for investment projects carried out previously, was also analyzed.

The study mainly applies two methodologies for determining the fair value:

- *Depreciated Replacement Cost* - It was applied to assets that by their nature are classified in the classes of buildings, storage equipment, refining process equipment, pumping equipment, control and supervision equipment, water treatment equipment, among others. others.

  According to this criterion, once the replacement value and remaining life of the asset are obtained, the present value of the minimum future benefits that said asset is expected to generate will be calculated. For assets that by their nature are classified in the classes of buildings and civil works, machinery and equipment, multi-purpose pipelines, the valuation of assets was carried out in accordance with the depreciated replacement cost methodology.

- *Market Value* - For all the assets object of the project, the new values were investigated and it was preferably based on the information that RECOPE has, consisting of updated quotes, price lists, asset acquisition values, project budgets, among others.

  For assets that by their nature are classified in the account of heavy equipment, mobile support equipment and land, the Market Approach methodology (market value) was developed, which is based on multiples or prices of market transactions that involve the sale of comparable assets. This methodology assumes the existence of a market of frequent and verifiable transactions.

  Any increase in the revaluation of such assets are recognized in other comprehensive income, and it accrues in equity, except if it reverses a decrease in its revaluation that has been previously recognized in profits or loss, in which case, the increase is credited to profits or loss to the extent the previous decrease is charged. A decrease in the carrying amount of the revaluation of such asset is registered in profits or loss to the extent that the balance, if any, kept in the property revaluation reserve regarding a previous revaluation of such asset, is exceeded.

  Properties used during the course of the construction for purposes related to management, production, and supply, denominated "ongoing fixed assets", are registered at cost less any recognized impairment loss. Cost includes professional fees, and in case of those qualified assets, costs for capitalized loans, according to RECOPE's accounting policy. Such properties are classified in the corresponding categories of properties, plant, and equipment at the moment of their capitalization, and when they are ready for their intended use. Depreciation of these assets, as in the case of the other property assets, starts when the assets are ready for use.

  Depreciation of revalued buildings is charged to profits or loss. In case of sale or subsequent disposal of revalued properties, surplus of revaluation attributable to the property revaluation reserve is directly transferred to retained earnings.

  This account records the surplus from asset revaluation that RECOPE has made through the years and represents the net increase of value of the assets as a result of the revaluation, less the annual transfers of the depreciation expenses from revaluation, net of the deferred income tax recorded against retained earnings. Currently, the amount shown in this account corresponds to the revaluation of furniture, equipment and vehicles.

  This account also includes the surplus from the increase in the value of assets that was determined by the technical experts in June 2021.

  Land is not subject to depreciation.

  Furniture and equipment, as well as and vehicles, are stated at cost less accumulated depreciation and any recognized impairment loss.

An item of property, plant, and equipment will be written off at the time of disposal, or when no future economic benefits are expected to arise from the continued use of the asset. The profit or loss that arises from disposal or deregistration of an asset that belongs to properties, plant, and equipment is calculated as the difference between profit from sales and the carrying amount of the asset, and it is recognized in profit or loss.

i. ***Investment at Moín Port Complex*** - The works corresponding to this investment are registered in the books of RECOPE, according to the provisions set forth in Agreement No.5. Article No.6 of the Ordinary Session No.89 of the President's Cabinet held on April 2, 1988. This resolution expressly acknowledges that works corresponding to that investment have clear title of ownership and domain in the name of RECOPE.

The resolution of the President's Cabinet was presented to the Board of Directors of RECOPE, and Management was notified, in accordance with Article No.12 of meeting number 2240-191 held on April 22, 1988.

j. ***Depreciation*** - Depreciation on the revalued amounts and the historical cost is charged to the results of the period. The depreciation of fixed, historical and revalued assets is calculated using the straight-line method, taking technical useful life as a basis, as determined by expert appraisers for the accounts of property, plant and machinery. Whereas for the accounts of vehicles, furniture, and equipment, the useful life stated in the Regulations to the Income Tax Law is used. For the calculation of depreciation, the basis will be 100% of the cost, in accordance with an administrative decision related to the Integrated Management System.

Depreciation expense registration has been separated into assets registered at historical cost and expense of the revalued assets.

The Company has the policy of transferring from the revaluation surplus account to retained earnings, the difference between the depreciation calculated according to the revalued carrying amount of the asset and that calculated according to its original cost.

k. ***Borrowing Cost*** - RECOPE capitalizes the interest on fixed assets in progress in accordance with IAS 23, which states that "borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset".
During 2021 no interest was capitalized and in 2020, US$3,040 thousands interest was capitalized.

l. ***Investment in Joint Ventures*** - According to IFRS 11, a joint arrangement is a contractual agreement in virtue of which two or more participants start an economic activity that is subject to joint control through a separate vehicle. Joint control is the contractually agreed sharing of control of an arrangement, which only exists when the decisions on relevant activities require unanimous consent of the parties sharing control.

The contractual agreement gives the parties of a joint arrangement the right to the agreement's net assets (that is to say, it is the vehicle, not the parties, who has the rights and obligation regarding liabilities related to the arrangement). No party has individual control on the arrangement.

m. ***Income Taxes*** - It is determined according to the provisions established by the Income Tax Law No.7092 and Law No.7722 "Law on the Obligation of Government Institutions to Income Tax Payment." Should any tax result from this calculation, it is charged to the results and credited to a liability account.

Deferred income tax is applied to those temporary differences between the carrying value of the assets and liabilities and the values used for tax purposes. A deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference. The asset or liability is not recognized if the temporary difference is originated from goodwill or from the initial registration of an asset or liability (different from a business combination) that does not affect the tax or accounting profit.

Deferred tax assets are originated from the deductible temporary differences associated with accounting provisions and estimates. The deferred tax liability is recognized by tax differences associated with the revaluation of fixed assets. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The registered value of the deferred tax asset is reviewed as of the date of each balance sheet and adjusted if it is estimated that it is not likely to obtain enough taxable income or other sources of income that allow to fully or partially recover the asset.

Deferred income tax assets and liabilities are measured at the rate of tax which is expected to be applied during the period in which the asset will be realized or the liability paid. Deferred income tax assets and liabilities are shown net since they relate to the same fiscal entity and the right exists, and RECOPE expects to pay its tax liabilities and assets in a net way.

n. ***Deferred Income*** - It corresponds to deposits made by the clients in behalf of RECOPE, which will be applied once the product is sold.

o. ***Collective Bargaining Agreement*** - The Company entered into a Collective Bargaining Agreement with its employees for 2016-2019. Some of its most significant rights include: 8% contribution of the monthly payroll by the employer to the Employees' Savings and Loan Fund and a partial recognition of 35% of administrative expenses to the Employees' Savings and Loan Fund. The collective agreement was renegotiated during 2021, maintaining the main rights.

p. ***Employees' Legal Benefits*** - In accordance with transitory XXVII of Law No.9635 published in Scope No.202 to Gazette No.225 of December 4, 2018 and the criteria of the Company's Legal Department, according to official letter P-DJ-0019-2019 , it is recommended, in order to safeguard public funds, to make the severance payment with an amount not greater than 12 years (20 years until 2021 in accordance with the previous regulations) with the network in accordance with a restrictive interpretation of the indicated transitory.

In accordance with the provisions of Article 75 of the RECOPE 2021-2024 Collective Labor Agreement, published in Scope No.115 to La Gaceta No.108 of June 7, 2021, it is established that RECOPE workers will have right to receive compensation for unemployment benefits as established in the Labor Code. The limit to recognize will be 8 years according to the limit established by the Law of Salaries of the Public Administration at the time of the negotiation of this Collective Agreement.

In accordance with transitional provision XXVII of Law No.9635 published in Supplement No.202 to La Gaceta No.225 of December 4, 2018 and the opinion of the Legal Department of RECOPE, according to official communication P-DJ-0019-2019, the following recommendations are made: to protect public funds, severance pay must be an amount of no more than 12 years according to a restrictive interpretation of the aforementioned transitional provision.

According to the policy, the Company retained an actuarial study for the calculation of retained earnings from employees' legal benefits as of December 31, whose primary objective is to obtain the amount of the coverage of the Actuarial Liability, including actuarial profits and losses, conclusions on the actuarial situation of the benefit plan and recommendations on adjustments to the provisions from Employees' Legal Benefits.

RECOPE registers a monthly provision charging operating expense for each cost center from which salaries are disbursed, calculated as 5.33% of same. In addition, 3% of monthly salaries are transferred to different pension funds selected for employees, and they will be deducted from the final termination payment made to employees.

q. ***Contribution to the Costa Rican Social Security Fund Law No.9583 and Contribution to the National Emergency Commission Law No.8488*** - In accordance with Law No.9583, an amendment was made to Article 78 of Law No.7983 Funds for the Strengthening of the Disability, Old Age and Death Regime to establish a contribution of fifteen percent (15%) of the net profit of governmental public entities, whether or not in a competition regime, calculated in accordance with the annual Audited Financial Statements, as published in Supplement No.169 to La Gaceta No.176 of September 25, 2018.

According to decree No.41282-MP, Regulations to Article 46 of the National Emergency and Risk Prevention Law No.8488, all public entities will pay a fee of three percent (3%) in accordance with Supplement No.170 to La Gaceta No.176 of September 25, 2018. To enforce such provision, the triggering event will be the generation of budget surplus throughout the fiscal year, or the profits, as applicable, generated during the respective fiscal year, and RECOPE establishes the net profit of the audited financial statements as the criteria for the calculation of this obligation.

Both payments must be made each year in the period between January 1 and March 31 of each year.

r. ***School Supplies Bonus*** - It is calculated in accordance with the decrees issued by the Ministry of Labor every time there is a salary increase, and it is paid in January according to existing regulations. For 2021, 8.23% of the monthly payroll was provisioned, according to D.E. No.39202-MTSS-H published in the official newspaper La Gaceta No.170 of September 1, 2015.

s. ***Christmas Bonus*** - RECOPE makes a monthly provision corresponding to payment of Christmas bonus to its employees in December, as established in the Code of Labor, Such provision corresponds to 8.33% per month.

t. ***Employees' Vacation*** - RECOPE records the provision for vacations, in accordance with the studies conducted by the Compensation and Incentives Division of the Human Resources Department and the provisions of Article 27 of the collective bargaining agreement in force. The vacation period will be:

- In the first four years of service, fifteen working days.
- From the fifth to the ninth year, twenty-three working days.
- From the tenth year and onwards, thirty working days.

u. ***Legal Reserve*** - The commercial legislation of Costa Rica (Law No.3284 "Code of Commerce of Costa Rica." article No.143) establishes that every corporation must reserve 5% from its net profit up to reaching 20% of its capital stock.

v. ***Investment Reserve*** - It corresponds to the reserves authorized by ARESEP with the aim to sustain the investment programs in compliance with Law 7722 and Law 7593 of ARESEP, Note 18.

w. ***Surplus from Donation*** - It records donations received from Allied Chemical Corp, Petro Canada, and the Agency for International Development (AID) to perform the explorations of charcoal, as well as those from the Costa Rican Electricity Institute (ICE) to build the Castella-Garita oil pipeline and a debt remission from the Dutch government.

x. ***Revenue Recognition*** - The sales of hydrocarbons are in cash, by which revenues are recognized when RECOPE has transferred to the buyer all significant risks and benefits related to the ownership of the sold fuels. RECOPE does not keep for itself any association with the common management of the goods sold. The amount of revenue can be reliably measured. It is probable that RECOPE receives the economic benefits associated with the sale, and the transaction costs can be reliably measured. Therefore, RECOPE records its income in accordance with IFRS 15.

This account records revenue from sales of hydrocarbons, which prices are defined by the Regulatory Authority. The following describes the procedure to establish the prices of fuels:

Price Adjustment - To modify the selling price of domestic fuels, RECOPE has two mechanisms:

- Normal price study.
- Extraordinary procedure using an adjustment formula.

These mechanisms are described in the following regulations:

- *Law No.6588 August 13, 1981*
- *Law No.7593 of the Regulatory Authority for Public Services*

The normal price study must be applied at least once a year, as well as when RECOPE may consider it necessary, this mechanism seeks to maintain prices to cover costs and expenses required for ordinary company activities.

