

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (In millions of colones)

December 31, 2013 and 2012

### **Note 1. Reporting entity**

Instituto Costarricense de Electricidad [Costa Rican Power and Telephone Company] and subsidiaries (“ICE Group”) is an autonomous Costa Rican entity organized under Executive Order No. 449 of April 8, 1949 and Law No. 3226 of October 28, 1963. The address of its registered office is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

Its primary activity is the development of electric power-producing sources and the supply of electricity, with the exclusive right to generate, transmit, and distribute electricity in Costa Rica, except for a small number of authorized private companies, municipal entities, and rural cooperatives. Also, ICE holds a concession to develop and promote telecom services in Costa Rica and, until 2010, had the exclusive right to operate and provide mobile telecom services in the country. ICE Group offers a wide range of integrated telecom services, including fixed and mobile telecom and data transmission services (broadband access and value-added services).

The above activities are regulated by Contraloría General de la República [Comptroller General of the Republic] (CGR), Superintendencia General de Valores [Costa Rican National Securities Commission] (SUGEVAL), Bolsa Nacional de Valores de Costa Rica, S.A. [Costa Rican National Stock Exchange], the Securities Market Regulatory Law, Autoridad Reguladora de los Servicios Públicos [Costa Rican Public Service Regulatory Authority] (ARESEP), Superintendencia de Telecomunicaciones [Superintendency of Telecommunications] (SUTEL), and Superintendencia de Pensiones [Superintendency of Pensions] (SUPEN).

The majority of the aforementioned activities have been funded with resources from bank lenders, as well as through the issue and placement of debt securities (bonds) in the local and international market, and through the Costa Rican National Stock Exchange.

ICE Group, which is a group of State-owned companies comprised of Instituto Costarricense de Electricidad [Costa Rican Power and Telephone Company] (ICE, parent company and ultimate controlling entity) and the following subsidiaries: Compañía Nacional de Fuerza y Luz, S.A. (CNFL) and its subsidiary Eólico Valle Central, S.A. (EVCSA), Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA), and Cable Visión de Costa Rica, S.A. (CVCRSA). The main activities of ICE Group are described in note 40 “ICE Group’s operating segments”.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Compañía Nacional de Fuerza y Luz, S.A.**

Compañía Nacional de Fuerza y Luz, S.A. (CNFL) is a corporation organized through Law No. 21 “Electricity Agreement” of April 8, 1941, amended by Law No. 4977 of May 19, 1972 and in force until August 8, 2008. Accordingly, CNFL is subject to the regulations established by CGR, Articles 57 and 94 of Law No. 8131 “Public Administration and Budgets”, ARESEP, and the framework of the General Internal Control Law and the Law against Corruption and Illicit Enrichment, among others.

CNFL’s main objective is the provision of electricity services in the local market.

On September 13, 2013, CNFL acquired an additional 50% ownership interest in the Costa Rican entity EVCSA, thereby becoming the owner of all of the shares (100%) of such entity.

EVCSA was organized on June 28, 2007 and is the owner of Valle Central Wind Power Plant, which is dedicated to electric power generation using wind currents.

**Radiográfica Costarricense, S.A.**

Radiográfica Costarricense, S.A. (RACSA) is a corporation funded with both public and private capital that was organized on July 27, 1964 under the laws of the Republic of Costa Rica. It is owned by ICE and by Compañía Radiográfica Internacional Costarricense, S.A. (50% ownership interest). It was created through Law No. 3293 of June 18, 1964 and is regulated by the provisions of Executive Orders No. 7927-H and No. 14666-H of January 12, 1978 and May 9, 1983, respectively, of the Civil Code and the Code of Commerce.

RACSA’s main objectives are the development of telecom services in Costa Rica, national connectivity and the Internet, international connectivity for data and video transmission, information services, data center, and others.

**Compañía Radiográfica Internacional Costarricense, S.A. (CRICRSA)**

Compañía Radiográfica Internacional Costarricense, S.A. (CRICRSA) was organized through Law No. 47 of July 25, 1921 and its main objective is the operation of the concession relating to wireless communication. CRICRSA does not currently have any officers or employees because ICE Group provides its accounting and administrative services.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Cable Visión de Costa Rica, S.A. (CVCRSA)**

Cable Visión de Costa Rica, S.A. (CVCRSA) is a corporation domiciled in Moravia, San José, Republic of Costa Rica and is wholly-owned (100% ownership interest) by ICE since December 5, 2013. CVCRSA was organized on January 19, 2001 and its main activity is providing cable television services; subsequently, the subsidiary added Internet and digital signal services to the activities offered. With the acquisition of this entity, ICE will be able to provide Triple Play services.

Composition of capital

According to article 16 of the Law Organizing the Entity, ICE's capital is comprised of the following:

- National revenue that the law allocates and earmarks for ICE.
- Fees that the State acquired from the Municipality of San José under the Local Streetcar Agreement.
- Any other government-owned asset transferred to ICE.
- The country's water resources that have been or will be declared to be a national resource and any accumulated profits resulting therefrom.

**Note 2. Basis of preparation**(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles included in ICE's Accounting Policy Manual (version 4) accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica—the Lead Agency of the National Accounting Subsystem. ICE's Accounting Policy Manual includes the accounting policies applicable to booking transactions. Such policies were formally prepared and issued using "accounting criteria" with the stewardship and binding criteria of the Budget Accounting Division, the approval of General Management, and acceptance of the National Accounting Department of the Ministry of Finance.

The above set of rules considers the conceptual framework included in the Accounting Principles Applicable to the Costa Rican Public Sector, as well as supplemental application of International Financial Reporting Standards (IFRSs) under the following conditions:

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Notes to Consolidated Financial Statements  
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- Use of an International Financial Reporting Standard is the exception rather than the rule, i.e. it is not normal practice.
- If and only if supplemental application of the standard is expressly provided for in ICE's Accounting Policy Manual, i.e. the standard may only be applied if the manual expressly identifies the applicable IFRS.

Pursuant to regulations issued by the National Accounting Office of the Ministry of Finance and laws in effect, ICE may use the Accounting Principles Applicable to the Costa Rican Public Sector, set forth in Executive Order No. 34460-H of February 14, 2008, or the regulatory framework it has been applying thus far, until ICE transitions to IFRSs on December 31, 2013. However, through Decree No. 38069-H published on December 20, 2013, the National Accounting Office of the Ministry of Finance extended the term for transitioning to IFRSs to the accounting period beginning on January 1, 2016. Accordingly, in the event that ICE agrees to such extension, the transition to IFRSs would take place in 2015.

The above is in line with article 8, Transition Provision III of Executive Order No. 35616-H issued by the National Accounting Office and published in Official Gazette No. 234 of December 2, 2009, which reads as follows:

*“Until International Financial Reporting Standards are definitively implemented, each of the Public Companies included in the scope of this Executive Order and governed by the National Accounting Office shall continue to apply the Accounting Principles Applicable to the Costa Rican Public Sector, as set forth in Executive Order No. 34460-H of February 14, 2008, or the regulatory framework being applied thus far.”*

Under ICE Group's accounting regulations, common practice is for supplemental application to be expressly established, in detail, in the standard, indicating the hierarchy of applicable accounting standards that should be followed in the event that certain matters are not covered by ICE's Accounting Policy Manual.

Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on April 30, 2014.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(b) Basis of measurement

Transactions are initially booked on the historical cost basis according to Executive Order No. 34460-H of February 14, 2008. However, as of the date of issue of the accompanying consolidated financial statements, some items will be valued using other bases of measurement as detailed in ICE's Accounting Policy Manual (version 4).

(c) Functional and presentation currency

The accounting records of ICE Group, its consolidated financial statements, and the notes thereto are expressed in Costa Rican colones (¢), the monetary unit of the Republic of Costa Rica and ICE Group's functional currency.

All financial figures contained herein are presented in millions of colones, except as otherwise indicated in certain notes to the consolidated financial statements that specify the currency of origin of the transactions.

(d) Use of estimates and judgments

The preparation of the accompanying consolidated financial statements in conformity with ICE's Accounting Policy Manual (version 4) approved by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. The changes derived from new information or events should be applied to profit or loss of the period in which the estimate is reviewed and in any future period affected.

(e) Changes in accounting policies

This section is updated with the purpose of broadening qualitative aspects in order to improve the interpretation of the accounting policies applicable to ICE Group's consolidated financial statements.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*(i) Accounting for property, machinery, and equipment - Telecom segment*

Starting January 2013, ICE changed the accounting policy applicable to booking certain items of property, machinery, and equipment of the Telecom segment. ICE replaced the current revaluation method (historical cost plus adjustments using a price index until December 31, 2008) with the historical cost method, reversing the value of previously booked revaluations of fiber optic and copper networks. This change was performed based on an analysis and follow up performed by ICE in respect of the new market conditions it faces. The prices of fiber optic network assets have recently shown a downward trend mainly as a result of the following factors:

- Improved processes and products;
- Increased resources (economies of scale);
- Competitive environments (decreased margins); and
- Increased demand for this type of assets; as a result, manufacturers and suppliers have reduced their prices.

In the current market conditions, copper networks pose certain technical limitations that prevent ICE from offering a number of services that require greater bandwidth, while fiber optic networks function better and make use of technological solutions to provide such services. As a result, the use of copper networks has naturally decreased, in line with the global trend towards reducing the use of copper.

Accordingly, in the opinion of ICE, changing the accounting policy from the aforementioned revaluation method to historical cost offers more relevant information taking into account the new market conditions and trends and better reflects the value of those assets. Consequently, ICE reached the conclusion that using a price index for this type of assets, considering the new circumstances, may not appropriately reflect their carrying amount in the consolidated financial statements.

In compliance with the accounting policy in force, the effect of the adjustment resulting from a change in accounting policies in 2013 for fiber optic and copper networks must be applied retrospectively to the consolidated financial statements. Also, the accounts related to such adjustment must be reversed in the consolidated balance sheet and consolidated statement of profit or loss.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(ii) Accounting for rights of way and easements on land

Starting 2013, ICE changed the accounting policy applicable to booking rights of way or easements on land owned by third parties that are paid by ICE Group to provide electricity and telecom services. Rights of way and easements on land were previously booked under “Operating assets and other operating assets”.