The extraordinary adjustment formula is a mechanism to adjust sales prices that seeks to recover in the short term the funds necessary to cover the increased costs related to the import of crude oil and petroleum by products. This adjustment does not affect the operating costs and expenses of the Company.

The resolutions of extraordinary and ordinary adjustments to the institutional prices are made according to the model established by the Regulatory Authority, published in the official newspaper La Gaceta. The extraordinary adjustments through which the prices of all products are adjusted every second Friday of each month are resolved and applied one month afterwards; the last resolutions applied are the following, in colones per liter, without taxes:

2021 -

National Products / Institution Price	ARESEP RESOLUTIONS (¢/LT, WITHOUT TAX)				
	RIE-0120	RIE-0094	RIE-0087	RIE-0083	RIE-0076
Premium gasoline	226,90	246,62	283,70	275,20	246,52
91 Plus gasoline	215,80	233,71	265,85	258,14	238,64
Diesel 0.005% S (Automotive 500)	239,27	230,26	277,25	285,29	234,84
Diesel 0.50% S (Thermal)	253,87	248,98	255,09	257,43	248,73
Kerosene	230,01	221,12	232,23	236,75	217,95
Bunker	167,73	160,21	163,80	169,26	153,73
Bunker low Sulphur	185,82	176,97	180,36	187,40	173,82
IFO 380	224,24	221,55	224,00	227,44	222,52
Asphalts AC 20/30 and PG 70	189,90	185,65	194,17	197,82	175,95
Heavy diesel (gasoil)	206,75	200,33	203,98	211,21	196,52
Asphalt emulsion	121,78	118,70	124,38	126,35	112,81
G.L.P.	114,31	99,53	96,85	96,08	85,92
Av-Gas	564,27	582,91	603,81	585,70	526,98
Jet A-1	258,18	248,74	278,88	283,85	243,15
Heavy naphtha	209,24	206,45	210,49	212,42	200,42

RIE-0082-2021. Supplement No. 264 of December 23, 2021. Includes K margin differentiated by type of product.

RIE-0074-2021. Supplement No.244of December 1°, 2021. Includes K margin differentiated by type of product.

RIE-0070-2021. Supplement No.231 of November 12, 2021. Includes K margin differentiated by type of product.

RIE-0066-2021. Supplement No.218 of October 27, 2021. Includes K margin differentiated by type of product.

RIE-0061-2021. Supplement No.195 of September 29, 2021. Includes K margin differentiated by type of product.

2020 -

National Products / Institution Price	ARESEP RESOLUTIONS (¢/LT, WITHOUT TAX)				
	RIE-0120	RIE-0094	RIE-0087	RIE-0083	RIE-0076
Premium gasoline	226,90	246,62	283,70	275,20	246,52
91 Plus gasoline	215,80	233,71	265,85	258,14	238,64
Diesel 0.005% S (Automotive 500)	239,27	230,26	277,25	285,29	234,84
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Av-Gas	564,27	582,91	603,81	585,70	526,98
Jet A-1	258,18	248,74	278,88	283,85	243,15
Heavy naphtha	209,24	206,45	210,49	212,42	200,42

RIE-0120-2020. Supplement No.283 of November 27, 2020. Includes K margin differentiated by type of product.

RIE-0094-2020. Supplement No.283 of October 27, 2020. Includes K margin differentiated by type of product.

RIE-0087-2020. Supplement No.258 of September 30, 2020. Includes K margin differentiated by type of product.

RIE-0083-2020. Supplement No.232 of September 2, 2020. Includes K margin differentiated by type of product.

RIE-0076-2020. Supplement No.194 of July 25, 2020. Includes K margin differentiated by type of product.

y. ***Cost of Sales*** - The cost of sale represents an issue of inventories intended for sale. The cost of inventory includes overall hydrocarbon production or purchase costs sold by RECOPE. Such sale results in regular income to RECOPE. Assessing inventory costs requires the moving average cost method, for it keeps costs as updated as possible, given inventory turnover and volatility of international hydrocarbon prices.

z. ***Mixing Unit*** - This unit combines products to produce marine fuel and commercial gasoline among others. The costs obtained from the units above corresponding to new product are averaged products prepared from this mixing process include:

- Regular gasoline (Gas Ron 91 + colorants and additives).
- Premium gasoline (M Gas Ron 95 + colorants and additives + MTBE).

The costs of the mixed products are averaged after with the initial inventory costs that correspond to the previous period. The usual losses in the products are part of the cost of sales.

aa. ***Expense Recognition*** - Expenses are recognized on the accrual basis, as goods or services acquired are received or as accounting amortizations and reserves are registered, such as depreciation, asset impairment and provisions for losses.

bb. ***Leases*** - The Company assesses whether a contract contains a lease at its origin. If any, the Company recognizes a right-of-use asset and a corresponding lease liability regarding all leases in which it is the lessee, except for short-term leases (12 months or less) and low-value assets (such as electronic tablets, personal computers and small pieces of office furniture and telephones). For these leases, the Company recognizes rental payments as an operating expense under the straight-line method over the term of the lease unless another method is more representative of the timing pattern of the economic benefits derived from the use of the leased assets. As of year end, the Company does not have any leases for which it is required to recognize a right-of-use asset and a lease liability.

cc. ***Asset Impairment*** - As of year end, RECOPE evaluates the registered value of its assets to determine if there is any indication that such assets have suffered any impairment loss. When there exists such indication, the recoverable amount of the assets is estimated, in order to determine the amount of the loss, if any.

dd. ***Use of Estimates*** - The financial statements are prepared according to International Financial Reporting Standards, and consequently, they include amounts that are based on management’s best estimate and judgment. The actual results could differ from such estimates. Estimates made by management include the useful life of property, plant, vehicles, and equipment, as well as the determination of provisions and the allowance for impairment from the investment in SORESCO.

ee. ***Collective Agreement*** - The Company maintains a Collective Agreement with its employees, valid for the periods 2021-2024, which was published in Scope No.115 to La Gaceta No.108 of June 7, 2021.

ff. ***Adoption of New and Revised International Financial Reporting Standards (IFRS)*** -

- **New and Modified International Financial Reporting Standards that are Effective as of the Current Year -**

  Initial Impact of the Application of the Reference Interest Rate Reform (Amendment to IFRS 9, IAS 39, and IFRS 7) - In the previous year, the amendments of Phase 1 Interest Rate Reform came into force benchmark interest: amendments to IFRS 9 / IAS 39 and IFRS 7. These amendments modify the specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are modified as a result of the reform of the reference interest rate.

  In the current year, the amendments of Phase 2 Benchmark Interest Rate Reform came into effect: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The adoption of these amendments allows the Bank reflect the transition effects of interbank offered rates. (IBOR) at alternative benchmark interest rates (also called 'risk-free rates' or RFRs). In addition, it introduces a practical expedient for the amendments required by the reform, clarify that hedge accounting is not discontinued solely due to the IBOR reform, and introduce disclosures that allow users to understand the nature and scope of the risks that arise. of IBOR reform to which the entity is exposed and how the Entity manages those risks, as well as the entity's progress in transitioning from IBOR to alternative benchmark rates, and how the entity is managing this transition.

  Phase 2 of this amendment did not have an impact on the Company's financial statements since it does not maintain interest rate hedging relationships or assets.

  The Company has not formalized changes in financial instruments linked to the LIBOR rate, and there would be no quantitative impacts that should be recorded in its accounting due to the adoption of these amendments, in addition to a strengthening of its accounting policies.

  The Company has closely followed the market and how the transition to new reference interest rates is managed and is establishing a transition program.

  Impact of the Application of Rental Concessions Related to COVID-19 after June 30, 2021 - Amendment to IFRS 16 - In May 2020, the IASB issued Rental Concessions related to COVID-19 - amendment to IFRS 16 - Rentals. The amendments provide relief to lessees from applying the guidance of IFRS 16 when accounting for concessions to leases arising as a direct consequence of the COVID-19 pandemic.

  As a practical expedient, a tenant may choose not to evaluate when a COVID-19-related landlord award is a lease modification. A lessee making this election will account for any change in lease payments resulting from the COVID-19 related rental award applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rental concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

– The change in lease payments results in revised lease consideration that is substantially the same as or less than the lease consideration immediately prior to the change.

– Any reduction in lease payments affects only payments originally due by June 30, 2022 (a rental award meets this condition if it results in reduced lease payments by June 30, 2022 and higher lease payments that extend beyond June 30, 2022).

– There are no material changes in other terms and conditions of the lease.

The amendment was scheduled to apply until June 30, 2021, but as the impact of the COVID-19 pandemic continues, on March 31, 2021, the IASB extended the practical expedient application period to June 30, 2022 The amendment applies to annual periods beginning on or after April 1, 2021. However, the Bank has not received COVID-19 related rental concessions, but plans to apply the practical expedient if it becomes applicable within the period application allowed.

- **Issued Standards and Interpretations that have not yet been Adopted -** Below are certain new standards, amendments to standards and interpretations that have been issued, but are not yet effective and have not been adopted in advance:

  Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current - The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income, or expense, or on the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights at the end of the reporting period, specify that the classification is not affected by expectations about whether an entity will exercise its right to defer settlement of a liability, explains that rights exist if the covenants are fulfilled at the end of the reporting period, and introduces a definition of "settlement" to make it clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments apply retrospectively for annual periods beginning on or after January 1, 2023, with early adoption permitted.

  Amendments to IFRS 3 - Reference to the Conceptual Framework - The amendments update IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations covered by the IAS 37, an acquirer applies IAS 37 to determine whether a present obligation exists as a result of past events at the acquisition date. For a lien that could fall within the scope of IFRIC 21 *Liens*, the acquirer applies IFRIC 21 to determine whether the event giving rise to an obligation to pay the lien occurred before the date of acquisition.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 - Property, Plant and Equipment - Procedures before Intended Use - The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced before that asset is available for use , for example: income while bringing the asset to the location and condition necessary for it to function in the manner intended by Management. Consequently, an entity recognizes such sales revenue and related costs in profit or loss. The Entity measures the cost of items in accordance with the Inventories of IAS 2.

The amendments also clarify the meaning of "testing whether an asset is working properly". IAS 16 now specifies that when evaluating whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to third parties, or for administrative purposes.

If not presented separately in the statement of profit or loss, the financial statements shall disclose the amounts of revenue and costs included in profit or loss relating to items produced that are not the entity's output, and what line item(s). s) the statement of profit or loss includes said funds received and the cost.

The modifications are applied retrospectively, but only for property, plant and equipment so that they are in a condition necessary for them to operate in the manner intended by Management as of the beginning of the earliest period presented in the financial statements in which the Entity applies in amendments for the first time.

The Entity will recognize the cumulative effect of initially applying the amendments as opening balance of retained earnings (or other component of equity, as applicable) at the beginning of that first period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract - The amendments specify that the "cost of fulfilling" a contract includes the "costs that are directly related to the contract". Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, equipment used to fulfill the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. The comparative figures are not modified. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or another component of equity, as appropriate, at the date of adoption.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

Amendments to IAS 1 - Presentation of Financial Statements and Statement of Practice of IFRS 2 Making Material Judgments - Disclosure of Accounting Policies - The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material disclosures about accounting policies.” Information about accounting policies is material if, when considered together with other information in an entity's financial statements, it could reasonably be expected to influence the decisions that primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs of IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Information about accounting policies may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information related to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, early application permitted, and are applied prospectively. Amendments to IFRS Practice Statement 2. they do not contain an effective date or transition requirements.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty."

Removed definition of change in accounting estimates. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in the accounting estimate resulting from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they are not the result of correcting prior period errors. The Council added two examples (Examples 4-5) to the Guide. on the implementation of IAS 8, which accompanies the Standard. The Board has removed one example (Example 3) as it could cause confusion in light of the changes.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with early application permitted.

Amendments to IAS 12 - Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - The amendments introduce a new exception to the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax legislation, equal taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise when recognizing a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

After the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria of IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments apply.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, an entity recognizes:

- A deferred tax asset (to the extent that it is probable that a taxable profit will be available against which the deductible temporary difference can be used) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  i. Right-of-use assets and lease liabilities

  ii. Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) as of that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with enforcement permitted.

- **Annual Improvements to IFRS Standards 2018-2020 -** The annual improvements include amendments to four Standards.