The purpose of this change is to align the financial and accounting policies with international best practices. Accordingly, rights of way or easements on land were reclassified to “Intangible assets” since, in ICE Group, they meet the following criteria:

- It is probable that the future economic benefits from the assets will flow to ICE Group.
- The assets are considered to be necessary to provide electricity and telecom services.
- The assets can be identified and reliably measured.

In compliance with the accounting policy in force, the effect of the adjustment resulting from the aforementioned change in accounting policies must be applied retrospectively to the consolidated financial statements, reversing the accounts related to such adjustment in the consolidated balance sheet as well as the depreciation and revaluation adjustments since intangible assets are not revalued and in the case of ICE have indefinite useful lives.

(iii) Accounting treatment for spare parts not physically included in the asset and, therefore, not available for use

Starting 2013, ICE Group changed the accounting policy applicable to booking spare parts held to develop works (investments). In accordance with the previous accounting policy, those items were booked as “Operating assets” and depreciated, despite the fact that some of those spare parts were not installed and operating as expected by ICE Group.

In accordance with international best accounting practices, these assets must be depreciated from the time they become available for use. Accordingly, ICE reclassified those assets to “Inventory for investment” (account No. 170) and the corresponding adjustments were performed to reverse accumulated depreciation, cost, revaluation, and the asset revaluation reserve in order to adequately reflect the balances of the accounts in the consolidated balance sheet and consolidated statement of profit or loss.

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Notes to Consolidated Financial Statements  
(In millions of colones)

In compliance with the accounting policy in force, the effect of the adjustment resulting from the aforementioned change in accounting policies must be applied retrospectively to the consolidated financial statements. Also, the accounts related to such adjustment in the consolidated balance sheet and consolidated statement of profit or loss must be reversed.

These changes in accounting policies are to be applied retrospectively and had a significant impact on the consolidated financial statements as of December 31, 2012 and 2011 (see note 26).

**Note 3. Significant accounting policies**

The accounting policies set out below, included in ICE's Accounting Policy Manual in effect for the 2013 period (version 4), have been consistently applied to all periods presented in these consolidated financial statements and by all ICE Group entities, considering the changes in accounting policies described in note 2-e.

For practical purposes, the information in certain notes to the consolidated financial statements is presented on an individual basis for each subsidiary.

(a) Basis of consolidation

(i) Business combinations

ICE Group's business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to ICE Group. Control is the power to govern the financial and operating policies of the acquiree so as to obtain benefits from its activities.

Transaction costs directly attributable to the acquisition process are booked as part of the value of the investment.

“Goodwill” is measured at cost based on the financial statements of the acquiree at the acquisition date and considering the following:

- The value of consideration transferred by the Group's entity (acquirer); less
- The equity (carrying amount) of the acquiree at the acquisition date after the items with higher materiality levels have been aligned in accordance with the parent company's accounting policies.

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Notes to Consolidated Financial Statements  
(In millions of colones)

“Goodwill” arises from the acquisition of subsidiaries and represents the excess of the acquisition cost over the carrying amount (net equity) of the acquire, it is booked under “Intangible assets” in ICE Group’s consolidated financial statements. Goodwill is systematically amortized (straight-line) to expenses over the term it is expected to generate income. The amortization period is determined based on financial criteria in accordance with expectations of obtaining the expected benefits from the business.

“Goodwill” is recognized at cost less accumulated amortization.

(ii) Subsidiaries

The consolidated financial statements include the accounts of ICE and its subsidiaries. The accounts are detailed below:

Subsidiaries	Country	Ownership interest as of December 31,	
		2013	2012
Compañía Nacional de Fuerza y Luz, S.A. (CNFL)	Costa Rica	98.6%	98.6%
Eólico Valle Central, S.A.	Costa Rica	100%	50%
Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA)	Costa Rica	100%	100%
Radiográfica Costarricense, S.A. (RACSA)	Costa Rica	100%	100%
Cable Visión de Costa Rica, S.A. (CVCRSA)	Costa Rica	100%	0%

Subsidiaries are those enterprises controlled by ICE (parent company). The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When necessary, the accounting policies of the subsidiaries have been revised to align them with the policies adopted by ICE Group.

On September 13, 2013, CNFL acquired an additional 50% ownership interest in EVCSA, thereby becoming the owner of all of the shares (100%) of such entity. CNFL presents consolidated financial statements starting in 2013.

On December 5, 2013, ICE acquired all of the shares (100%) of CVCRSA, which is dedicated to providing cable television services. ICE presents consolidated financial statements starting in 2013.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(iii) Transactions eliminated in consolidation

All balances and transactions and any unrealized income or expenses arising from transactions between the ICE Group entities have been eliminated in the process of preparing the consolidated financial statements.

(iv) Accounting period

ICE Group's accounting period runs from January 1 to December 31 of each year. The annual close process is performed at year-end.

(v) Recognition criteria

Items that fulfill the following criteria are recognized in the consolidated financial statements:

- It is probable that any economic benefit associated with the item will flow to or from ICE Group.
- The item's cost or value can be reliably measured.

Transactions are booked in ICE Group's consolidated financial statements on the accrual basis of accounting, which means that the effects of transactions and other events are recognized when they occur and not when cash or a cash equivalent is received or paid.

Transactions and events should be booked in the accounting records in a timely manner and in chronological order in the financial statements for the corresponding periods.

(vi) Foreign currency transactions

During the period, all of ICE's foreign currency transactions are translated into the functional currency at the exchange rate of the Costa Rican colon with respect to the U.S. dollar in effect at the immediately preceding year-end, based on the sell exchange rate set by Banco Central de Costa Rica [Central Bank of Costa Rica] (BCCR) for operations with the non-banking public sector. However, as of the current year-end, the balances derived from foreign currency transactions are translated into colones using the sell exchange rate set by BCCR for operations with the non-banking public sector corresponding to the last business day of December of the current year. Foreign exchange differences resulting from application of this procedure are recognized in profit or loss.

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Notes to Consolidated Financial Statements  
(In millions of colones)

Subsidiaries book foreign currency transactions at the exchange rate in effect on the transaction date. Upon determination of their financial position and results of operations, assets and liabilities denominated in foreign currency are valued and adjusted at the exchange rate in effect as of the date of such determination and valuation, based on the exchange rate for operations with the non-banking public sector or the transaction's economic reality. Foreign exchange differences resulting from application of this procedure are recognized in profit or loss in the period in which they occur.

(vii) Changes in accounting policies, accounting estimates, and prior period misstatements

Changes in accounting policies should be applied to the opening balances of equity accounts, except to the extent that it is impracticable to determine either the effects of the change in each period or the cumulative effect. Impracticability must be duly determined based on reliable arguments and the corresponding supporting documentation.

Changes in accounting estimates resulting from new information or events should be applied to profit or loss for the period and to any future periods affected.

Misstatements in prior period balances or transactions should be corrected by adjusting the opening balances of the equity accounts. A retrospective adjustment is considered depending on the materiality established by the parent company. For purposes of presentation of the consolidated financial statements, prior period adjustments greater than or equal to ¢3,000 are included retrospectively and adjustments with the same justification, which total amount is greater than or equal to ¢3,000, are also included. Adjustments to correct errors that do not meet the above criteria are presented as movements for the period in the consolidated statement of changes in equity for the most recent period; consequently, their effect is not booked retrospectively in the consolidated financial statements for prior periods.

For purposes of comparability of the consolidated financial statements, changes in accounting policies and prior period corrections of misstatements will be applied retrospectively:

- Restating opening balances of the development reserve for the oldest prior accounting period.
- Restating prior period balances as if the policy had always been applied or the misstatement had never occurred, unless and to the extent that it is impracticable to determine the effects in each period or they are relatively insignificant.

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Notes to Consolidated Financial Statements  
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Impracticability must be duly determined based on reliable arguments and the corresponding supporting documentation.

(viii) Events subsequent to the reporting period

Events subsequent to the reporting period correspond to all events, favorable and unfavorable, occurring between the end of the reporting period and the date on which the consolidated financial statements were authorized for issue. The two types of events subsequent to the reporting period are as follows:

- Events that provide evidence of the conditions at the end of the reporting period (events occurring after the reporting period that imply an adjustment) and
- Events that describe the conditions that occurred after the end of the reporting period (events occurring after the reporting period that do not imply an adjustment).

In the case of events that do not imply adjustments but, based on the valuation, are considered material because they may exert influence on the economic decisions of the users of the financial statements, the following must be disclosed:

- Nature of the event;
- An estimate of the economic effect or an indication of the impossibility of performing such estimate.

Events subsequent to the reporting period include all events that occurred until the date on which the consolidated financial statements are authorized for issue, even if such events occur after publicly announcing the results or other specific financial information.

(ix) Cash equivalents for purposes of presentation in the consolidated statement of cash flows

Banks:

“Banks” is presented in the consolidated statement of cash flows as “Cash”.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Temporary investments:

For purposes of the consolidated statement of cash flows, an investment is considered to be a cash equivalent if it is readily convertible into a determined amount of cash and is subject to an insignificant risk of changes in its value. Therefore, an investment is classified as a cash equivalent if its maturity date is three months or less from the acquisition date, provided there is no legal or constructive obligation to dispose of those resources.

Restricted funds:

For purposes of the consolidated statement of cash flows, restricted funds are considered to be cash equivalents if they meet the definition of cash equivalents and provided there is no legal or constructive obligation to dispose of those resources.

(b) Property, machinery, and equipmentOperating assets and other operating assets(i) Recognition and measurement

Fixed and controlled assets that are used for business operations and are not intended to be sold are recognized as “Property, machinery, and equipment” (PME).

ICE Group books tangible and intangible assets (used in the production and delivery of electricity and telecom services) that are expected to be used for more than one accounting period as operating assets.

Assets that are expected to be used in administrative and operational activities for more than one accounting period are booked as “Other operating assets”.

Operating assets and other operating assets are carried at acquisition or construction cost, plus any other directly related costs that are necessary to bring the assets to the location and condition necessary for operation.

Additions, improvements or retrofits, and reconstruction and price adjustments that meet the recognition criteria for property, machinery, and equipment are treated as costs subsequent to the acquisition or construction of an asset and therefore are capitalizable, provided they are not recurring costs for day-to-day servicing.

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The term “Price adjustment” is a right granted by the Government Procurement Act to claim or request adjustments to quoted prices contractually agreed with management of ICE to safeguard the contractors’ equity or their rights to maintain the economic balance of contracts.