  IFRS 1 - First-time Adoption of International Financial Reporting Standards - The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent with respect to accounting for translation differences accumulated. As a result of the amendment, a subsidiary using the IFRS 1:D16(a) exemption can now also choose to measure cumulative translation differences for all foreign operations that would be included in the parent's financial statements, in the date of transition of the parent to IFRS Standards, if no adjustments were made for the consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar choice is available to an associated or joint venture using the exemption in IFRS 1: D16(a).

  The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

  IFRS 9 - Financial Instruments - The amendment clarifies that, when applying the “10 percent” criterion to assess whether a financial liability should be written off, an entity includes only the commissions paid or received between the entity (the borrower) and the lender, including fees paid or received by the entity or the lender on behalf of the other.

  The amendment is applied prospectively to amendments that occur on or after the date the entity first applies the amendment.

  The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

IFRS 16 - Leases - The amendment eliminates the illustration of the reimbursement of improvements in the lease.

Since the amendment to IFRS 16 only refers to an illustrative example, no effective date is indicated.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 is broken down as follows:

	2021	2020
Cash on hand and due from banks	US$233,131,627	US$109,605,724

As of December 31, 2021 and 2020, RECOPE does not maintain cash equivalents.

3. ACCOUNTS RECEIVABLE

A detail of accounts receivable is the following:

	Note	2021	2020
Short term:			
Government	15	US$3,160,765	US$1,157,925
Autonomous institutions	15	466,530	549,689
Clients		1,836	1,764
Employees		43,345	49,566
Others		1,154,308	583,922
Total short term		4,826,784	2,342,866
Long term:			
Related parties	15	570,968	1,138,051
Others			1,323
Subtotal		570,968	1,139,374
Estimated credit loss		(475,425)	(543,944)
Total long term		95,544	595,430
Total account receivable		US$4,922,327	US$2,938,296

Balances are collected within 30 to 60 days.

4. INVENTORIES

The inventory account is broken down as follows:

	2021	2020
Raw materials	US$ 4,128,698	US$ 2,361,996
Finished product	344,458,042	181,016,214
Semi-finished product	1,008,664	975,483
Inventory in transit	57,598,086	21,878,249
Material inventory (net of allowance for obsolete inventory for US$72,313 in 2021 and US$178,947 in 2020)	7,486,645	6,222,093
Total	US$414,680,135	US$212,454,037

During 2021 y 2020, obsolete material was recognized directly in the income of the period of US$221,423 and US$554,814 as of December 31, 2021 and 2020, respectively.

Production costs included as part of the cost of inventories and the cost of sales amount to US$5,850 (thousand) and US$7,051 (thousands) as of December 31, 2021 and 2020, respectively.

Fuel costs recognized as part of the cost of inventories and the cost of sales amount to US$2,407,850 (thousands) and US$ US$1,596,508 (thousands), during 2021 and 2020, respectively.

5. PREPAID EXPENSES

Prepaid expenses are detailed as follows:

	2021	2020
Tax advances		US$2,341,542
Insurance	US$1,390,602	1,326,955
Patents	1,072,046	627,650
Others	33,519	
Total	US$2,496,167	US$4,296,147

6. PROPERTY, PLANT, VEHICLES AND EQUIPMENT

The detail of property, plant, vehicles and equipment as of December 31, 2021 is the following:

Description	Initial Balance	Additions	Disposals	Capitalizations	Adjustments and Reclassifications	Foreign Exchange Translation Reserve	Final Balance
Fixed assets at cost:							
Properties	US$ 10,169,902		US$ (11,505)			US$ (425,768)	US$ 9,732,629
Moín Port complex	103,569,556					(4,339,461)	99,230,095
Facilities	444,284,285		(26,579)	US$ 7,697,160	US$ 233,118	(18,849,473)	433,338,511
Building	67,992,877			5,855,664	17,116	(3,023,005)	70,842,652
Heavy machinery and equipment	48,864,322	US$ 956,783	(100,237)	1,237,924	15,759	(2,109,950)	48,864,601
Furniture and equipment	66,330,962	3,500,821	(449,236)	1,195,137	277	(2,905,156)	67,672,806
Vehicles	22,959,531	973,329				(990,848)	22,942,013
Works in progress	85,509,506	20,819,394		(16,555,636)	(423,400)	(3,696,658)	85,653,207
Total at cost	849,680,942	26,250,328	(587,558)	(569,750)	(157,130)	(36,340,319)	838,276,514
Revalued fixed assets:							
Properties	136,720,169	15,893,571	(880)			(6,199,774)	146,413,086
Moín Port complex	17,732,756	(5,907,662)				(567,779)	11,257,315
Facilities	265,473,282	11,168,156	(21,318)			(11,453,652)	265,166,468
Building	51,654,532	21,503,655				(2,802,014)	70,356,173
Plant machinery and equipment	19,903,904	(4,172,952)				(710,195)	15,020,757
Furniture and equipment	2,626,606		(906)			(110,025)	2,515,674
Vehicles	2,612,840		(20,822)			(108,858)	2,483,161
Revalued total	496,724,089	38,484,769	(43,926)			(21,952,298)	513,212,633
Subtotal fixed assets	1,346,405,031	64,735,096	(631,484)	(569,750)	(157,130)	(58,292,617)	1,351,489,147
Depreciation at cost:							
Moín Port complex	(6,707,243)	(2,740,091)				362,291	(9,085,043)
Facilities	(122,807,390)	(15,333,562)	19,87	(5,850)		5,599,847	(132,527,168)
Building	(16,806,880)	(1,853,040)				759,148	(17,900,772)
Plant machinery and equipment	(17,051,322)	(2,592,063)	19,611	(2,831)		790,809	(18,835,794)
Furniture and equipment	(40,674,254)	(5,543,611)	380,209	(6,224)		1,857,528	(43,986,352)
Vehicles	(16,122,630)	(1,888,322)				731,525	(17,279,427)
Works in progress	(47,039)	(27,518)		14,905		2,345	(57,307)
Total accumulated depreciation of assets at cost	(220,216,757)	(29,978,205)	419,607	5,369		(10,103,492)	(239,671,863)
Revalued depreciation:							
Moín Port complex	(2,895,511)	(642,801)				140,383	(3,397,929)
Facilities	(73,198,648)	(10,690,781)	11,064			3,383,682	(80,494,682)
Building	(13,958,422)	(3,472,911)				687,841	(16,743,492)
Plant machinery and equipment	(6,002,682)	(1,200,704)	839			287,091	(6,915,455)
Furniture and equipment	(2,524,772)	(11,230)	19,936			105,527	(2,410,539)
Vehicles	(2,594,961)					108,726	(2,486,234)
Total accumulated depreciation of revalued assets	(101,174,996)	(16,018,426)	31,840			4,713,251	(112,448,331)
Total depreciation	(321,391,753)	(45,996,632)	451,447			14,816,743	(352,120,194)
Total depreciation	US$1,025,013,278	US$ 18,738,465	US$(180,036)	US$ (569,750	US$(157,130)	US$(43,475,874)	US$ 999,368,953

The detail of property, plant, vehicles and equipment as of December 31, 2020 is the following:

Description	Initial Balance	Additions	Disposals	Capitalizations	Adjustments and Reclassifications	Foreign Exchange Translation Reserve	Final Balance
Fixed assets at cost:							
Properties	US$ 10,918,422					US$ (748,520)	US$ 10,169,902
Moín Port complex	61,510,032			US$ 48,506,410		(6,446,886)	103,569,556
Facilities	420,081,722		US$ (4,809)	55,560,482		(31,353,110)	444,284,285
Building	66,211,387		(8,536)	6,633,784		(4,843,757)	67,992,877
Heavy machinery and equipment	46,178,203	US$ 912,942	(139,564)	5,360,521		(3,447,779)	48,864,322
Furniture and equipment	65,339,762	4,794,580	(655,240)	1,594,900		(4,743,039)	66,330,962
Vehicles	23,603,928	39,309		981,405		(1,665,111)	22,959,531
Works in progress	194,428,750	18,444,086	(3,028)	(118,637,501)		(8,722,800)	85,509,506
Total at cost	888,272,206	24,190,916	(811,177)			(61,971,002)	849,680,942
Revalued fixed assets:							
Properties	146,782,983					(10,062,814)	136,720,169
Moín Port complex	19,037,914					(1,305,158)	17,732,756
Facilities	285,217,189		(199,822)			(19,544,086)	265,473,282
Building	55,456,307		77			(3,801,851)	51,654,532
Plant machinery and equipment	21,393,622		(24,174)			(1,465,544)	19,903,904
Furniture and equipment	3,233,991		(404,262)			(203,123)	2,626,606
Vehicles	2,805,882		(715)			(192,326)	2,612,840
Revalued total	533,927,888	24,190,916	(628,896)			(36,574,903)	496,724,089
Subtotal fixed assets	1,422,200,094	24,190,916	(1,440,073)			(98,545,905)	1,346,405,031
Depreciation at cost:							
Moín Port complex	(5,852,397)	(1,316,590)				461,744	(6,707,243)
Facilities	(116,642,824)	(14,824,845)	2,089	(20,756)		8,678,945	(122,807,390)
Building	(16,221,601)	(1,786,569)	7,411			1,193,878	(16,806,880)
Plant machinery and equipment	(15,803,279)	(2,445,697)	1,899			1,195,756	(17,051,322)
Furniture and equipment	(38,416,856)	(5,651,542)	544,658	(19,907)		2,869,393	(40,674,254)
Vehicles	(15,244,074)	(2,016,783)	461			1,137,766	(16,122,630)
Works in progress	(37,499)	(58,738)	14	46,031		3,154	(47,039)
Total accumulated depreciation of assets at cost	(208,218,530)	(28,100,765)	556,532	5,369		(15,540,638)	(220,216,757)
Revalued depreciation:							
Moín Port complex	(2,497,093)	(597,058)				198,639	(2,895,511)
Facilities	(65,259,313)	(13,091,692)	80,273			5,072,083	(73,198,648)
Building	(12,252,648)	(2,668,968)	527			962,667	(13,958,422)
Plant machinery and equipment	(5,522,865)	(905,064)	5,256			419,992	(6,002,682)
Furniture and equipment	(3,066,612)	(22,785)	370,371			194,254	(2,524,772)
Vehicles	(2,785,248)	(1,381)	692			190,976	(2,594,961)
Total accumulated depreciation of revalued assets	(91,383,779)	(17,286,949)	457,119			7,038,612	(101,174,996)
Total depreciation	(299,602,309)	(45,387,714)	1,013,651	5,369		22,579,249	(321,391,753)
Total depreciation	US$1,122,597,785	US$(21,196,798)	US$ (426,422)	US$ 5,369	US$	US$(75,966,656)	US$1,025,013,278

7. INVESTMENTS IN JOINT VENTURE

Investment in joint venture corresponds to a participation of 50% that RECOPE has in the stockholders' equity of Soresco, S.A. (Note 22.3)

The movement of year in the investment is the following:

	Note	2020
Initial balance		US$ 10,571,763
Effect from participation		(454,297)
Return on investment		(14,250,000)
Foreign exchange translation adjustment		6,934,737
Allowance for investment impairment		(2,802,203)
Final balance	15	US$

A detail of assets, liabilities, and results of Soresco, S.A. as of December 31, 2021 and 2020 is the following (in thousands):

	2021	2020
Assets:		
Currents	US$ 2,405	US$ 31,127
Non currents		
Total assets	US$ 2,405	US$ 31,127
Liabilities:		
Currents	US$ 27	US$ 180
Total liabilities	27	180
Stockholders' equity:		
Capital stock	10	10
Additional paid-in capital	71,500	100,000
Accumulated losses	(69,132)	(69,063)
Total stockholders' equity	2,378	30,947
Total liabilities and stockholders' equity	US$ 2,405	US$ 31,127
Expenses:		
Operating expenses	US$ (91)	US$ (1,559)
Net financial income	22	475
(Loss) profit	US$ (69)	US$ (1,084)

As of December 31, 2020, the additional paid-in capital by RECOPE is US$50,000,000.