Price adjustments are capitalizable provided that they are directly related to an item of property, machinery, and equipment. Price adjustments may be performed during the construction process or when the asset is in use. In the latter case, price adjustments are depreciated over the remaining useful life of the corresponding asset.

Borrowing costs are capitalized if they are directly related to the acquisition, construction, or production of a qualifying asset. Capitalization of borrowing costs commences when the asset is in process and may continue until the asset is ready for its intended use.

Reconstruction of an asset is booked as follows:

- If reconstruction is virtually a total reconstruction, the asset is booked as a new asset, and the previous asset is retired.
- In the case of a total reconstruction where parts of the previous asset are used, those parts increase the cost of the new asset.
- If reconstruction is partial, retirement of the replaced part should be recognized and the reconstruction capitalized.

Significant spare parts and replacement equipment are capitalized and depreciated from the date that they are available for use, i.e. the assets are in the location and condition necessary to operate in the manner intended by ICE Group.

Partial or total retirement of operating assets and other operating assets should decrease the balance of cost and revalued cost accounts, as well as their respective accumulated depreciation.

When replacing a component of an operating asset, that component should be derecognized and then recognized in profit or loss. If the component has service potential, it should be warehoused or transferred to the productive asset with which it will be used.

Costs incurred by ICE Group to acquire the right to use submarine cables and for the use of submarine fiber optic infrastructure for telecom transmissions are included as operating assets. The right to use submarine cables is amortized over the life of the use agreement from the start date of operation of that infrastructure.

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Operating assets and other operating assets, except land, are depreciated by the straight-line method when they are brought to the location and condition necessary for operation, based on the estimated useful life of the respective assets. However, other depreciation methods can be established that reliably reflect the expected pattern of consumption of the future economic benefits embodied in the operating assets.

The revalued amount is depreciated over the remaining useful life of the respective assets by the straight-line method starting on the date booked.

The technical areas defined by the segments and subsidiaries establish the useful lives and residual values for each class of asset and their significant components.

Additions, improvements, or reconstructions should be valued by the corresponding technical areas of ICE Group to determine whether they increase the useful life of the operating asset and other operating assets with the purpose of revising the depreciation calculation.

The systematic allocation of the depreciable amount of the cost of operating assets and other operating assets is booked by ICE Group as “Accumulated depreciation of operating assets” and “Accumulated depreciation of other operating assets”.

The depreciable amount of operating assets and other operating assets is comprised of the acquisition or construction cost plus any incidental costs, less the residual value established for each class of asset, where required.

Operating assets that complete their assigned useful lives and are still in use in the normal course of business should be kept in the asset system database for control purposes. Additionally, depreciation calculations should be suspended.

Each component of the assets with a cost that is significant in relation to the total cost of the asset must be recognized and depreciated separately, based on its nature.

Significant spare parts and replacement equipment are depreciated over the same useful life as the component to which they are related.

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(In millions of colones)(iii) Revaluation of assets

In accordance with the Accounting Principles Applicable to the Costa Rican Public Sector, the balances of operating assets, other operating assets, and other operating assets under finance lease agreements and their respective accumulated depreciation as of December 31 of the prior year are revalued on an annual basis using indexes established by ICE Group for each class of asset to maintain their fair value<sup>1</sup> (except for the assets owned by the Telecom sector included in note 4 as “not subject to revaluation”), which could either increase or decrease their carrying amount. If the variations in the values resulting from those revaluations are not significant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years. Revaluations are performed starting in the second accounting period based on the booking date using independent accounts for revalued cost and revalued accumulated depreciation.

In the event that, based on expert criteria, asset revaluations are considered unnecessary but were applied in compliance with prior policies, the corresponding technical areas must perform an analysis to determine whether the revalued amount of the assets should remain unchanged or be adjusted. If the revalued amount is adjusted, such adjustment must be quantified and applied retrospectively for purposes of presentation of the consolidated financial statements and to ensure comparability of figures (see note 2-e).

The aforementioned revaluation rate is determined using a formula based on the U.S. external price index (Bureau of Labor Statistics – Employment Cost Trends) and the Costa Rican consumer price index, depending on whether the purchases are made locally or abroad, and on the prior and current year foreign exchange rates.

The credit resulting from such revaluations is booked in the equity section as “Asset revaluation reserve”. When the carrying amount is reduced as a result of a revaluation, such decrease will be charged directly to net equity against the asset revaluation reserve previously recognized for the same asset, insofar as such decrease does not exceed the balance of the previously recognized asset revaluation reserve.

Other operating assets with a useful life of five years or less and exposed to technological obsolescence are not revalued and, therefore, are booked at cost.

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<sup>1</sup> Restated value, updated using price indexes.



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If a component of other operating assets is revalued, all other components of a similar nature in use in ICE Group's operations should also be revalued.

Other operating assets under finance leases

"Other operating assets under finance leases" are classified as finance leases in accordance with the provisions of the contract for both financial and tax purposes.

Assets under a lease agreement that are used in administrative or operating activities and that are expected to be used for more than one accounting period are booked as "Other operating assets under finance leases".

At the beginning of the lease term, the contractual amount of the leased asset is booked in both the asset and liability sections of the consolidated balance sheet.

Each lease installment is divided into two parts: amortization of the asset and the finance expense stipulated in the agreement based on a constant interest rate over the term of the lease.

Other operating assets under finance lease agreements are depreciated by the straight-line method from the date they are brought to the location and condition necessary for operation, based on their estimated useful life. However, other depreciation methods may be used that reliably reflect the expected consumption of the future economic benefits embodied in other operating assets under finance leases.

Other operating assets under finance lease agreements with a useful life of five years or less and exposed to technological obsolescence are not revalued and, therefore, booked at cost.

If a component of other operating assets under finance lease agreements is revalued, all other components of a similar nature in use in the entity's operations should also be revalued.

Retirements of other operating assets under finance lease agreements should reduce the cost accounts as well as revalued cost accounts and their respective accumulated depreciation.

Construction work in progress

Depending on their complexity, amount, and other factors, assets under construction that are expected to be used in the production and provision of electricity and telecom services are booked as "Construction work in progress" or "Other construction work in progress".

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Assets under construction that are expected to be incorporated into other operating assets and used in administrative activities or to support service delivery are booked as “Other construction work in progress.”

Construction work in progress is booked at construction cost (purchase price of materials, parts, etc.), plus any other costs related to their development, provided they can be identified and reliably measured.

Construction work in progress must be identified using a work number assigned in the corresponding Work Authorization document, which is used to accrue costs incurred.

In the construction phase, the items accrued in each component where the qualifying asset is to be capitalized must be controlled by the corresponding technical area.

Foreign exchange differences are not capitalized during the execution of the works.

Interest and commission expenses derived from loans related to the acquisition and construction of assets should be capitalized to the cost of the assets, solely during construction of the works.

ICE Group begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when ICE first meets all of the following conditions:

- It incurs expenditures for the asset;
- It incurs borrowing costs; and
- It undertakes activities that are necessary to prepare the asset for its intended use.

Borrowing costs are no longer capitalized and are expensed to the period when construction work is interrupted, if the interruption lasts for at least 3 months, or when the asset under construction is placed in service.

Costs incurred by the support and technical support areas of the entity’s segments that are directly related to construction and can be reliably measured, but are not directly allocated to the works, will be accrued as “Production management costs for construction work in progress”.

Production management costs for construction work in progress are allocated on a monthly basis to projects in the design and execution phases, or the construction phase, as appropriate.

Where appropriate, costs accrued in the prior project design and execution phase are to be transferred to “Construction work in progress” after the work has been authorized.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Mitigation and social compensation costs are booked as part of “Construction work in progress” and are subsequently capitalized to “Operating assets”, provided that the following conditions are met:

- These costs are considered to be necessary for the development of ICE Group’s projects.
- These costs are a requirement that ICE Group must comply with in order to obtain social and environmental feasibility permits for its projects. If such requirement is not met, project development start-up may be affected.
- These costs are an integral part of the Environmental Management Plan; accordingly, they must be duly planned and included therein as well as controlled as part of ICE Group’s “Baseline”.
- These costs can be identified and reliably measured.

The status of construction work in progress is determined based on technical criteria that rely on analyses to determine percentage of completion of projects.

Total or partial capitalization of construction works is appropriate when the asset is in the condition necessary for its intended use. Capitalizations are made through settlement of work orders issued by the respective segments and sent to the Accounting Processing Department to be booked within a maximum term of two months from the date on which the assets are in the condition necessary for their intended use, in accordance with the segment’s instructions.

If a decision is made to suspend a construction project, the “Construction work in progress” account should be adjusted and the accrued costs should be expensed to the period, provided those costs cannot be transferred to inventory and are not recoverable.

Materials in transit for investment

The cost of materials and equipment for investment requested from suppliers through a purchase order is booked as “Materials in transit for investment”.

Materials in transit for investment requested from suppliers should be booked for the amount shown on the purchase order, plus incidental costs necessary for their purchase.

Borrowing costs directly attributable to the acquisition of goods and services are included in their acquisition cost during the period from the issue of the purchase order to the date of receipt of the goods and services.

Materials in transit are fully or partially reclassified when the materials enter the entity’s warehouses or are delivered to third parties.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Inventory for investment

The cost of physical goods in stock that will be used in the construction of productive assets is booked as “Inventory for investment”.

The methods used to value inventory for investment are: specific lot identification and moving average cost. Specific lot identification makes it possible to associate each item with the specific originating purchase. The moving average cost method is applicable to materials that are too large to be tracked by lot, and to materials that given their volume and method of storage cannot be matched with individual purchase entries.

ICE Group books the acquisition costs of goods plus any incidental costs necessary to bring them to their present condition and location as part of its inventories.

Inventory for investment decreases when the inventories are used in construction, or when they are retired due to obsolescence, impairment, or warehouse shortages.

Impairment of assets

ICE Group’s asset impairment policy is solely directed at recognition of any physical impairment of its assets due to force majeure and is booked in profit or loss.

(c) Investments and long-term accounts receivableLong-term investments

The cost of financial instruments acquired in order to obtain an interest or control in related parties, so as to develop energy and telecom activities, is booked as “Long-term investments”.

Investments in shares of non-subsidiaries are booked at acquisition cost, irrespective of the ownership interest.

Long-term investments are eliminated when the investments are sold.