Since 2016, the Company has approved actions to terminate the Joint Venture Agreement between RECOPE and China National Petroleum Corporation International, Ltd. (CNPCI), by means of arbitration at the Arbitration Court of the International Court of Arbitration of the International Chamber of Commerce (ICC), based in London, England. This court ordered the termination of the Joint Venture Agreement between RECOPE and China National Petroleum Corporation International Ltd. (CNPCI) (Note 21.2). The liquidation process has begun and the Company is waiting for a receiver or liquidator to estimate the market and realization values of the assets recorded, as well as to recognize the liabilities pending recording until the closing and liquidation of the joint venture. As of December 31, 2019, it is not possible exact amount of the remaining recoverable cash and the remaining balance of the final loss from the investment can be estimated, and therefore an impairment allowance of US$33,122,177 was created, maintaining as of December 31, 2019 an unestimated balance of US$10,571,763.

During 2020, the liquidation process began and according to Minute No.21 of the Stockholders' Meeting of SORESCO, S.A. of December 9, 2020, based on the liquidator's report, duly approved by the stockholders of SORESCO, S.A., it was agreed to refund US$14,250 (thousand), ¢8.663 (million) at an exchange rate of ¢607,93, as partial liquidation of the investment. Consequently, a foreign exchange translation adjustment of US$6,934,737 was generated.

In December 2020, US$14,250 (thousand) were transferred to the Ministry of Finance, as instructed in official communication P-0912-2020 dated December 14, 2020 and in compliance with the provisions of Law 9925 on the Efficiency of Public Fund Management, which establishes in its transitional provision IV that: “for a single time, Refinadora Costarricense de Petróleo (RECOPE) shall transfer, to the Ministry of Finance, the total amount resulting from the final liquidation of Sociedad Reconstructora Chino Costarricense (SORESCO).”

At the end of December 2020, since no additional resources are expected to be recovered, Management created an additional allowance for impairment amounting to US$454,297, equivalent to the total balance of the investment after the aforementioned refund.

8. INVESTMENTS IN FINANCIAL ASSETS

A detail of investments in financial assets is as follows:

	2021	2020
Financial assets measured at amortized cost:		
Securities in colones, interest between 4.32% and 13.32% (2020: 3.30% y 13.32%) per annum and maturing between March 21, 2025 and June 15, 2026 (2020: January 25, 2021 and June 15, 2026)	US$ 26,765,428	US$23,149,268

(Continues)

	Note	2021	2020
Securities in dollars, interest between 2.32% and 9.59% (2020: 0.60% and 9.59%) per annum and maturing between February 12, 2022 and June 29, 2029 (2020: March 26, 2021 and June 29, 2029)		US$ 79,680,278	US$62,150,416
Total	15	US$106,445,706	US$85,299,684

These investments have been made by the Company to anticipate the reserve of funds to be used at the time the bonds mature (Note 13). With Official Communication JD-0274-2017 the agreement reached by the Board of Directors is communicated, according to article 6 of the ordinary meeting #5013-219 held on December 18, 2017, and with official letter GG-1116-2017, and with the official letter "Proposal for the formation of a bond payment fund", in which it establishes in its point 2: Authorize the formation of a Fund for the Amortization of Bonds (in hereinafter FAB) issued by RECOPE in Program A, which was authorized by SUGEVAL, according to official letter SGV-R-2702 of August 27, 2012, whose initial amount is ¢9.175 million and to which an amount will be allocated annually that will be determined from according to financial and economic conditions.

The movement of investments of the year is as follows (in thousands):

	2021	2020
Initial balance	US$ 85,300	US$53,085
Increase	21,222	32,870
Exchange rate translation effect	(76)	(656)
Final balance	US$106,446	US$85,299

9. OTHER ASSETS

Other assets are broken down as follows:

	2021	2020
Software licenses	US$ 19,874,054	US$ 18,337,550
Security deposits	3,605,552	2,525,240
Idle assets	13,981,391	17,932,415
Others	604,338	745,422
Subtotal	38,065,335	39,540,627
Accumulated amortization of software	(16,604,340)	(15,280,357)
Total	US$ 21,460,995	US$ 24,260,270

Service stations are idle since there are lawsuits that are pending resolution, filed by former users of the stations.

Deposits for ¢376 million and US$3,049 thousand are given as collateral in other government institutions.

Non-operating assets correspond to real estate that RECOPE is not using and were transferred from property, plant and equipment.

The movement of idle assets is as follow:

	2021	2020
Initial balance	US$17,932,415	US$20,809,973
Allowance for impairment	(1,869,445)	
Retirement	(227,224)	
Accumulated depreciation	(1,103,005)	(1,450,915)
Foreign exchange translation reserve	(751,350)	(1,426,643)
Final balance	US$13,981,391	US$17,932,415

During 2021, based on the appraisal made by the Company, an impairment of non-operating assets was recognized for US$1,869,445 and assets were withdrawn for US$227,224.

Licenses are amortized over a period of 3 years. The movement of the accumulated amortization of software is as follows:

	2021	2020
Initial balance	US$15,280,357	US$15,304,872
Increases	1,964,215	1,024,722
Foreign exchange translation reserve	(640,232)	(1,049,237)
Final balance	US$16,604,340	US$15,280,357

10. ACCOUNTS PAYABLE

Accounts payable are broken down as follows:

	Note	2021	2020
Supplier of oils and byproducts		US$278,961,623	US$ 77,555,232
Law No.8114 Single Tax	15	94,262,996	43,608,212
Public institutions		15,321,276	1,505,041
C.C.S.S		5,362,084	6,288,717
Trade		1,692,903	2,265,863
Others		799,977	1,759,191
Total		US$396,400,859	US$132,982,257

11. ACCUMULATED EXPENSES AND OTHER LIABILITIES

The accumulated expenses and other liabilities account is broken down as follows:

	2021	2020
Provision for school supplies bonus	US$ 3,648,770	US$3,949,807
Provision for Christmas bonus	280,962	336,059
Provision for vacations	2,555,892	1,142,195
Accumulated interest	3,556,984	3,702,814
Total	US$10,042,608	US$9,130,875

12. LONG TERM DEBT

A detail of the long-term debt is presented as follows:

	Note	2021	2020
BNP Paribas, in dollars, interest rate of, Libor rate at six months plus 2.75%, maturity in 2027, guaranteed through insurance	21.1	US$ 8,687,795	US$10,267,393
Subtotal		8,687,795	10,267,393
Less: Current portion of the long-term debt		(1,579,599)	(1,579,599)
Total		US$ 7,108,196	US$ 8,687,794

Scheduled maturities of long-term debt as of December 31 are the following:

Year	2021	2020
2021		US$ 1,579,599
2022	US$1,579,599	1,579,599
2023	1,579,599	1,579,599
2024	1,579,599	1,579,599
2025 and thereafter	3,948,998	3,948,998
Total	US$8,687,795	US$10,267,393

13. LONG-TERM BONDS PAYABLE

Long-term bonds payable as of December 31 are described below:

	2021	2020
Series A1 bonds payable	US$ 50,000,000	US$ 50,000,000
Premium in placement	102,420	199,190
Series A2 bonds payable	50,000,000	50,000,000
Premium in placement	64,770	72,602
Series A4 bonds payable	40,000,000	40,000,000
Discount in placement	(42,915)	(47,956)
Series A5 bonds payable	32,481,242	32,481,242
Premium in placement	373,668	476,078
Series A6 bonds payable	8,818,038	9,203,560
Premium in placement	1,058	1,381
Total	US$180,437,694	US$182,386,097

RECOPE, S.A. is an entity regulated by the General Superintendence of Securities (SUGEVAL), the Bolsa Nacional de Valores de Costa Rica, S.A. (Costa Rica's National Stock Exchange) and the Securities Market Regulation Law, and it was authorized through Resolution SGV-R-2702 of August 27, 2012, *public offer and registration in the National Registry of Securities and Intermediaries* to issue standardized debt bonds for US$200 million dollars to be traded in the stock market of Costa Rica for the financing of a program of strategic investments. It is also authorized in the secondary market by the Financial System Superintendence of El Salvador per Certification No. SAVC-025917. The following is a detail of the characteristics of bonds payable:

Instrument	ISIN Code	Series in Placement	Amount Auctioned	Risk Rating	Issue Date	Maturity Date	Term of Issue	Face Value	Value Traded	Type of Rate	Gross Interest Rate	Net Interest Rate	Weighted Yield
Standardized Bonds	CRRECOPB0012	Series A1	US$ 50,000,000	(1)	12/05/2012	12/05/2022	10 years	US$1,000	US$1,000	Fixed	5.98%	(2)	5.299%
Standardized Bonds	CRRECOPB0020	Series A2 (3)	US$ 50,000,000	(1)	04/03/2013	04/03/2028	15 years	US$1,000	US$1,000	Fixed	6.36%	(2)	5.83%
Standardized Bonds	CRRECOPB0046	Series A4 (3)	US$ 40,000,000	(1)	07/02/2014	07/02/2029	15 years	US$1,000	US$1,000	Fixed	7.07%	(2)	6.50%
Standardized Bonds	CRRECOPB0053	Series A5 (3-4-5)	¢20.000.000.000	(1)	03/24/2015	03/24/2025	10 years	¢1.000,00	¢1.000,00	Fixed	11.96%	(2)	10.99%
Standardized Bonds	CRRECOPB0061	Series A6 (6)	¢ 5.667.000.000	(1)	06/16/2016	06/16/2026	10 years	¢1.000,00	¢1.000,00	Fixed	9.946%	(2)	9.150%

Notes:

(1) AAA (cri) FITCH Costa Rica, AAA Pacific Credit Rating El Salvador.

(2) Net interest rate: Gross rate less income tax (DGT-951-2012),

(3) According to the Regulations on the Public Offer of Securities and Official Communication DCP-211-2013, RECOPE allocated the totality of Series A2.

(4) It corresponds to the second placement of the issue of Series A5, amounting to ¢4.020.000.000 (US$6,591,569) and made on August 25, 2015, complementing the first placement for ¢12.000.000.000 (US$19,676,324) made on March 24, 2015.

(5) It corresponds to the third placement of the issue of Series A5, amounting to ¢3.928.000.000 made on November 23, 2015, complementing the first and second placements for ¢16.020.000.000 made on March 24, 2015 and August 25, 2015.

(6) It corresponds to the first placement of the issue of Series A6, amounting to ¢5.667.000.000 made on June 16, 2016.

Risk rating AAA (cri) refers to securities issuances or debt obligations with the lowest likelihood of default risk in comparison with all other issues or obligations of the country. This rating was awarded by FITCH COSTA RICA, S.A. on September, 2021.

During 2021 and 2020, there have not been any bond placements.

The scheduled maturities of bonds are as follows:

Year	2021
2022	US$ 50,102,420
2025	31,494,323
2026	8,819,096
2028	50,064,770
2029	39,957,085
Total	US$180,437,694

14. INCOME TAXES

Based on the ruling of the Administrative Tax Court No.TFA-504-2011, the provisions established in Law No.7092 “Income Tax Law”, published in the official newspaper La Gaceta No.96 of May 19, 1988 and Law No.7722 “Obligation of Government Agencies to Pay Income Tax”, published in the official newspaper La Gaceta No.10 of March 15, 1998, regarding the obligation of RECOPE to pay income tax, were ratified at the administrative channels. For those matters not included in this law (7722), the application of the tax will be governed by the Income Tax Law No.7092. Regarding the income tax returns of the last two fiscal years (2017-2018), they were timely filed in accordance with the current regulations.

Through resolution TFA No.428-P-2018, on July 24, 2018, the Administrative Tax Court notified RECOPE about the resolution adopted, partially admitting the appeal filed by RECOPE. Consequently, it stated its position regarding the total deduction of the Income Tax Investment Reserve in accordance with the amount approved by ARESEP (Note 18).

Based on official communication No.DGT-1195-2019, of November 21, 2019, the Attorney General's Office of the Republic files an ordinary proceeding leading to a declaratory judgement (damage lawsuit) against the Company, against the resolution of the Administrative Tax Court mentioned above. Furthermore, RECOPE answered negatively to such lawsuit, on December 19, 2019. On January 17, 2020, the Contentious Court ruled on the matter and summoned the parties to a preliminary, oral and public hearing, indicating September 14, 2020 as the date for the hearing.

On September 28, 2020, a preliminary hearing was held where RECOPE's expert report contained in file 19-007658-1027-CAp-1 was admitted as evidence.

Income Tax Calculation - Income tax is calculated on the net profit, less non-taxable income plus non-deductible expenses, less the investment reserve at the end of the fiscal year to get the net income (taxable income or taxable surplus) to which 30% is applied and corresponding to the current rate. It is filed and paid in March of the following year.