Long-term financial investments

Financial instruments (long-term certificates of deposit, bonds, foreign debt bonds, among others) supported by an underlying document and with terms of more than one accounting period are booked as “Long-term financial investments”.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Long-term financial investments are booked at face value, which is the amount due from the debtor at maturity under the agreed terms.

Long-term financial investments are eliminated when the rights are extinguished.

Long-term notes receivable

Credits granted to third parties supported by an underlying document and with terms of more than one accounting period are booked as “Long-term notes receivable”.

Long-term notes receivable are booked at face value, which is the amount due from the debtor at maturity under the agreed terms. That value is maintained for the entire term and until they are recovered.

Long-term notes receivable are eliminated when the rights are extinguished or transferred.

ICE Group reclassifies the portion of notes receivable expected to be recovered during the following year as a current asset.

(d) Current assetsBanks

Transactions affecting national and foreign cash deposited in the current accounts of both public and private, national or foreign financial entities and that will be used in ICE Group’s operations are booked as “Banks”. Bank accounts are booked at face value.

Components that are not subject to any formal use restrictions should be booked in “Banks”.

Temporary investments

The cost of financial instruments acquired using the temporary cash surplus is booked as “Temporary investments”.

Held-to-maturity temporary investments are carried at face value, while available-for-sale temporary investments are carried at fair value. The corresponding balances are presented in the balance sheet.

Temporary investments are booked as available-for-sale investments or held-to-maturity investments, depending on ICE Group’s intent and financial ability to hold to maturity.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Temporary investments are booked as committed and uncommitted, depending on whether they represent sureties, guarantees, repurchase operations, or other types of obligations.

Temporary investments are eliminated when the funds are transferred or used.

Valuation of temporary investments

The valuation of investments designated at initial recognition as available for sale is made through a price vector, using the vector provided by Proveedor Integral de Precios Centroamérica [Central American Comprehensive Pricing Provider] (PIPCA) as a benchmark. This method is used to determine the market value of such investments, which is then compared to the initial investment value. The gain or loss obtained from the valuation is booked against the equity account under the heading “Result of valuation of financial instruments”, until it is derecognized.

When the investment in available-for-sale securities is eliminated or derecognized, the accumulated gain or loss previously recognized in equity is included in profit or loss.

Investment valuations are booked at least once a month. Accordingly, there is a sale indicator and fair values are established. In the case of ICE, the effect of exchange rate variations on the value of temporary investments expressed in foreign currency is booked in profit or loss.

Valuations are not be booked if investments expire, are traded, or are reclassified from available-for-sale to held-to-maturity investments.

Restricted funds

“Restricted funds” are financial resources with limitations on their availability that are received as a guaranty for services to be rendered to ICE Group.

Restricted funds are carried at face value and are eliminated when such resources are returned to the guarantors.

Receivables

The right to demand payment from customers for electricity and telecom services with terms that do not exceed one accounting period is booked as “Receivables for services rendered”.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The right to demand payment from third parties for administrative or legal collection processes and transactions other than the regular provision of ICE Group's services are booked as "Non-trade receivables".

Receivables for services rendered and non-trade receivables are booked for the amount payable of the invoice, agreement, contract, or law underlying the transaction, which indicates the amount payable, the due date, and the agreed terms, depending on the type of service.

Reciprocal accounts receivable and payable between ICE Group and a third party must be booked as independent transactions, but they are offset if agreed by the parties, there is a legal right to offset, and if there is an intent to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Receivables for services rendered are settled when the right is exercised, or when transferred to accounts in administrative collection in the case of payment default.

Non-trade receivables are settled when the right is exercised, or when the accounts are written off due to non-payment against the allowance for doubtful accounts.

Allowance for doubtful accounts

The amount determined on a monthly basis by applying factors or percentages to monthly billings of receivables for services rendered by the Telecom segment provided is booked as "Allowance for doubtful accounts". In the Electricity segment, such factors are applied to the net of accounts receivable debits and credits for electricity services. In the case of other non-trade debts, a fixed amount is applied so as to cover the potential uncollectibility of those charges.

An account receivable is booked as doubtful when the unpaid balance, after applying the corresponding security deposit, if any, is less than the established cap of ¢50,000 (exactly fifty thousand colones) in the respective period, after administrative collection proceedings have been exhausted. The agency must provide evidence of the procedures performed. Balances between ¢50,000 (exactly fifty thousand colones) and ¢100,000 (exactly one hundred thousand colones) will be kept for two years in the subledgers of accounts in legal collections. Once that period has transpired, those balances are automatically booked in "Allowance for doubtful accounts" by the corresponding technical areas of each segment.

Amounts in excess of ¢100,000 (exactly one hundred thousand colones) are kept in the corresponding subledger until a request is received from ICE Group's Legal Department to declare the amount as a doubtful account.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The balance of the allowance for doubtful accounts should be reviewed periodically to ensure coverage of accounts that are potentially uncollectible.

When an account receivable is determined to be uncollectible, the allowance for doubtful accounts should be reduced by the amount of the bad debt.

Government accounts

Rights or obligations arising from the provision of services to the 911 emergency system are booked as “Government receivables and payables.” The amount booked corresponds to the amount payable shown on the document underlying the transaction.

Notes receivable

Loans extended to third parties supported by an underlying document with a term of one year or less are booked as “Notes receivable”.

Notes receivable are booked at face value, which is the amount due from the debtor to ICE Group at maturity and under the agreed terms.

Notes receivable should be eliminated either when the rights are extinguished, when they are classified as doubtful accounts, or when the asset is transferred.

Operating inventory

The cost of the physical assets held in ICE Group’s warehouses with the purpose of using them in operating and maintenance activities related to productive assets, as well as for administrative or management purposes, is booked as “Operating inventory”.

The methods used by ICE Group to value operating inventories are: specific lot identification and moving average cost. Specific lot identification makes it possible to match each item with the specific originating purchase. The moving average cost method is applicable to materials that are too large to be tracked by lot, and to materials that given their volume and method of storage cannot be matched with individual purchase entries. Asset acquisition cost, plus any incidental costs necessary to bring the asset to its present location and condition, are booked as part of inventories.

Operating inventory is decreased when used or retired due to obsolescence, impairment, or warehouse shortages.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The amount provisioned to cover possible losses arising from obsolescence, impairment, and warehouse shortages is booked as an “Allowance for valuation of operating inventory”. The allowance for valuation of operating inventory should be reduced when an item of inventory is determined to be obsolete or impaired, or there is an inventory shortage.

The amount of the allowance for valuation of operating inventory should be reviewed from time to time so as to ensure coverage of potential obsolescence, impairment, or shortages.

The cost of physical goods for sale that should be tracked while the goods are out of the warehouse is booked as “Materials and equipment held in custody”.

Materials and equipment held in custody are eliminated when sold or returned to the warehouses.

Materials in transit for operations

The cost of the materials and equipment for operations requested from suppliers through purchase orders is booked as “Materials in transit for operations”.

“Materials in transit for operations” requested from suppliers should be booked for the amount shown on the purchase order, plus incidental costs necessary for their acquisition.

Borrowing costs directly attributable to the acquisition of goods and services are included in their acquisition cost during the period from the issue of the purchase order to the date of receipt of the goods and services.

Materials in transit for operations are charged against inventory accounts (operations) once the respective “certificate of receipt of materials” (CRM) has been issued.

Prepaid expenses

The cost of expenditures for the future receipt of goods and services under agreements subscribed is booked as “Prepaid expenses”.

“Prepaid expenses” also include mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans. Such amounts are expensed based on the term of the post-paid plan or package, matching the costs with the plan’s income.

Prepaid expenses are booked at acquisition cost.

Prepaid expenses are amortized as the future economic benefits are consumed, which are derived from the use or consumption of fees paid.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

“Prepaid expenses” related to the cost of mobile terminals are expensed when the service is canceled or the plan is changed.

(e) Other assets

Service agreements

The cost of services for construction and technical services provided by ICE Group to third parties is booked as “Service agreements”.

Service agreements are booked at execution cost, plus any other costs related to development, provided they can be identified and reliably measured. Costs accrued and incurred during the project design and execution phase are included in the value of service agreements, if so stipulated in the agreement.

“Mitigation and social compensation costs” are booked under “Service agreements” when they are identified and reliably measured, are an integral part of the Environmental Management Plan, are duly planned and included therein, and are controlled as part of ICE Group’s “Baseline”, provided they are also an integral part of the cost of the agreement and are recoverable for ICE Group.

Service agreements with third parties are settled based on percentage of completion of the works, partial deliveries, or full payment upon delivery of the good or service, as stipulated in the agreement.

Whenever it is likely that the total costs of an agreement at the final settlement date will exceed the amount stipulated, the resulting difference is expensed in the period in which the final settlement is made; except for items that are expected to generate future economic benefits and, therefore, qualify for recognition as an asset. Those items are eliminated and transferred to the amortizable assets account and are absorbed during the term of the agreement, provided the benefit is technically and financially demonstrated by the corresponding area.

Project design and execution

Costs incurred prior to the construction of projects or works and that form part of the investment phase are booked under the heading “Project design and execution”. Those costs include the basic and final design of the works, as well as the corresponding technical, economic, and financial studies.

Project design and execution costs are booked at execution cost, plus any other costs related to their development, provided they can be identified and reliably measured.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Mitigation and social compensation costs are booked as part of “Construction work in progress” and are subsequently capitalized to “Operating assets”, provided that the following conditions are met:

- These costs are considered to be necessary for the development of ICE Group’s projects.
- These costs are a requirement that ICE Group must comply with in order to obtain social and environmental feasibility permits for its projects. If such requirement is not met, project development start-up may be affected.
- These costs are an integral part of the Environmental Management Plan; accordingly, they must be duly planned and included therein as well as controlled as part of ICE Group’s “Baseline”.
- These costs can be identified and reliably measured.

Balances accrued in the project design and execution account for construction works owned by ICE Group are eliminated and transferred to the construction work in progress account, or they are expensed in the period if the project is scrapped, or the project is not anticipated to produce any future economic benefits.

Technical service centers-investment

Costs incurred by specialized technical units for the provision of services to third parties are booked as “Technical service centers-investment”.

Technical service centers book their operations at the cost incurred to provide the service.

In providing outside services, the technical service centers charge a portion or all of their costs to the accounts indicated in the open service orders, depending on the likelihood of recovery.

Investment in reforestation agreements

Amounts paid for acquisition of rights as co-owners of reforestation plantations are booked as investments in reforestation agreements by RACSA. All disbursements made and associated with forest development are capitalized as part of the investment. The value of this investment is amortized as development revenues are realized. Execution of these agreements entitles RACSA to a proportional share of net revenues arising from future development.

RACSA also books a “Forest development reserve” plus all costs incurred for development. The purpose of the reserve is to cover any potential losses associated with future use of investments in forestry agreements.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Non-operating assets(i) Recognition and measurement

The following items are booked as “Non-operating assets”:

- assets used in activities other than ICE Group’s normal operations;
- assets designated for the future provision of electricity and telecom services and that are expected to be used for more than one accounting period;
- assets transferred or acquired for use by third parties;
- operating assets that are idle during a significant term (at least 6 months) and which value is equal to or greater than ₡1,000.

Non-operating assets are booked at acquisition or construction cost, plus any other directly attributable costs necessary to bring the asset to the location and condition necessary for operation.

Additions, improvements or retrofits, and reconstruction and price adjustments (rights granted to contractors by the Government Procurement Act to maintain the economic balance of contracts) are treated as costs subsequent to the acquisition or construction of an asset and are therefore capitalizable, provided they are not considered recurring costs for maintenance.

Price adjustments are capitalizable provided they are directly related to an item of property, machinery, and equipment. Price adjustments may occur during the construction process or when the asset is in use or is classified as a non-operating asset. Price adjustments are depreciated over the remaining useful life of the corresponding operating or non-operating asset.

Reconstruction of a non-operating asset is booked as follows:

- If reconstruction is virtually a total reconstruction, the asset is booked as a new asset, and the previous asset is retired.
- In the case of a total reconstruction where parts of the previous asset are used, those parts increase the cost of the new asset.
- If reconstruction is partial, retirement of the replaced part should be recognized and the reconstruction capitalized.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(ii) Depreciation

Non-operating assets (except for land) are depreciated by the straight-line method when they are brought to the location and condition necessary for operation, based on the estimated useful lives of the respective assets. However, other depreciation methods can be established that reliably reflect the expected pattern of consumption of the future economic benefits embodied in the non-operating assets.

Revaluation is depreciated over the remaining useful life of the respective assets by the straight-line method starting on the date booked.

The technical areas defined by ICE's segments and other ICE Group's subsidiaries establish the useful lives and residual values for each class of asset.

Additions, improvements, or reconstructions should be valued by the corresponding technical areas of ICE Group to determine whether they increase the useful life of the non-operating assets with the purpose of revising the depreciation calculation.

The systematic allocation of the depreciable amount of the cost of other non-operating assets owned by ICE Group is booked as "Accumulated depreciation of non-operating assets".

The depreciable amount of non-operating assets is comprised of the acquisition or construction cost plus any incidental costs, less the residual value established for each class of asset, where required.

Non-operating assets that complete their assigned useful lives and are still in use should be kept in the asset system database for control purposes. Additionally, depreciation calculations should be suspended.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(iii) Revaluation of assets

In accordance with the Accounting Principles Applicable to the Costa Rican Public Sector, the balances of non-operating assets and their respective accumulated depreciation as of December 31 of the prior year are revalued on an annual basis using indexes established by ICE Group for each class of asset to maintain their fair value<sup>2</sup> (except for the assets owned by the Telecom sector included in note 4 as “not subject to revaluation”), which could either increase or decrease their carrying amount. If the variations in the values resulting from those revaluations are not significant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years. Revaluations are performed starting in the second accounting period based on the booking date using the independent accounts for restated cost and restated accumulated depreciation.

In the event that, based on expert criteria, asset revaluations are considered unnecessary but were applied in compliance with prior policies, the corresponding technical areas must perform an analysis to determine whether the revalued amount of the assets should remain unchanged or be adjusted. If the revalued amount is adjusted, such adjustment must be quantified and applied retrospectively for purposes of presentation of the consolidated financial statements and to ensure comparability of figures (see note 2-e).

The aforementioned revaluation rate is determined using a formula based on the U.S. external price index (Bureau of Labor Statistics – Employment Cost Trends) and the Costa Rican consumer price index, depending on whether the purchases are made locally or abroad, and on the prior and current year foreign exchange rates.

The credit resulting from such revaluations is booked under “Asset revaluation reserve”. When the carrying amount is reduced as a result of a revaluation, such decrease will be charged directly to net equity against the asset revaluation reserve previously recognized for the same asset, insofar as such decrease does not exceed the balance of the previously recognized asset revaluation reserve.

Non-operating assets with a useful life of five years or less and exposed to technological obsolescence are not revalued and, therefore, are booked at cost.

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<sup>2</sup> Restated value, updated using price indexes.

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

If a component of non-operating assets is revalued, all other components of a similar nature in use in ICE Group's operations should also be revalued.

Retirements of non-operating assets should reduce the cost accounts as well as revalued cost accounts and their respective accumulated depreciation.

Intangible assets

(i) Recognition and measurement

Assets that do not have a physical form and are expected to be used for more than one accounting period for administrative activities or activities other than normal operations, rights of way and easements on land currently in use or for future use by ICE Group to render services, and goodwill arising from the acquisition of subsidiaries that is expected to be used for more than one accounting period or indefinitely are booked as "Intangible assets".

Pursuant to this policy, intangible assets are as follows:

- Licenses and software;
- Systems and applications;
- Rights of way or easements on land; and
- Goodwill (excess of the acquisition cost over the carrying amount (net equity) of the acquiree).

Intangible assets acquired from third parties are booked at acquisition cost, plus any costs directly attributable to preparation of the asset for its intended use. Rights of way or easements on land are booked from the date the corresponding agreement is signed and for the amount agreed by ICE Group and the land's owner.

In the case of internally developed intangible assets, ICE Group classifies asset production asset into the following phases:

- Research phase and
- Development phase.

Intangible assets resulting from the research phase are not recognized. Disbursements for research are expensed in the period incurred.

Intangible assets resulting from the development phase are recognized as such if the following criteria are met:

- It is technically possible to complete production of the intangible asset such that it becomes available for use or sale.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- Its intent to complete the intangible asset in question for use or sale.
- Its ability to use or sell the intangible asset.
- The way in which the intangible asset will generate future economic benefits. Among other, ICE Group should demonstrate the existence of a market for the production generated by the intangible asset or for the asset itself, or, if the asset will be used internally, the asset's usefulness for ICE Group.
- Availability of sufficient technical, financial, or other resources to complete the development of and use of or sell the intangible asset.
- Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset includes all directly attributable costs necessary to create, produce, and prepare the asset for operation as intended by management.

Qualifying assets developed internally or provided by third parties are capitalized as intangible assets.

Intangible assets include additions or improvements made to qualifying operating assets.

Expenditures subsequent to acquisition of intangible assets are only booked as intangible assets if they meet the aforementioned recognition requirements; otherwise, they should be expensed for the period.

In the case of CNFL, "Intangible assets" correspond to costs incurred in rights of way and easements as well as software and licenses acquired during the modernization process of the computer information systems.

"Goodwill" is recognized at cost less accumulated amortization and represents the excess of acquisition cost over the carrying amount (net equity) of the acquiree (see note 3-a (i)).

(ii) Amortization

The systematic allocation of the amortizable cost of such assets is booked by ICE Group as "Amortization-intangible assets" over the established term starting on the date the asset is available for use.

The amortizable amount of intangible assets is comprised of the acquisition or construction cost plus any incidental costs.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Intangible assets with an indeterminate useful life are not amortized but will be reviewed on an annual basis to ascertain whether this treatment continues to be appropriate.

Rights of way and easements on land with an indeterminate useful life, i.e. when a defined term in which the asset will continue to generate benefits to ICE Group is not distinguishable, are not amortized.

If right of way or easement agreements are subscribed for a defined period, such rights must be amortized over the term of the agreements in which they generate benefits to ICE Group. In the event that such agreements are renewable, that fact must be taken into account when determining the useful life of the right of way or easement.

Rights of way or easements on land are not revalued.

Intangible assets that completed their assigned useful lives and are still in use should be kept in the asset system database for control purposes. Additionally, amortization calculations should be suspended.

Retirements of intangible assets should decrease both cost and amortization accounts.

In the case of CNFL, rights of way or easements are amortized over agreed periods of between 2 and 15 years; if agreed to perpetuity, these rights are not amortized. Software and licenses acquired are amortized straight-line over a period of between 1 and 3 years.

“Goodwill” is systematically amortized (straight-line) to expenses over the term in which it is expected to generate income. The amortization period is determined based on financial criteria in accordance with expectations for obtaining the expected benefits from the business.

#### Amortizable items

Expenditures to issue securities (bonds), investments, and any other obligations that provide economic benefits are booked as “Amortizable items”. Accordingly, they must be deferred because they affect more than one accounting period.

Amortizable items are booked at historical cost provided they can be identified and reliably measured.

Expenditures or transactions properly allocated to amortizable items are considered to be qualifying if they meet the following criteria:

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- They fulfill the condition for recognition as assets, since it is probable that they will produce future economic benefits.
- Expenses incurred from their absorption are correlated with income earned during the period.

The systematic allocation of the absorbable amount of the cost of such assets is booked as “Absorption of amortizable items” during the established term.

Amortizable items are absorbed by the straight-line method over the period of time in which economic benefits are expected to be obtained from such items, except those that given their financial nature warrant application of the effective interest method, such as financial assets.

Upon full absorption of amortizable items, the cost accounts and their respective absorption should be eliminated.

Securities received as guaranty deposits

Documents equivalent to cash received from customers as a payment guarantee for services rendered or expected to be rendered are booked as “Securities received as guaranty deposits”.

Securities received as guaranty deposits are booked at face value.

Securities received as guaranty deposits are eliminated when the service is completed, the agreement is extinguished, or the contract is breached by the customer.

Valuation of derivative financial instruments

The positive value of discounted cash flows of financial instruments is booked as “Valuation of derivative financial instruments” in the asset section of the balance sheet. The negative value of the discounted cash flows of financial instruments is booked as a liability. The value changes in response to changes in the underlying asset.

For qualifying hedging instruments, the effects of changes in their valuation are classified in equity or profit or loss for the period based on an evaluation of their effectiveness.