	2021	2020
Profit (Loss) before income tax	US$107,111,381	US$(30,713,648)
Plus: Nondeductible expenses	50,867,384	37,349,152
Less: Other deductible	(74,952,077)	(7,637,930)
Less: Nontaxable income	(3,319,020)	(11,078,166)
Taxable gain	US$ 79,707,668	US$
Current income taxes (30% on taxable gain)	US$ 23,912,301	US$
Deferred taxes	US$ 2,065,219	US$ 3,358,930

As of December 31, 2021 and 2020, the Company's management considers that the items included in the calculation of the tax base for the determination of the income tax will not generate any uncertainty regarding the income tax treatment as required by IFRIC 23 - Uncertainty over Income Tax Treatments.

Deferred Income Tax Asset - The movement of the deferred income tax assets are detailed below:

	2021	2020
Balance at the beginning of year	US$ 6,529,592	US$6,802,255
Translation adjustment	(136,493)	(475,842)
Severance benefit accrual	(4,474,354)	203,179
Balance at the end of year	US$ 1,918,745	US$6,529,592

Deferred Income Tax Liability - The movement of the deferred income tax liability are detailed below:

	2021	2020
Balance at the beginning:	US$(147,681,991)	US$(117,026,243)
Effect from revalued fixed assets	(11,544,479)	(43,738,571)
Effect from depreciation expenses on revalued assets	4,976,814	5,424,445
Exchange rate differences in depreciation rates and recognized in results	(2,567,679)	(2,268,694)
Translation adjustment	6,465,920	9,927,072
Deferred income tax liability of the year	US$(150,351,415)	US$(147,681,991)
Deferred income tax liability of the year - net	US$(148,432,670)	US$(141,152,400)

In 2020, with the entry into force of Law No. 9635 Law for the Strengthening of Public Finances and its regulations, the Company recognized the deferred income tax corresponding to the revaluation surplus arising from the land (non-depreciable assets), in the amount of ¢25,668 thousand. During 2021, RECOPE carried out an appraisal of its fixed assets, originating for this period a deferred tax liability for US$11,542,918.

As of December 31, 2021 and 2020, the Company's management has estimated that it will have future taxable income against which to charge the deductible temporary differences existing at that date, and that it still has the legal power and rights to use and apply these deductible temporary differences.

Income Tax Liability - The movement of the income tax liability is detailed below:

	2021	2020
Balance at the beginning of year:		
Current income tax	US$ 23,912,301	
Paid Taxes	(11,444,883)	
Income tax payable of the year	US$ 12,467,418	US$

Transfer Pricing - The resolution denominated Transfer Pricing Informative Return No.DGT-R-44-2016, published in Digital Supplement No.182 of September 13, 2016, states in Article 1 that taxpayers required to file an annual income tax return as stipulated in Article 2 of this resolution must file an annual transfer pricing informative return with the Tax Authorities in accordance with the sample return and instructions given therein and in accordance with the following statement: "Taxpayers classified as "national large taxpayers" or "large territorial companies" that perform national or cross-border operations with related parties".

Regarding the foregoing, RECOPE's Management has not filed any annual transfer pricing informative return because it considers that it would not apply, so it will submit an explanation about the filing of such return to the corresponding authorities, based on the following:

a. The Company does not conduct transactions with related parties and has not maintained any type of commercial relationship through the purchase or sale of goods and services.

b. Fuel sales are governed by the Public Services Regulatory Authority (ARESEP); therefore, RECOPE does not have the power to set the prices to sell its products, whether with related or unrelated parties.

c. The purchases are made from entities with which it has no relationship under the terms set forth by Transfer Pricing Decree No.37898. It should be clarified that neither the Costa Rican Transfer Pricing regulations, nor the OECD Transfer Pricing Guidelines, on which the local regulations are based. These guidelines are not designed for the evaluation of governmental entities, which makes it difficult to interpret the term "related parties" in the public sector. However, the interpretation is that RECOPE's operations with entities of the Central Government or Local Government do not constitute related transactions.

d. Prices are governed by another governmental institution (ARESEP), so they do not require a Transfer Pricing analysis; therefore, it would not be necessary to file an informative return.

15. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties are broken down as follows:

	Notes	2021	2020
Investment in financial assets:			
Ministry of Financing	8	US$106,445,706	US$85,299,684
Account receivable:			
Ministry of Financing	3	US$ 3,160,765	US$ 1,157,925
JAPDEVA	3	466,530	549,689
Total		US$ 3,627,295	US$ 1,707,615
Account receivable - long term:			
JAPDEVA		US$ 95,434	US$ 643,044
National Concession Board		475,534	496,330
Total	3	US$ 570,968	US$ 1,139,374

The account receivable from JAPDEVA corresponds to a payment for using a tow truck, which generates an interest equal to the basic borrowing rate set by the Central Bank of Costa Rica of 4,53% (2020:4.53%).

For the other accounts receivable, there is no expiration date or guarantee of their balance, and they do not earn interest.

	2021	2020
Accounts payable:		
Ministry of Financing	US$ 94,262,996	US$43,608,212
C.C.S.S	5,362,084	6,288,717
Public Institutions	15,321,276	1,505,041
Total	US$114,946,356	US$51,401,971

Accounts payable to the Ministry of Finance include the Single Tax Law No.8114 (Note 10), income tax payable and 2% withholdings.

The transactions with related parties are the following:

	2021	2020
Sales:		
Costa Rican Institute of Electricity	US$ 75,031	
To the Ministries of the Government of Costa Rica	235,963	US$ 228,341
Total	US$ 310,994	US$ 228,341
Cost of sales:		
Costa Rican Institute of Electricity	US$ 67,418	
To the Ministries of the government of Costa Rica	208,675	US$ 201,077
Total	US$ 276,093	US$ 201,077

(Continues)

	2021	2020
Expenses:		
Seating fees to the Board of Directors	US$ 33,356	US$ 37,489
Salaries to directors and managers	1,349,964	1,409,241
Total	US$1,383,320	US$1,446,730

16. CAPITAL STOCK

RECOPE's capital stock amounts to US$370,515,185 (¢200.103.000.000), represented by 30,000 common and nominative shares of ¢6.670.100 (US$12,350.51) each.

17. SURPLUS FROM DONATION

Based on Official Communication JD-0201-2020 of June 9, 2020, Article No.5, of Ordinary Meeting No.5157-129, held on Wednesday, June 3, 2020, the agreement adopted by the Board of Directors was communicated, authorizing the corresponding reclassification to eliminate the balance of the donated surplus account against the retained earnings.

18. INVESTMENT RESERVE

Through resolution TFA No.428-P-2018 of July 24, 2018, the Administrative Tax Court notifies RECOPE about the resolution adopted by that instance regarding the deductibility of the Investment Reserve in the determination of the Income Tax, concluding that such total deduction is appropriate, according to the amount approved by ARESEP.

As of December 31, the Administration has been authorized by ARESEP to create the investment reserve for the 2021 fiscal period, for an amount of ¢40,215 million, based on resolution RE-0048-IE-2019, issued by the Regulatory Authority of Public Services (ARESEP), published in Scope No.165 of La Gaceta No.135, of July 18, 2018, in accordance with the provisions of Article No.2 of Law No.7722 "Subjection of State Institutions to the Payment of Income Tax".

It is kept as part of the accumulated profits.

19. SALES, OPERATING EXPENSES AND EXTERNAL TRANSFERS

The sales are as follows:

	2021	2020
Diesel	US$ 957,486,842	US$ 723,967,303
91 Plus gasoline	621,229,048	458,370,733
Premium gasoline	631,498,757	492,217,517
JET - 1	141,136,178	76,416,397
Other derivatives	234,542,498	140,420,931
Total sales	2,585,893,323	1,891,392,880
Refunds	(488,075)	(474,213)
Total	US$2,585,405,248	US$1,890,918,668

Operating expenses by nature are as follows:

	2021	2020
Salaries	US$ 64,879,933	US$ 73,364,401
Non-personal services	35,705,473	44,978,361
Materials and supplies	8,794,160	10,979,085
Depreciation and amortizations	49,158,152	48,106,816
Current transfers	(12,554,402)	(3,111,236)
Total	US$145,983,316	US$180,539,898

Current transfers include expenses for benefits, subsidies and severance, among others.

External transfers for 2021 and 2020 amount to US$22,689,308 and US$54,349,683, respectively, and include the regulatory fee on the fuel supply and contributions to Costa Rican governmental institutions, which are established by law.

Transfers are detailed as follows:

	2021	2020
Law No.9840 Contribution to the Ministry of Finance due to the COVID-19 pandemic		US$27,189,569
Canon Civil Aviation	US$ 1,411,764	969,925
Canon ARESEP	2,854,510	987,396
Contributions to Local Governments municipalities)	1,514,972	1,690,229
Law 9925 on the Efficiency of Public Fund Management, Ministry of Finance (SORESCO)		14,762,104
Law 8488 National Emergency Commission	2,391,230	8,520,201
Law # 7983 Contributions to C.C.S.S.	14,317,740	
Others	199,092	230,259
Total	US$22,689,308	US$54,349,683

20. FINANCIAL INSTRUMENTS

A summary of the principal disclosures regarding RECOPE’s financial instruments is the following:

20.1 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and adopted methods, including the criteria for recognition, basis for measurement, and basis on which income and expenses for each type of financial asset and liability is recognized are indicated in Note 1 to the financial statements.

20.2 FINANCIAL INSTRUMENTS - CATEGORIES

Financial instruments are categorized as follows:

	2021	2020
Financial assets:		
Cash	US$233,131,627	US$109,605,724
At amortized cost:		
Accounts receivable	4,922,218	2,938,296
Security deposits		2,525,240
Investments on financial assets	106,445,706	85,299,684
Total assets	US$344,499,551	US$200,368,944
Financial liabilities:		
At amortized cost:		
Accounts payable	US$396,400,859	US$132,982,257
Long term debt	8,687,794	10,267,393
Long term bonds payable	180,437,695	182,386,097
Total liabilities	US$585,526,348	US$325,635,747

The reconciliation of liabilities arising from financing activities, detailing the changes in liabilities arising from financing activities, including changes in cash and non-cash:

			Cash	No - Cash		
	Notes	Balance as of 31/12/2020	Flows of cash from Financing	Effect of Differential Exchange	Transactions that do not involve Cash	Balance as of 31/12/2021
Long term bonds payable	13	US$174,746,235	US$	US$5,691,460	US$	US$180,437,695
Long term debt	12	US$ 9,837,308	US$1,513,501	US$ 363,987	US$	US$ 8,687,794

A summary of the main risks associated with these financial instruments and Company risk management policies are described below:

a. ***Credit Risk*** - Financial instruments that potentially subject RECOPE to credit risk mainly consist of cash, cash equivalents, accounts receivable and investments in financial assets. Cash and cash equivalents are maintained at a strong financial institutions. These are payable on demand with minimum recovery risk. The Investment in Financial Assets is held in securities of the Ministry of Finance and the recovery risk is deemed minimal.

In general, accumulation of credit risk in connection with receivables is limited, for most of RECOPE sales are in cash, as provided in Law No.6588 “RECOPE Incorporation Act” Only the Central Government is granted a sixty-day term. The remaining accounts receivable are assessed on a qualitative experience-based scale. Having balances receivable from related parties carries no risk, for no default problems have been detected over time.

b. ***Exchange Rate Risk*** - RECOPE makes transactions in US dollars. This currency shows regular fluctuations against the Costa Rican colón in accordance with monetary and exchange policies by the Central Bank of Costa Rica. Accordingly, any fluctuation of the US dollar against the Costa Rican colón affects results, financial position, and cash flows. The Company is constantly monitoring net exposure in US dollars. This risk is reduced through the pricing formula, showing monthly currency variation in sales price adjustment. Assets and liabilities in foreign currency are described as follows:

	2021	2020
Assets:		
Cash and cash equivalents	US$ 201,152,636	US$ 40,974,967
Investments in financial assets	79,319,844	63,518,758
Accounts receivable	5,032,723	4,947,511
Total assets	285,505,203	109,441,236
Liabilities:		
Accounts payable	(303,446,122)	(99,937,991)
Debt	(148,812,070)	(150,468,500)
Total liabilities	(452,258,192)	(250,406,491)
Net exposure	US$(166,752,989)	US$(140,965,255)

The sales operation, as well as the rotation of inventories, generates the necessary funds for the Company to promptly attend to the purchase of foreign currency to attend to its liabilities. On the other hand, the maturities of the bonds are associated with purchases and the maturities of investments in financial assets that are denominated in the same currency (Notes 8 and 13).

Exchange Rate Sensitivity Analysis - The following description shows sensitivity to decrease or increase in foreign exchange rate. The sensitivity rate used by Management is 2%, accounting for the best estimate of exchange rate variation.

Sensitivity to Increase / Decrease in Exchange Rate -

Net exposure	US$(166,752,989)
Closing exchange rate	¢ 642,66
Exchange rate variation of 2%	12,85
Loss / profits	¢ (2,143)

c. ***Liquidity Risk*** - Liquidity risk is the risk if RECOPE fails to meet all its obligations in the agreed terms. RECOPE maintains liquid financial assets for transactions. In addition, a methodological request for adjustment of fuel prices is made to reduce the risk of significant differences between fuel price and sales price. Sales to third parties are in cash, as provided in Law No.6588, reducing default risk. Credit lines are also available for fuel purchase in order to reduce liquidity.

RECOPE is managing liquidity risk by maintaining proper cash reserves. Additionally, RECOPE is constantly monitoring cash flows and maturity matching analysis, allowing for timely issue of short and medium-term obligations.

Expected recovery of principal financial assets as of December 31, 2021 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between 0.12% and 13.32%	US$233,131,627		US$39,732,407	US$66,713,299	US$339,577,333
Non-interest rate bearing instruments			US$4,826,784		95,434	4,922,218
Total		US$233,131,627	US$4,826,784	US$39,732,407	US$66,808,733	US$344,499,551

Scheduled payments of principal financial liabilities as of December 31, 2021 are as follows:

Financial Assets	Interest Rate	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between Libor six Months 2.75% and 11.96%		US$ 51,682,019	US$137,443,470	US$189,125,489
Interest payable and undiscounted future cash flow		US$3,395,263	10,089,316	68,963,371	82,447,951
Non-interest rate bearing instruments			357,061,277	39,289,827	396,351,103
Total		US$3,395,263	US$418,832,612	US$245,696,667	US$667,924,543

Expected recovery of principal financial assets as of December 31, 2020 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between 0.12% and 13.32%	US$109,605,724			US$85,299,684	US$194,905,408
Non-interest rate bearing instruments			US$2,342,866		595,430	2,938,296
Total		US$109,605,724	US$2,342,866	US$	US$85,299,684	US$200,368,944

Scheduled payments of principal financial liabilities as of December 31, 2020 are as follows:

Financial Assets	Interest Rate	1 - 3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing Instruments	Between Libor six Months 2.75% and 11.96%		US$ 1,579,599	US$191,073,891	US$192,653,490
Interest payable and undiscounted future cash flow		US$3,740,083	10,838,087	87,931,011	98,769,098
Non-interest rate bearing instruments			132,982,257		132,982,257
Total		US$3,740,083	US$145,399,943	US$279,004,902	US$424,404,845

d. ***Interest Rate Risk*** - RECOPE maintains significant liabilities mainly consisting of bank loans subject to interest rate variation. RECOPE hopes that its interest rates are not significantly increased in the short term. In case of the investments in financial assets and long-term bonds payable, it is important to mention that this is a fixed rate loan, thus reducing this risk. In regards to the remaining existing loans. RECOPE is currently reviewing interest rates and renegotiating financial conditions.

RECOPE issues bank bonds bearing interest at variable rates. Accordingly, it is subject to interest rate fluctuation. This risk is considered normal within RECOPE financing structure, for loans are arranged at market rates. Given net borrowing as of December 31, 2021. Management has developed a sensitivity analysis on potential interest rate variations. The table below shows annual profits (losses) that may result from interest rate variation of 1 and 2 percentage points, respectively:

	Variable Interest Rate Borrowing	1%	2%
Increase	US$8,687,794	US$(86,878)	US$(173,756)
Decrease	US$8,687,794	US$(86,878)	US$(173,756)

e. ***Capital Management Policy*** - Capital Management Policy is contained in different regulations of RECOPE, including, inter alia, Law No.6588 "RECOPE Incorporation Act," Law No.8131 "Law of Financial Administration and Public Budgets." and Law No.7593 "Law of the Public Services Regulating Authority". Law No.7010 "Public Indebtedness Law". Law No.5525 "National Planning Law", among others and the respective regulations.

f. ***Market Risk*** - Market risk refers to international price variations of crude oil and petroleum by-products. International price variations from increased world demand for hydrocarbons always have an impact on the financial situation of RECOPE.

To reduce this risk, RECOPE has used a monthly sales price formula, demanding price adjustment to the Regulatory Authority while covering import price and exchange rate variations every time it is methodologically determined (on a monthly basis) that international price variations of crude oil and by-products have given rise to the need for price review. Historically, price adjustments have not necessarily been adjusted to the requests of RECOPE in terms of amounts and time. Therefore, variations in purchase of raw material and finished goods maintain the market risk inherent in the product and the need for price adjustment.

Based on a domestic sales price formula, RECOPE hedges price and exchange rate risk. It also reduces the market supply risk with different hydrocarbon suppliers and agreements therewith for different finished goods and crude oils.

Market Risk Sensitivity Analysis - In connection with the sensitivity analysis to assess the impact on RECOPE projected financial statements, different hydrocarbon "cocktail" price scenarios as well as product demand and purchase projection scenarios are used, thus. RECOPE conducts this type of analysis of its finances on an ongoing basis, using cash flow projections, income statements, and statements of financial position, taking into consideration, among others, price markets of hydrocarbon futures, local sale prices, which are monthly adjusted according to the behavior of fuel prices in the international market.

For the sales projections and demand analysis, multi-variable and co-integrated econometric models, least squares, and surveys are used among important clients with the consumption expectations of some clients, among others.

For the imports projections, which is one of the items with the greater impact in determining the cost of sales, daily consultation in specialized sources of information of present and future hydrocarbon international prices is made.

Market sensitivity is mainly conducted for the previous factors because they are the ones with the greater impact in RECOPE's financial projections, in addition to the use of historical analysis and the future needs of the different premises of RECOPE.

Taking into consideration the above, under the assumption of a variation of 1% in the international prices of hydrocarbons, changes could occur in the national sales prices for US$19,000,000 for a year. These variations in the price of hydrocarbons in the international market, as well as in the exchange rate, are considered in the price adjustment formula that is monthly applied using the definition of prices made by ARESEP.

20.3 LEVERAGE RISK MANAGEMENT

In the normal course of operations, RECOPE is exposed to a variety of financial risks, which it tries to minimize through the application of risk management policies and procedures. These policies cover market risk, liquidity risk, exchange rate risk, and interest rate risk. In addition, RECOPE manages its capital structure with the objective of achieving a profitability that will allow it to expand its business in accordance with national long-term development plans.

The capital structure used consists of the net debt (debt less cash and cash equivalents) and stockholders' equity, including capital stock, reserves, and retained earnings, RECOPE's leverage index is the following:

	2021	2020
Notes payable, bank debt and long-term bonds payable	US$ 189,125,489	US$ 192,653,490
Investments in financial assets	(106,445,706)	(85,299,684)
Cash and cash equivalents	(233,131,627)	(109,605,724)
Net debt	US$ (150,451,844)	US$ (2,251,918)
Stockholders' equity	US$1,023,197,327	US$ 958,209,525
Leverage index	(0.1470)	(0.24)

20.4 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

Estimates of market fair value are made at a specific time, and they are based on relevant market information and information related to the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at a certain time a financial instrument.

The fair value of financial instruments negotiated in active markets is determined based on market price quotes as of the date of the financial statements.

The fair value of financial instruments not negotiated in active markets is determined based on valuation techniques and assumptions based on the market conditions as of the date of the financial statements.

These estimates are subjective by nature; they involve uncertainty and great judgment; therefore, they cannot be accurately determined. Any change in the assumptions or criteria can affect these estimates.

The accounts receivable and payable are non-derivative assets and liabilities with fixed or determined payments, and they are not quoted in an active market. It is assumed that their book value, less the allowance for impairment, if any, is approximate to their fair value.

The market value of financial assets and liabilities on the short term is approximate to their respective book value, mainly due to their maturity. The methods and assumptions used by RECOPE to establish fair market value of the financial instruments are detailed as follows:

a. ***Cash, Cash Equivalents*** - Book value of these assets is approximate to their fair value due to their current nature.

   Investments in Financial Assets - Book value as of December 31, 2021 is US$106 million and its fair value as of that date is US$123.5 million. Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date (Level 1).

b. ***Accounts Receivable, Accounts and Notes Receivable on the Long Term, and Accounts Payable*** - Book value of these financial assets and liabilities at less than one year is approximate to their fair value due to their short term nature.

c. ***Notes Payable and Long Term Debt*** - Rates of the loan are agreed at market value, and they are adjustable so that they can remain always at fair value; therefore, their market value is approximate to their reasonable value.

21. AGREEMENTS

21.1 LOAN AGREEMENTS WITH BNP PARIBAS FORTIS SOCIÉTÉ GÉNÉRALE

On September 22, 2015, RECOPE and BN PARIBAS FORTIS SOCIETE GENERALE enter into a loan agreement for the amount of US$19,000,000 (nineteen million dollars), legal tender of the United States of America, to build four spherical tanks for the storage of LPG (YT-7712, YT-7713, YT-7714, YT-7715) in the refinery of Moín, in regard to public tender No.2011LN-00009-02.

Term and Amortization - 10 years including a two-year grace period, 20 biannual payments, after the grace period with maturity in September 2027.

Interest Rate - Payable biannually when due, calculated on the basis of 360 days (at six-month Libor rate + 2.75%)

Method of Interest Payment - The last day of each interest period, the borrower must pay the interest accrued on the loan to which the borrower relates for that period of interest.

Interest in Arrears - 2% on applicable interest rate (IR+2.0%).

Fees and Commissions -

a. **Commitment Fee -** 1.10% per year on undrawn balance, starting on the date the loan agreement is signed and payable biannually.

b. **Structure Fee** - 1.0% flat on the loan full amount, payable at once upon signing the loan agreement.

c. **Agency Fee -** 0.645% flat on the loan full amount, payable to the Agent at once upon signing the loan agreement.

d. **CESCE Fee** - 5.9% flat, CESCE will cover Banks for 99% of political and commercial risks on the loan principal plus accrued interest.

Advanced Payments and Voluntary Settlement - Subject to the prior written consent of CESCE, the Borrower may pay in advance any Loan on a Date of Interest Payment after the last day of the Availability Period, either in full or in part (subject to a minimum of five million dollars (US$5,000,000)), provided that the borrower submits prior notice to the Agent with at least thirty (30) Business Days in advance.

Any amount previously paid may not be reimbursed and will be applied to Installment Fees in reverse chronological order.

Subject to the prior written consent of CESCE, the Borrower may-submitting prior notice to the Agent with at least thirty (30) Business Days in advance, settle the total or any part of the loan (being five million dollars (US$5,000,000) the minimum amount.

Special Obligations -

a. **Financial Definitions** -

- In this Clause 18 (Financial Covenants): "Certificate of Compliance" means a certificate mainly along the lines of the format provided in Exhibit 7 (Format of the Certificate of Compliance) or according to any other format agreed upon between the Borrower and the Agent.

- “Current Assets” means the total amount shown as current assets in the balance sheet of RECOPE prepared pursuant to IFRS.

- “Current Liabilities” means the total amount shown as current liabilities in the balance sheet of RECOPE prepared pursuant to IFRS.

- “Current Ratio” (or Liquidity Ratio) means, in regard to any Relevant Period, the coefficient of Current Assets for that Relevant Period relative to the Current Liabilities for that same period.

- “EBITDA” (abbreviation of “Earnings before Interest, Taxes, Depreciation and Amortization,” that is, profits before Interest, Taxes, Depreciation and Amortization). It means, relative to the Company, for any period, the addition (determined without duplication) of: (a) the Operating Income for that period plus (b) depreciation and amortization to the extent that they are deducted to determine the Operating Income for said period.