The effect of valuation of derivative financial instruments that are not classified as hedges is booked as part of finance income in profit or loss.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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Guarantee and Savings Fund (restricted fund)

ICE's rights reflected in the net amount transferred to the Guarantee and Savings Fund as contributions and to the Supplemental Pension System, plus returns derived therefrom, less amounts transferred to employees and fund management losses, are booked as "Guarantee and Savings Fund (restricted fund)".

"Guarantee and Savings Fund (restricted fund)" is presented in the balance sheet under "Other assets" as they become due with respect to the other items in this group.

The amounts contributed to the "Guarantee and Savings Fund (restricted fund)" are disclosed for each segment.

Transfers to ICE's Guarantee and Savings Fund

Amounts transferred to ICE's Guarantee and Savings Fund are booked as "Transfers to ICE's Guarantee and Savings Fund". This fund was created to pay severance benefits to ICE's employees. Fund contributions are equivalent to 5% of salaries earned during the year.

The balance of transfers made to the Guarantee and Savings Fund decreases when severance benefit payments are made to ICE's former employees.

(f) Long-term liabilities

Securities payable

Obligations with third parties assumed as a result of the issue of debt securities (bonds) that represent payment commitments for terms of more than one year are booked in "Securities payable".

Obligations for securities issued by ICE Group are recognized at face value based on the contracted debt.

A partial or full decrease in debt securities (bonds) is recognized when the entity amortizes or settles any amount owed.

ICE Group reclassifies the portion of long-term securities payable expected to be settled within one year as "Short-term securities payable".

Long-term loans payable

Obligations assumed with financing institutions and agencies, suppliers, or lessors for more than one accounting period are recognized as "Long-term loans payable".

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Long-term loans payable are booked at the face value of the underlying contracts.

ICE Group reclassifies the portion of long-term loans payable expected to be settled in one year or less as “Short-term loans payable”.

“Long-term loans payable” are recognized as the financial entity or provider transfers the cash flows or assets to ICE Group or the supplier, or as interest is capitalized over the loan disbursement period, where appropriate.

A partial or full decrease in “Long-term loans payable” is recognized when the entity amortizes or settles any amount owed or when the obligation expires.

Long-term loans payable are presented in the consolidated balance sheet under “Long-term liabilities” as they become due with respect to the other items in this group.

ICE Group reclassifies as “Short-term loans payable” long-term debt resulting from noncompliance with the provisions set forth in the loan agreements at the end of the reporting period or earlier, as long as noncompliance is declared by the creditor. The creditor should expressly indicate to ICE Group that liabilities are payable in the short term, regardless of the status of negotiations of waivers or amendments with the creditor.

With respect to the aforementioned noncompliance, ICE Group will disclose the following:

- Loans with which ICE failed to comply during the period and their carrying amount.
- Whether noncompliance is cured or the conditions of loans payable are renegotiated prior to the date on which the consolidated financial statements are authorized for issue.
- Negotiated conditions in the case of amendments or waivers for each loan.

Obligations derived from credit

Temporary liabilities arising from commitments with suppliers for purchase orders financed by a special purpose loan that the financial entity settles directly with suppliers are booked as “Obligations derived from credit”.

Obligations derived from credit are booked at the face value of purchase orders.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Obligations derived from credit are partially or fully paid when the financial entity settles any commitments with the supplier on ICE Group's behalf. This payment is accounted for as settlement of the original financial liability, recognizing a new financial liability with the entity that settled the obligation.

Security deposits

Obligations arising from cash received by ICE Group from its customers to provide electricity and telecom services are booked as "Security deposits". The objective of this liability is to ensure partial or full recovery of billings that might not be paid by the Group's customers.

Security deposits are recognized at face value.

Security deposits are taken against the corresponding account receivable when the service is canceled at the request of the customer, or when ICE Group cancels the service as a result of non-payment by the customer.

Prepaid income

"Long-term prepaid income" includes government aids received from local or foreign governments that meet the conditions to be considered government grants and that are expected to be realized in income in more than one accounting period.

The "Long-term prepaid income" item is presented at the fair value of the government grant received.

Prepaid income decreases as the current portion that is expected to be realized in income in more than one accounting period is reclassified to "Short-term prepaid income".

Government grants are systematically allocated based on the useful life of the asset related to the grant received.

(g) Short-term liabilitiesShort-term securities payable

Obligations with third parties assumed as a result of the issue of debt securities (commercial paper) that represent payment commitments for terms of one year and the current portion of "Long-term securities payable" expected to be settled within one year are booked in "Short-term securities payable".

Obligations for securities issued by ICE are recognized at face value based on the contracted debt.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

A partial or full decrease in short-term securities payable is recognized when ICE Group amortizes or settles any amount owed.

ICE Group reclassifies the current portion of long-term securities payable expected to be settled in one year as “Short-term securities payable”.

Loans payable - Working capital

Obligations with financing institutions or agencies for terms equal to or less than one year are booked under “Loans payable - Working capital”.

“Loans payable - Working capital” is booked at the face value of the underlying contracts.

A partial or full decrease in “Loans payable - Working capital” is recognized when the entity amortizes or settles any amount owed or when the obligation expires.

Short-term loans payable

The portion of long-term loans payable expected to be settled within one year and long-term debt payable in the short term as expressly indicated by the corresponding creditor as a result of noncompliance with the obligations established in the agreements are recognized as “Short-term loans payable”.

Short-term loans payable are recognized at the face value of the underlying contracts.

A partial or full decrease in “Short-term loans payable” is recognized when the entity amortizes or settles any amount owed or when the obligation expires.

ICE Group reclassifies as “Short-term loans payable” long-term debt resulting from noncompliance with the provisions set forth in the loan agreements at the end of the reporting period or earlier, as long as noncompliance is declared by the creditor. The creditor should expressly indicate to ICE Group that liabilities are payable in a short term, regardless of the status of negotiations of waivers or amendments with the creditor.

Accounts payable

Obligations assumed with different entities arising in the normal course of business are booked as “Short-term liabilities payable”. Any accounts payable with a settlement date of more than one year are reclassified to the long-term section of the consolidated balance sheet.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Accounts payable are valued based on the total amount due under contractual obligations.

Accounts payable are recognized as follows:

- Import purchase orders – the liability is recognized when the purchase order is issued;
- Local purchases – the liability is recognized upon acceptance of the CRM.

A partial or full decrease in accounts payable is recognized when ICE Group amortizes or settles any amount owed or when the obligation expires.

Accrued finance expenses payable

“Accrued finance expenses payable” include borrowing costs (interest and commissions) accrued but not paid resulting from obligations undertaken with financing institutions or agencies.

Accrued finance expenses payable are valued at historical cost according to the contractual terms and conditions of the respective debt.

A decrease in accrued finance expenses payable is recognized when the entity settles any amount owed or when finance expenses are capitalized.

Prepaid income

Obligations arising from advance payments made by customers for services rendered in the normal course of business, construction services provided to third parties, and the current portion of long-term government grants expected to be realized in profit or loss within one year are recognized as “Prepaid income”.

The “Prepaid income” item is presented at the agreed value of the services rendered or at the fair value of the government grant received.

Prepaid income decreases as the services are rendered or the systematic allocation of government grants is realized in income based on the useful life of the related principal asset.

Deposits from private individuals or companies

“Deposits from private individuals or companies” include obligations arising from cash paid by individuals or companies to fully or partially defray the cost of works and to ensure fulfillment of services that are yet to be provided to ICE Group.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Deposits from private individuals or companies are booked at face value or at the amount agreed for construction of the works.

This item is paid when the service is provided, the contract is extinguished, deposits are reimbursed to the guarantors, or the customer violates the terms and conditions of the contract.

Accrued expenses for employer obligations

The amount calculated on employee salaries for payment of the statutory Christmas bonus, vacation days, and the back-to-school bonus is recognized as “Accrued expenses for employer obligations”.

Accrued expenses for employer obligations are recognized at historical cost.

(i) Statutory Christmas bonus

Costa Rican legislation requires the payment of one-twelfth of the monthly salary for each month of service. The bonus is paid in December, even in the case of employee dismissal. ICE Group records a monthly provision to cover future disbursements related therewith.

(ii) Vacation

ICE books a vacation accrual based on the employee’s years of service with ICE, as follows:

- Between 1 and 5 years of service, an accrual of 4.17% of pretax compensation
- Between 5 and 10 years of service, an accrual of 6.11% of pretax compensation
- Over 10 years of service, an accrual of 8.33% of pretax compensation.

Employees of CNFL are entitled to paid vacation days each year. The number of vacation days is determined based on years of service with the subsidiary or seniority, as follows:

- 1-4 years of service: 15 business days
- 5-9 years of service: 22 business days
- 10 years of service and thereafter: 30 business days

The vacation accrual for RACSA is as follows:

- Employees with less than 10 years of service are entitled to two weeks of vacation for every 50 weeks of continuous service.
- Employees with 10 or more years of service are entitled to 30 days of vacation for each year of continuous service.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

CVCRSA books a monthly provision of 4.17% to cover future disbursements related therewith. EVCSA books no provision in relation thereto.

(iii) Back-to-school bonus

ICE Group follows the policy of recording an accrual for payment of back-to-school bonuses. The bonus corresponds to a percentage calculated on the monthly monetary salary of each employee, and is paid on an accrual basis in January of each year. This accrual is equivalent to 8.19% of pretax compensation, and is paid to all employees regardless of whether they have children or school-age children.

The back-to-school bonus constitutes an additional cost-of-living salary increase to defray the costs of any school-related expenses.

“Accrued expenses for employer obligations” are liquidated on an ongoing basis as the obligation is extinguished as a result of use or payment of benefits.

The subsidiaries RACSA, CVCRSA, and EVCSA book no provision in relation thereto.

(h) Other liabilities

Legal provisions

The amount calculated on employee salaries for statutory payments, accrued legal obligations, and occupational hazard insurance is recognized as “Legal provisions”.

“Legal provisions” are booked at historical cost.

ICE Group records a provision for severance benefits (including advance notice and allowance for termination of employment) and other benefits available to employees upon termination of employment in accordance with established regulations.

ICE’s monthly provision for severance benefits corresponding to permanent and temporary employees is equivalent to 3.50% and 9%, respectively, of pretax compensation.