- “Financial Charges” means the total amount of accrued interest, commissions, discounts, prepayment fees, hedge fees or charges and other financial payments relative to financial indebtedness, which must be paid by RECOPE in cash or capitalized within the twelve months following the date of calculation:

  – Excluding initial fees or costs that are included as part of the effective adjustments to the interest rate;

  – Including the interest elements (but not the principal) of payments with regard to financial leases; and

  – Including any commissions, professional fees, discounts, and other financial payments which must be paid (deducting all amounts that must be paid to RECOPE) by RECOPE in accordance with any interest rate hedge agreement,

- “Financial Lease” means any lease agreement or installment sale agreement that, according to IFRS, would be treated as a financial or capital lease.

- “Net Debt Coverage Ratio” means, relative to any relevant period, the proportion of total net debt in the last day of that relevant period in EBITDA (abbreviation of “Earnings before Interest, Taxes, Depreciation and Amortization”, that is, profits before Interest, Taxes, Depreciation and Amortization) for that relevant period.

- “Operating Income” means, for any period, the operating income of RECOPE.

- "Relevant Period" means: (i) with respect to the Net Debt Coverage Ratio, each twelve-month period that ends on the last day of the fiscal year or around that date, and each twelve-month period ending the last day of each fiscal quarter or around that date; and

  With respect to the Current Ratio, each twelve-month period that ends on the last day of the fiscal year or around that date, and each twelve-month period ending the last day of each fiscal quarter or around that date.

- "Total Net Debt" means, at any moment, the total amount of all the obligations of the Company in relation to Financial Indebtedness in that moment, but:

  – Including, in the case of Financial Leases only, their capitalized value; and

  – Deducting the total amount of RECOPE's Investments in Cash and in Cash Equivalents at that moment and in a way that no amount is included or excluded more than once.

  The Borrower must ensure that:

  – The Net Debt Coverage Ratio for any Relevant Period is not higher than 3.00:1.00.

  – The Current Ratio for any Relevant Period is not less than 1.20:1.00.

  – Data of the Net Debt Coverage Ratio and the Current Ratio for previous accounting periods must be provided with respect to the most recently ended Relevant Period by reference to each one of the financial statements submitted per Section (a) (i) of Clause 17.1 (Financial Statements) and to each Certificate of Compliance submitted per Clause 17.2 (Certificate of Compliance).

b. **Breach of Contract** -

Failure to pay.

Illegal origin.

Corrupt practices.

Unlawfulness.

Rejection - The Borrower rejects a Transaction Document or shows its intention to reject a Transaction Document.

The Borrower is in breach of the agreement in any substantial manner.

The Borrower does obtain (as applicable) all Authorizations required per any term or condition of the Agreement entered into with the Contractor relative to the Borrower's registration and compliance, and the validity and enforceability of the transactions contained in the Agreement with the Contractor or such Authorizations are not or stop being in force.

As of December 31, 2021 and 2020, the Company is in compliance with the contract clauses and contract obligations.

21.2 JOINT VENTURE AGREEMENT - RECOPE - CNPCI

On December 14, 2009, RECOPE and CNPCI signed the bylaws of the new entity, which was named SORESCO, S.A., which was registered at National Property Registry. The objective of SORESCO, S.A. was to implement the activities necessary for the development of the Refinery Expansion and Modernization Project.

The duration of the joint venture was 25 years. The authorized and registered capital of the joint venture was ten thousand dollars (US$10,000) or its equivalent in colones divided into 10 shares with a nominal value of one hundred (US$100) dollars or its equivalent in colones. The shares of the joint venture shall be distributed and issued by the parties in the following proportions: CNPCI 50 % and RECOPE 50%.

a. ***The Project*** - The parties hereby agree to join efforts and resources for the development of the Project whose main objectives are:

- To expand the refinery and its support and auxiliary services up to a capacity of 60,000 barrels of crude processing a day.

- To produce fuels as specify in the Study, to offer significant improvements in product quality in compliance with international standards, to minimize the environmental impact of the process,

- To improve the Refinery's competitiveness and profitability.

b. ***Miscellaneous Provisions*** - The agreement was approved by the Comptroller General of the Republic on September 2nd, 2009, according to official communication No.091782009.

Through official communication DFOE-DI-1409 of the Office of the Comptroller General of the Republic of June 20, 2013, the comptroller body ordered RECOPE to refrain from using the feasibility study conducted by HQCEC and any other study based on the results of the latter because HQCC is a related party of CNPCI (which a 50% interest in Soresco) and the holding company CNPC, and ordered RECOPE to take any relevant corrective actions because it questioned the independence of the feasibility study of the Moín Refinery Expansion and Modernization Project because it lacks the necessary

> relevance for the decision-making process of the parties related to the Project, thus failing to comply with clause 5.02, subparagraph c) of the Joint Venture Agreement. Moreover, the Board of Directors, through official communication JD-245-2013, ratified, during ordinary meeting No.4720-273, Article No.7.3, the statements made by the Office of the Comptroller General of the Republic and ordered the compliance with the provisions stipulated by the comptroller body; therefore, to date, RECOPE has engaged the services of a Company that is conducting the necessary optimization studies to continue with the development of the project.

As of December 31, 2018, the balance of the investment of the joint venture RECOPE-CNPCI amounts to ¢25.058 million, equal to US$ US$49.5 million. The balance differs from the capital contribution because of the equity method used to show the profit or loss of SORESCO in the respective account. The capital contribution to SORESCO amounts to US$50,005,000.

Official communication JD-0092-2016 of April 19, 2016, informed about the agreement reached by the Board of Directors of the Company, as recorded in Article No.4, of Ordinary Meeting #4933-139, held on Monday, April 18, 2016, stating that:

1. *The President of the Board of Directors was instructed to take actions to terminate the Joint Venture Agreement entered into between RECOPE and CNPCI, and to dissolve and liquidate the corporation SORESCO, S.A.*

2. *The President of the Board of Directors was instructed to inform the Government Council of the Republic of Costa Rica, established as the Stockholders' Meeting of RECOPE S.A., what was agreed, to request its approval.*

3. *Once the agreements have been ratified by RECOPE's Stockholders' Meeting, authorize the President of the Board of Directors to proceed in accordance with Article 159 of the Commercial Code, to call an Extraordinary Stockholders' Meeting of SORESCO, S.A., to formally inform to CNPCI about the decision to terminate the Joint Venture Agreement and dissolve SORESCO, S.A.*

Regarding paragraph 2 above, by means of JD-0131-2016 of May 25, 2016, the Board of Directors of the Company informed the agreement reached in Article #6.1 of the Ordinary Meeting #4938-144 of May 16, 2016, where it instructed and authorized the Presidency to take the actions tending to terminate the Joint Venture Agreement entered into between RECOPE, S.A. and CNPCI and the dissolution and liquidation of SORESCO, S.A.

At the end of 2019, the Arbitration Court of the International Court of Arbitration of the International Chamber of Commerce (ICC), based in London, ordered the termination of the Joint Venture Agreement between RECOPE and China National Petroleum Corporation International Ltd.

The liquidation process begins and the Company is waiting for a receiver or liquidator to estimate the market and realization values of the assets recorded, as well as to recognize the liabilities pending recording until the closing and liquidation of the joint venture. It is at this point that the exact amount of the remaining recoverable amount and the remaining amount of the final loss of the investment can be established, therefore, the impairment allowance was created at US$32,247,436, keeping as of December 31, 2019 an undetermined balance of US$10,571,763 (Note 7).

During 2020, the liquidation process began and according to Minute No.21 of the Stockholders' Meeting of SORESCO, S.A. of December 9, 2020, based on the liquidator's report, duly approved by the stockholders of SORESCO, S.A., it was agreed to refund US$14,250 (in thousands), ¢8.663 (million) at an exchange rate of ¢607,93, as partial liquidation of the investment. Therefore, an exchange rate translation adjustment of US$6,934,737 was generated.

In December 2020, US$14,250 (in thousands) were transferred to the Ministry of Finance, as instructed in official communication P-0912-2020 dated December 14, 2020 and in compliance with the provisions of Law 9925 on the Efficiency of Public Fund Management, which establishes in its transitional provision IV that: "for a single time, Refinadora Costarricense de Petróleo (RECOPE) shall transfer, to the Ministry of Finance, the total amount resulting from the final liquidation of Sociedad Reconstructora Chino Costarricense (SORESCO)".

At the end of December 2020, since no additional resources are expected to be recovered, Management created an additional allowance for impairment amounting to US$2,802,203, equivalent to the total balance of the investment after the aforementioned refund.

22. EMPLOYEES' LEGAL BENEFITS

As of December 31, 2021 and 2020, Recope commissioned an actuarial study to calculate the accrued benefits from the employees' legal benefits whose primary objective was to obtain the amount of the coverage of the Actuarial Liabilities, including actuarial profit and loss, conclusions about the actuarial situation of the benefit plan and the recommendations for adjustments to the allowance for employees' legal benefits.

The target population of the study includes all active employees, with a cutoff as of the date of the actuarial study of the liabilities, with a total number of 1,706 and 1,686 employees, respectively.

The hypothesis used for the study refers to a pension at the age of 62 years for men and 60 years for women, based on an early retirement plan set forth in the Costa Rican laws. Under such a base scenario, the effects of the following alternative interest rates or alternative salary increase rates are applied:

Interest Rate - 5.75% (8.500% for 2020).
Salary Increase Rate - 2.20% (2.20% for 2020).
Long-term Inflation Rate - 2% (2% for 2020).

At the same time, the variability in the pool of employees resulting from the termination of employment is not deemed an actuarial variable; therefore, the actuarial approach is not applicable. Its specific circumstances can be estimated by weighting the calculation of previous fiscal years and the global macroeconomic situation or the situation of the Company.

The payments related to the provision for severance pay are considered in the Company's Budget submitted to the Office of the Comptroller General each year, and the amount includes an estimated number of all the employees who would be using such benefit that year, so when submitting the price request to ARESEP, they are considered so that they can be recognized in the price and be able to make such payments. To date, a threshold of 12 years is considered for the calculation of such provision, as defined by the Constitutional Chamber of the Supreme Court *(Sala IV)*.

A comparative chart to show the sensitivity of the main variables used in the actuarial studies of 2021 and 2020 is shown as follows:

Sensitivity Analysis to Compare 2021 and 2020			
Account	**%**	**2021**	**2020**
Severance pay		US$22,712,102	US$21,639,419
Employees' death benefit		14,461	15,108
Family members' death benefit		127,029	132,716
Severance pay balance		**US$20,853,591**	**US$21,787,243**
Measurement unit			
Discount rate		5.75%	8.50%
Salary increase		2.20%	2.20%
Long-term inflation		2.00%	2.00%
Measurement unit			
		5.75%	8.50%
Variation of Salary Increase Rate	2.00%	155	181
	2.20%	171	199
	2.40%	187	217
Measurement unit			
		8.75%	8.50%
Variation of Long-Term Inflation	1.80%	134	162
	2.00%	155	181
	2.20%	171	199

A sensitivity analysis is carried out regarding the variables of the salary increase and the inflation rate for the period 2021 and 2020, showing the impact of these two units of measurement in a possible variation of 0.20% in social charges.

It is important to point out that, for 2021 and 2020, the analysis was conducted under the assumption that the severance payment was established in 12 years because, according to transitional provision XXVII of Law No.9635 published in Supplement No.202 to official newspaper La Gaceta No.225 of December 4, 2018 and the criteria of the Company's Legal

Department, according to official communication P-DJ-0019-2019, to safeguard public funds, a severance payment not greater than 12 years is recommended in accordance with a restrictive interpretation of such transitional provision.

23. CONTINGENT LIABILITIES

Municipal Permit Tax - The municipal tax returns of the last five fiscal years are available to the municipalities where the Company operates. Management considers that the municipal tax returns, as they have been filed, will not be significantly adjusted as a result of a future review.

Litigations and Judicial Proceedings - The information about important judicial proceedings sent by the Legal Department through communication AJ-0133-2022, with a cutoff as of December 2021, is as follows:

Summary of Judicial Proceedings in Force as of December 31, 2021				
Contingent Liabilities - Lawsuits Filed Against Recope				
Proceeding	**Amount**	**Relevant Cases**	**Amount**	**Claimed Amount**
Ordinary Contentious	29			US$40,023,616
		Dragados Hidraulicos, S.A.	US$ 4,845,285	
		ISIVEN	1,580,539	
		Alonso Chaves Fernández	3,129,559	
		ISIVEN, S.A.	3,825,791	
		International Costa Painter S.A.	3,499,785	
		I.C.E.	8,799,687	
		Consorcio ICA-MECO	3,950,550	
Labor	4			249,151
Criminal	1			13,123
Total	**34**		**US$29,631,196**	**US$40,285,889**

The amounts of the cases in dollars are updated at the selling exchange rate of the non-banking public sector of ¢642,66.

Summary of Judicial Proceedings in Force as of December 31, 2021				
Contingent Assets - Lawsuits Filed by Recope				
Proceeding	**Amount**	**Relevant Cases**	**Amount**	**Claimed Amount**
Ordinary Contentious	52			US$14,236,142
		Euromat. y Equipos de Construc, S.A.	US$ 1,845,386	
		Novum Energy Trading Corp.	8,895,330	
		HL INGENIEROS, S.A.	2,000,000	
Traffic				
Labor	13			41,669
Criminal	1			623
Total	**66**		**US$12,740,715**	**US$14,278,434**

The amounts of the cases in dollars are updated at the buying exchange rate of the non-banking public sector of ¢642,06.

According to information set forth in official communication AJ-0044-2022, RECOPE faces 110 lawsuits in total, of which 76 cases are of inestimable amount. Additionally, RECOPE, as plaintiff, has a total of 74 defendants, of which 8 are of inestimable amount.

The cases include contentious-administrative litigation related to supplier claims for construction and property, plant and equipment maintenance services, as well as minor labor and criminal litigation. Possibilities of loss are not estimated, consequently, no provisions have been recognized.

24. RELEVANT EVENTS

The appearance of COVID-19 (acronym for Coronavirus Disease) in China in late 2019 and its subsequent global spread led to the viral outbreak being labeled on March 11, 2020 as a pandemic by the World Health Organization.

In March 2020, the President of Costa Rica declared a State of Emergency throughout the national territory, establishing a series of actions related to the prevention and containment of the virus, such as limiting crowds, suspending educational activities and public shows, closing borders and restricting the free transit at night, among others.

In addition to this economic outlook, the energy market was affected; the crisis experienced by the price of hydrocarbons was due to the contraction of the aggregate demand of oil byproducts, such as gasoline, oils, plastics, among others; in other words, the need for these products has decreased due to the pandemic. Oil prices plummeted with a tendency towards lower and lower prices as a consequence of three converging factors: abundant oil supply, the destruction of the oil demand due to the pandemic that disrupted the main economies, and finally a war of supply and prices.

The main economic impacts on RECOPE's financial situation during 2020 due to the global context and the special actions taken by the Government of Costa Rica to stop the spread of the pandemic, are described as follows:

- ***Impact on Hydrocarbon Demand*** - Total fuel demand during 2020 decreased by 660,270 liters compared to the previous year.

- ***Impact on Inventory Volumes*** - The average inventory volume during the 2020 increased by 190 thousand barrels compared to the previous year, from 2.25 million BBLS in 2019 to 2.43 million BBLS in 2020. The months with the highest inventory volume recorded during the year were from March to May.

- ***Impact on the Hydrocarbon Import Program*** - Repercussions on the Hydrocarbon Import Program were the rescheduling of shipments for hydrocarbon imports. However, in spite of the rescheduling, some shipments were delayed due to lack of space for the berthing of vessels during the year.

- ***Impact on Cash Flows*** - The impact on the Company's cash flows in 2020 occurred in April, when, given the actions taken to stop the spread of the pandemic, the demand for fuel was directly affected, causing a decrease of about 43% in the revenue from fuel sales, resulting in a cash shortage that forced the Company to use financing.

- ***Impact on the Company's Financial Results*** - As a consequence of the decrease in demand, RECOPE was significantly affected because sales revenues were not sufficient to cover its costs, despite the actions taken to reduce expenses.

- ***Law No.9840, Protection of Working People During the COVID-19 Pandemic*** - The coverage of this subsidy was effective for three months as of the entry into force of Law No.9840 (April 22, 2020), which established that RECOPE shall transfer to the Ministry of Finance, within the first five working days of each month, the difference in prices produced between the plant prices and the lower sales price resulting from the application of the price methodology approved by the Public Services Regulatory Authority (ARESEP).

- ***Law No 8488, National Law on Emergencies and Risk Prevention*** - Article 47 of Law No.8488 of the CNE states that:

  > *"Article 47.- Contributions from Institutions. Governmental institutions, including the three branches of government, local governments, state-owned enterprises and any other individual or legal entity, public or private, are hereby authorized to donate such sums as they may have available, for the creation of the National Emergency Fund."*

The Company has taken several actions to cut down expenses and manage cash flows. Moreover, the market is tending to an adequate recovery of the fuel demand, in view of a reduction of vehicle restriction actions.

For the year ended December 31, 2021, the economic facts in the financial situation of RECOPE due to the global environment and the change of the special measures implemented by the Government of Costa Rica to stop the spread of the pandemic, are described below. continuation:

- Total fuel demand increased by 15.8% compared to the previous year. The products with the highest consumption are Diesel, Gasoline Plus 91, Jet A1 and Super Gasoline.

- The average volume of inventory at the end of the last quarter of 2021 increased compared to the previous year, this is due to the increase in the demand for fuel consumption due to the reopening of the country's economic activities, stocks at the end of 2021 are higher than the closing of 2020.

- For the closing of the period, there are no lags in import shipments, for import programming, which are adjusted in relation to consumer demand. It was requested in the extraordinary budget for the payment of the oil bill. The foregoing derived from the behavior of the international price of hydrocarbons.

- For the year 2021, it has liquidity contingency lines of credit, which at the end of 2021 it has not been necessary to use them.

As of the date of this report, the Administration expects that the situation will improve substantially in the coming months, however, the risks are latent and the impact will be related to the duration of the measures implemented by the Government. The Company estimates that it will continue to operate normally.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by RECOPE’s management on May 26, 2022.

*** * * * ***

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

FINANCIAL RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Figures Expressed in Dollars of the United States of America)

The explanatory notes and financial ratios are calculated at Management's request and are not mandatory in accordance with the International Financial Reporting Standards. However, for their calculation, the figures of the financial statements are used, which are presented in accordance with this accounting basis.

1. FINANCIAL WORKING CAPITAL

The financial working capital is determined by the following way: current assets, less cash and cash equivalents. The current liabilities are deducted from this result, net of the current portion of the long-term debt.

	2021	2020
Current assets	US$ 658,713,588	US$ 332,091,865
Cash and cash equivalents	(233,131,627)	(109,605,724)
Current liabilities (does not include current portion)	(470,615,393)	(155,059,404)
Financial working capital	US$ 45,033,432	US$ 67,426,736

This ratio shows us that, in 2021, the financial working capital decreased compared to 2020. With the increase in fuel consumption, RECOPE made greater purchases of fuel, with the consequent increases in inventories and financing with the oil suppliers for the purchase of inventories in the year 2021.

2. LIQUIDITY RATIO

The liquidity ratio shows that RECOPE's capacity to generate cash from its most liquid assets and cover its short-term obligations. It is measured dividing the total of current assets among the current liabilities:

	2021	2020
Current assets	US$658,713,588	US$332,091,864
Current liabilities	US$470,615,393	US$155,059,404
Current assets/ Current liabilities	139.97%	214.17%

This ratio reveals that RECOPE has more capacity in 2021 to cover with its more liquid assets all short-term liabilities. The acid test ratio is not estimated, since in the case of RECOPE, the inventory has a very high turnover and does not distort the calculations; in addition, it gives content to the current asset.

3. TOTAL ASSET TURNOVERS

It indicates the relation of the assets total and income by showing the number of times that RECOPE uses them to generate that income.

	2021	2020
Sales	US$2,585,405,248	US$1,890,918,668
Assets	US$1,786,084,676	US$1,467,260,526
Sales/assets	1.45	1.29

In 2021, for every dollar invested in assets, RECOPE generated US$1.45 in sales, which represents a increase in the indicator obtained in 2020. The convertibility of assets to sales was of higher performance, due to the increase in fuel consumption.

4. FIXED ASSETS TURNOVER

This financial index determines the level of efficiency reached by the investments in properties, plant and equipment, in its function of generating income:

	2021	2020
Sales	US$2,585,405,248	US$1,890,918,668
Property, plant, vehicles and equipment - net	US$ 999,368,953	US$1,025,013,278
Sales/ property, plant, vehicles and equipment - net	2.59	1.85

The result of the turnover in 2021 indicates that, for each Costa Rican colon invested in fixed assets, RECOPE generated US$2,59 in income, which represents a increase with respect to the situation presented in 2020, due to a increase in fuel consumption.

5. DEBT RATIO

It represents the proportion in which the existing assets have been financed by other persons, different from RECOPE:

	2021	2020
Liabilities	US$ 762,887,348	US$ 509,051,000
Assets	US$1,786,084,676	US$1,467,260,527
Liabilities/assets	42.71%	34.69%

According to the debt ratio, by 2021, 42,71% of the assets are held by equity investors (the Government), while in 2020 it was 34,69%.

6. DEBT RATIO (COST)

It indicates the proportion in which the existing resources have been financed by long-term loans.

	2021	2020
Long term debt	US$ 137,443,470	US$ 191,073,891
Assets	US$1,786,084,676	US$1,467,260,527
Long term debt/assets	7.70%	13.02%

In 2021, the long-term debt funded 7,70% of the total asset, and the remaining 92.3% was provided by RECOPE.

7. PROFIT MARGIN ON SALES

This indicator shows the percentage obtained from the period's profit in relation to RECOPE's net sales.

	2021	2020
Net (loss) profit	US$ 81,133,861	US$ (27,354,718)
Sales	US$2,585,405,248	US$1,890,918,668
Net (loss) profit/sales	3.14%	(1.45%)

This indicator reflects an improvement in relation to the 2020 period, due to favorable results in the results of the 2021 period.

8. YIELD ON THE INVESTMENT

The yield on the investment measures the final profitability obtained on the total investment in RECOPE's assets. This index shows how satisfactory is the level of net income obtained in relation to the total investments in assets made by RECOPE.

	2021	2020
Net (loss) profit	US$ 81,133,861	US$ (27,354,718)
Assets	US$1,786,084,676	US$1,467,260,526
Net (loss) profit/assets	4.54%	(1.86%)

This indicator reflects an improvement in relation to the 2020 period, due to favorable results in the results of the 2021 period.

9. PROFIT MARGIN ON EQUITY

This indicator estimates the yield obtained by the equity investors (the State).

High profitability of the equity means that RECOPE generates a high level of net income in relation with the investment of the State.

	2021	2020
Net (loss) profit	US$ 81,133,861	US$ (27,354,718)
Stockholders' equity	US$1,023,197,327	US$958,209,526
Net (loss) profit/equity	7.93%	(2.85%)

This indicator reflects an improvement in relation to the 2020 period, due to favorable results in the results of the 2021 period.

10. OPERATIONS / SALES EXPENSES

This ratio allows to measure the level of efficiency of a Company, which is related directly to the policies and measures imposed to control the growth of the operative expenses.

	2021	2020
Operating expenses	US$ 145,983,316	US$ 180,539,898
Sales	US$2,585,405,248	US$1,890,918,668
Operating expenses/sales	5.65%	9.55%

This ratio decreased in relation to the previous period, which is presented by the increase in sales compared to those of 2020. Most of these expenses do not have a direct and immediate relationship with the sales activity.

11. COVERAGE OF EXPENSES

The ratio between Adjusted EBITDA and financial expenses is defined as coverage of financial expenses. For the effects of the calculation, it will be understood for Adjusted EBITDA the sum of the operative income, the depreciation and the amortization of intangibles; and for financial expenses the sums paid for interests of the long-term debt.

	2021	2020
Operating profit	US$139,149,916	US$34,736,510
Depreciation and amortization	49,158,152	48,106,816
Total Adjusted EBITDA	US$188,308,068	US$82,843,326
Financial expenses	US$ 14,683,936	US$11,979,924
Adjusted EBITDA/financial expenses	12.82	6.92

This ratio establishes that RECOPE has constant coverage of the financial expenses corresponding to the long-term debt.

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