The provision for severance benefits for ICE’s permanent employees is transferred on a monthly basis to the Guarantee and Savings Fund, where returns are generated until employment is terminated.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Project employees are hired to execute projects developed by ICE and are terminated once the work is completed.

In accordance with the Collective Bargaining Agreement subscribed by CNFL and its employees on August 30, 1995, CNFL calculates severance benefits by applying a percentage based on the employee's years of service, up to a maximum of 20 years. At each tax year-end, a financial study is completed to adjust the calculation of this provision. CNFL determines the present value of these defined benefit obligations, sensitized to prepaid severance benefits, with sufficient regularity to ensure that the amounts booked in the consolidated financial statements do not significantly differ from the amounts to be determined at the close of the reporting period. CNFL uses a valuation methodology to determine the present value of defined benefit obligations and the cost of current and past services rendered. CNFL has not changed the benefit plan; accordingly, no cost is booked for past services.

CNFL transfers a contingent liability for severance benefits to the Employee Association of CNFL (ASEFYL), equivalent to 5.33% of member employees' monthly salaries, pursuant to Law No. 6970.

RACSA pays severance benefits to employees equivalent to 20 days' salary for each year of continuous service, up to a maximum of 8 years. However, in accordance with a number of agreements of the Board of Directors, RACSA increased severance benefits and recognizes the right to an additional payment equivalent to 20 months' salary. In order to comply with such provision, an expense equivalent to 5.33% of monthly employee salaries is booked and that amount is fully transferred to the Employee Association as prepaid severance benefits. Such resources are managed by the Association for the benefit of its member employees. Upon termination of employment, employees are paid directly by the Association the portion corresponding to 5.33% of salaries; any additional amount that must be covered by RACSA in respect of the final severance benefits (calculated based on the labor rights mentioned above), is expensed for the period.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

CVCRSA pays severance benefits to its employees pursuant to article 29 of the Labor Code. For such purposes, CVCRSA books a monthly provision of 5.33% of salaries. Of that amount, 3% is transferred to the Employee Association of Cable Visión (ASEVISION) for the benefit of employees and deducted from severance benefits when employees are dismissed without just cause. Any additional amount in respect of the final severance benefits is expensed for the period. On December 5, 2013, CVCRSA was acquired and its employees received full severance pay, which implied no additional labor obligations for ICE; accordingly, under no circumstances may ICE be considered as a “substitute employer”.

Legal provisions are revised periodically to ensure coverage of any future obligations.

Provision for contingent liabilities

ICE Group books a provision for contingent liabilities in order to cover possible losses derived from legal, arbitration, and administrative proceedings (except tax) managed by ICE Group’s Legal Department. The conditions and amount of the provision are determined in accordance with the “Guidelines for Litigation Provisions”, which considers the expert opinion of ICE’s Legal Department and the following criteria:

- Litigation which estimate, amount, or unfavorable ruling amount to ¢500 or more must be provisioned, except for notices of deficiency issued by the Tax Authorities (including interest and penalties), which should be fully provisioned (100%) regardless of the amount. However, if according to the expert opinion of the legal counsel there is uncertainty or an outflow of funds is unlikely in respect of such tax proceedings, no provision is recorded therefor.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- A provision for contingent liabilities is established for the estimate, amount, or ruling of each lawsuit, divided by the expected resolution term (in years) determined by the Legal Department. Accordingly, the portion to be accrued each year during the term of the lawsuit is provisioned until 100% of the estimated amount for each suit is reached. The lawsuits to be provisioned are determined by ICE's Legal Department, in accordance with the criteria specified below. As an exception, notices of deficiency are fully provisioned starting on the date official notification is given by the Tax Authorities, and include interest and penalties. Principal is included only if the notice of deficiency corresponds to the current period; if it corresponds to prior periods, the principal is charged against the "Development reserve".

The criteria used by ICE's Legal Department to determine whether litigation should be provisioned are as follows:

*Criterion 1:* Notices of deficiency from Tax Authorities: Formal notification is given by the Tax Administration of notices of deficiency issued to ICE Group. The notices of deficiency are provisioned (including interest and penalties). Principal is included only if it corresponds to the current period; if it corresponds to prior periods, the principal is charged against the "Development reserve". In the case of tax proceedings for which the legal counsel considers there is uncertainty or an outflow of funds is unlikely, no provision is recorded therefor.

*Criterion 2:* As of the date of judgment for the plaintiff in the first instance: Formal notification of a ruling handed down by the competent courts of first instance whereby ICE Group is found guilty. The provision is established based on court costs.

*Criterion 3:* Legal actions for which, based on question of law criteria or the opinion of ICE's Legal Department, a causal link is established between the subject of the claim and the actions of management, according to the rules governing liability.

*Criterion 4:* In legal actions where ICE Group is the defendant, when the amount cannot be estimated, and where judgment for the plaintiff was ruled in the first instance by the competent courts, ICE's Legal Department will estimate a reasonable amount to be provisioned based on the expert opinion.

Legal provisions must be revised periodically to ensure coverage of the potential obligation.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Provisions are liquidated from time to time when the obligation is extinguished, i.e. when payment is made or no legal obligation is acquired.

Valuation of derivative financial instruments

Negative cash flows from financial instruments are recognized in the liability section under “Valuation of derivative financial instruments”.

The value changes in response to changes in the price of the underlying asset.

Instrument valuation will be directly linked to equity or profit or loss for the period, based on their effectiveness measurement.

Guarantee and Savings Fund (restricted fund)

ICE’s obligations reflected in the net amount transferred to the Guarantee and Savings Fund and Supplemental Pension System as contributions, plus returns derived therefrom, less amounts transferred to employees and other fund management losses, are booked as “Guarantee and Savings Fund (restricted fund)”.

“Guarantee and Savings Fund (restricted fund)” is presented in the balance sheet under “Other liabilities” as they become due with respect to the other items in this group.

(i) EquityDevelopment reserve

The “Development reserve” includes profit or loss at each accounting year-end. By law, that reserve must be earmarked for development of electricity and telecom services.

The development reserve is adjusted for the effects of changes in accounting policies, corrections of prior period misstatements, and equity adjustments.

Asset revaluation reserve

The “Asset revaluation reserve” includes the amount resulting from application of revaluation rates to adjust the value of assets used by ICE Group to provide basic or administrative services.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

This reserve is adjusted by the net amount of partially or fully retired assets during the period and for reinstatement of depreciation of the revalued assets in the development reserve, due to the effects of the changes in accounting policies and corrections of prior period misstatements.

Result of valuation of financial instruments

This account reflects the result of valuation of financial instruments acquired by ICE Group, including hedges in the form of financial derivatives and available-for-sale investments.

Valuations are recognized in equity based on the conditions established for each financial instrument.

Positive or negative discounted cash flows from financial instruments determined to be effective hedges are recognized as “Result of valuation of financial instruments”.

Investments are booked under “Result of valuation of financial instruments” when classified as available for sale.

Valuation of hedging instruments is directly linked to liabilities or assets and depends on whether the instrument hedges or discloses the risk.

The result of valuation of financial instruments is eliminated when the instrument expires, is negotiated, or is sold.

Surplus or loss

The result of eliminating “Income” and “Expenses” nominal accounts at period-end is booked under “Surplus or loss”.

“Surplus or loss” is valued at the results obtained in profit or loss for the financial year.

“Surplus or loss” at the end of the period is liquidated by transferring its balance to the “Development reserve”, “Asset revaluation reserve” (the portion corresponding to expense for depreciation of revalued assets), and “Profit or loss on investments” (the portion corresponding to investments in subsidiaries and other companies).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Legal reserve

Pursuant to current regulations, CNFL, Eólico Valle Central, S.A., and CVCRSA must appropriate 5% of each year's net earnings to a legal reserve, up to 20% of outstanding share capital.

In accordance with Law No. 3293 dated June 18, 1964, RACSA books an equity reserve equivalent to 25% of pretax income.

Project development reserve

At Ordinary Shareholders Meeting No. 97 held on April 30, 2001, CNFL established a reserve for project development. During that meeting, shareholders agreed to transfer retained earnings as of December 31, 2000 and dividends declared but not paid as of December 31, 1999 in the amount of ¢1,000, for purposes of maintaining an equity fund to finance working capital for projects under development.

Forest development reserve

RACSA books the cost value of forestry projects plus all costs incurred for their development as a "Forest development reserve". The purpose of the reserve is to cover any potential losses associated with future utilization of investments in forestry agreements.

Restricted retained earnings

Based on agreements reached at General Shareholders' Meetings, RACSA restricts earnings as appropriate and recognizes them on the historical cost basis.

(j) Memoranda accounts

"Debit or credit memoranda accounts" includes contingent rights or obligations, goods and securities given and/or received in custody, for management, or as a guaranty for any operation, or the balancing entry of the respective debit or credit memoranda account for contingent rights or obligations, goods and securities given and/or received in custody, for management, or as a guaranty for any operation affecting ICE Group. Accordingly, these memoranda accounts are disclosed for informational purposes only.

Memoranda accounts are recognized at face value.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Memoranda accounts are reciprocally netted, partially or in full, when contingent rights or obligations related to the operation are extinguished.

(k) Operating income

Income from services

“Income from services” includes income earned on the sale of electricity and telecom services both locally and abroad.

Income from services is booked for the amount of the billings.

Income is recognized when persuasive evidence exists (usually in the form of a formal document) that the significant risks and rewards of services rendered are transferred to the buyer, it is probable that the economic benefits derived from the transaction will be received, and costs incurred and refunds made can be measured reliably. ICE Group may not be held liable for management of the services rendered.

Income from electricity and telecom services is accounted for through billing cycles. The receipt issued for these services includes the billing cycle that covers the period invoiced to the customer. ICE Group will book income for the aforementioned services according to the date specified on the receipt.

Income from telecom services is recognized for individual services rendered to customers (non-package services) or service plans or packages according to the commercial business strategy.

Income from services arising from the sale of plans or packages offered to customers is booked separately according to each type of service included in the plan or package.

Income from post-paid services arising from plans or packages or individual services (non-package services) is booked according to the date of invoice or receipt issued to the customer after the service is rendered (billing cycle).

Income from prepaid services is booked separately as income in each type and classification until services are rendered to the end customer. Traffic of fixed and mobile telephony is booked as income as calls are made. For prepaid services, the amount corresponding to traffic paid and pending consumption generates deferred income, which is booked under “Prepaid income” in the liability section of the consolidated balance sheet.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The sale of terminals individually sold or sold in plans or packages offered by ICE Group is recognized as income. Income from the sale of terminals is recognized by the amount established in the offered plans or packages when the terminal is transferred to the purchaser.

Income from services is recognized when the following criteria are met:

- Income can be measured reliably.
- It is probable that ICE Group will receive the economic benefits derived from the transaction.
- Services are rendered in the reporting period, in accordance with the billing cycle.
- The level of realization of the transaction can be measured reliably.
- Costs incurred in rendering services and costs to be incurred until the transaction is completed can be measured reliably.

Income from government services

“Income from government services” includes income generated from providing services to the 911 emergency system.

This item is booked at the agreed rate.

(1) Operating costs

Operation and maintenance costs

The cost of operating productive assets and keeping them in optimal working condition is booked as “Operation and maintenance costs”.

Operation and maintenance costs of leased equipment includes the cost of leasing, operating, and maintaining productive assets owned by third parties and used to provide electricity and telecom services.

Operation and maintenance costs are recognized at historical cost.

Lease agreements for telecommunications, transmission, and electric power generation equipment are booked and classified as operating leases for both tax and financial reporting purposes.

Payments arising from operating leases are recognized on a straight-line basis over the term of the lease in accordance with the agreement.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Depreciation of operating assets

“Depreciation of operating assets” corresponds to the portion resulting from systematic allocation of the depreciable amount of the cost and revalued cost of operating assets owned by ICE Group, as well as the net cost of operating assets that have been partially or fully retired during the period.

Costs arising from depreciation of operating assets are booked based on systematic application of the depreciation method agreed for each group of assets. Depreciation is provided on the straight-line method. The depreciable amount of operating assets represents the cost of acquiring or constructing the asset, plus any incidental costs, less the residual value established for each class of asset (where appropriate).

Depreciation of operating assets begins when the work under construction is acquired or capitalized and the asset is in working condition.

Supplemental services and purchases

Costs incurred by ICE Group to acquire electricity and telecom services from third parties are booked as “Supplemental services and purchases”.

Supplemental services and purchases are booked at the face value of the payment document.

Production management

“Production management” includes costs incurred by the supporting areas of ICE Group’s segments for the normal development of their technical and administrative management activities.

“Production management” costs are recognized at historical cost.

“Production management” costs incurred by management of the Electricity segment are distributed among electricity subsegments, based on the established cost drivers.

Technical service centers-operations

Costs incurred by specialized technical operations units that provide services to other entities are recognized as “Technical service centers-operations”.

These centers book their operations at the historical cost of providing the services.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Costs related to technical service centers-operations are allocated to customers based on the unit's costing method.

(m) Operating expenses

Administrative expenses

“Administrative expenses” correspond to expenses incurred by ICE Group's Corporate segment to promote and ensure efficient management and compliance with ICE Group's objectives and targets, as well as the normal development of administrative activities.

Administrative expenses are booked at historical cost.

“Administrative expenses” are distributed among the subsegments comprising each segment using cost drivers in accordance with the methodology designed for such purposes.

Marketing expenses

“Marketing expenses” corresponds to expenses incurred by ICE Group to sell electricity and telecom services and other technical services to customers. Marketing expenses include design of services, customer care, and recovery of the economic benefits generated by those services.

“Marketing expenses” also include the cost of mobile terminals and other devices required to render electricity and telecom services.

The realized cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans are booked as “Marketing expenses”, according to the systematic allocation based on the term of the plan.

The portion of the mobile terminals sold for a discounted price under post-paid mobile telephony plans that corresponds to the income from terminals recognized at the time of the sale is booked as “Marketing expenses”.

The cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans that is pending amortization is booked as “Marketing expenses” in the event that the service is canceled or the plan is changed.

“Marketing expenses” are booked at historical cost.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Preliminary studies

“Preliminary studies” include expenses incurred in the preliminary phases of projects for which execution is under analysis. This item includes identification and prefeasibility studies for projects or works to be constructed.

These expenses are booked at historical cost.

Preinvestment studies

“Preinvestment studies” include expenses incurred in the preinvestment phase of projects for which execution is under analysis. This item includes feasibility studies for projects or works to be constructed.

Prior mitigation and social compensation costs incurred in the feasibility phase of projects or works with no duly prepared and approved Environmental Management Plan that correspond to a strategic rapprochement with interest groups who may be affected in the construction phase are booked under “Preinvestment studies”.

These expenses are booked at historical cost.

Other operating expenses

Other expenses incurred by ICE Group to ensure the quality of the construction and operation of works owned by third parties are recognized as “Other operating expenses”. This account does not include preliminary or preinvestment studies, or transactions that, based on their nature, are not considered to be part of other items of operating expenses and costs.

Subsequent mitigation and social compensation costs that exceed the amounts established in the Environmental Management Plan and were not included in the “Baseline”<sup>3</sup> planned and controlled by ICE Group are booked as “Other operating expenses”.

Other operating expenses are recognized at historical cost.

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<sup>3</sup> Term used in the Environmental Management Plan that defines the current conditions that have an impact on the construction of works and where mitigation and social compensation measures, and the corresponding budget and schedule.

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(n) Other incomeFinance income

“Finance income” corresponds to income arising from activities other than normal operations, including returns on securities or cash balances in financial entities, and credits granted to third parties under agreements.

Finance income is booked for the amount specified in documentation underlying the transaction.

Income from investments in other companies

Returns on investments in companies other than subsidiaries, as declared by those companies, are recognized as “Income from investments in other companies”.

Income from investments in other companies is booked for the amount specified in documentation underlying the transaction.

Other income

Income arising from services provided to third parties that are not part of ICE Group’s normal course of business is recognized as “Other income”.

“Other income” includes assets that are transferred by customers to ICE Group as donations for purposes related to electricity and telecom activities. Such assets may comprise property, machinery, equipment, or non-reimbursable cash.

“Other income” also includes realized government grants under which ICE Groups receives resources (cash or assets), based on the established systematic allocation for the main asset associated to the grant.

Other income is booked for the amount specified in documentation underlying the transaction.

Foreign exchange differences

Gains on fluctuations of foreign currencies that are required to settle or adjust monetary items (both assets and liabilities) in foreign currency are recognized as “Finance income” in profit or loss for the period.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(o) Other expensesFinance expenses

Expenses arising from loans, placement of securities (bonds), investments, or any other obligation used for ICE Group management purposes are recognized as “Finance expenses”.

Finance expenses are booked at historical cost.

Interest collected by ICE Group on subloans must be deducted from interest payments made to the bank, except for subloans for which principal has been paid with ICE’s own resources, in which case interest is recognized as income for the period.

Finance expenses are recognized in the period, unless they are directly attributable to the acquisition or construction of ICE Group’s productive assets, in which case they are capitalized as costs of the assets.

Other expenses

“Other expenses” include expenses incurred to provide services other than those rendered in the entity’s normal course of business. Other expenses are booked at cost incurred.

Foreign exchange differences

Losses on fluctuations of foreign currencies that are required to settle or adjust monetary items (both assets and liabilities) in foreign currency are recognized as “Finance expense” in profit or loss for the period.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 4. Operating assets**

Operating assets at cost are as follows:

Operating assets - cost	Plants, substations, lines, stations, and other									
	As of December 31,									
	<u>2011</u> (Restated)*	Additions	Retirements and transfers	Adjustmens and reclassifications	<u>2012</u> (Restated)*	Additions	Retirements and transfers	Adjustmens and reclassifications	<u>2013</u>	
<b>ICE Electricity:</b>										
Hydraulic power generation (1)	¢	566,405	8,841	(787)	(36)	574,423	24,720	(566)	(70)	598,507
Thermal power generation		72,968	12,429	(959)	(175)	84,263	1,834	(4,103)	-	81,994
Substations (2)		106,483	25,514	610	(32)	132,575	27,780	(438)	-	159,917
Transmission lines (3)		76,222	51,913	153	(73)	128,215	14,174	(622)	(2)	141,765
Distribution lines (4)		131,086	23,466	(922)	(42)	153,588	47,405	(1,588)	(199)	199,206
Street lighting		2,932	205	(8)	-	3,129	2,111	(108)	-	5,132
Geothermal power generation		150,323	6,420	-	-	156,743	113	(575)	-	156,281
Wind power generation		7,099	127	(22)	-	7,204	279	(94)	-	7,389
Solar power generation		1,873	6,849	-	-	8,722	704	-	-	9,426
Micro hydro power generation		166	-	-	-	166	-	-	-	166
Communication, control and infrastructure equipment		5,673	10,722	-	-	16,395	2,428	-	-	18,823
<b>Subtotal ICE Electricity</b>	¢	<b>1,121,230</b>	<b>146,486</b>	<b>(1,935)</b>	<b>(358)</b>	<b>1,265,423</b>	<b>121,548</b>	<b>(8,094)</b>	<b>(271)</b>	<b>1,378,606</b>
<b>ICE Telecom:</b>										
Transport	¢	479,864	31,528	(1,287)	(169)	509,936	74,049	(81)	(29)	583,875
Access		342,082	56,244	15	(57)	398,284	62,915	(107)	-	461,092
Civil and electromechanical		179,009	31,943	63	(22)	210,993	11,304	(1,121)	(2)	221,174
Platforms		63,108	21,268	(56)	(26)	84,294	63,947	(1,786)	46	146,501
<b>Subtotal ICE Telecom</b>	¢	<b>1,064,063</b>	<b>140,983</b>	<b>(1,265)</b>	<b>(274)</b>	<b>1,203,507</b>	<b>212,215</b>	<b>(3,095)</b>	<b>15</b>	<b>1,412,642</b>
<b>Subtotal ICE</b>	¢	<b>2,185,293</b>	<b>287,469</b>	<b>(3,200)</b>	<b>(632)</b>	<b>2,468,930</b>	<b>333,763</b>	<b>(11,189)</b>	<b>(256)</b>	<b>2,791,248</b>

\* See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Operating assets - cost	Plants, substations, lines, stations, and other									
	As of December 31,									
	<u>2011</u> (Restated)*	Additions	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Additions	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>CNFL:</b>										
Land	¢	3,273	63	-	-	3,336	444	-	-	3,780
Land improvements		6,166	4	(15)	(88)	6,067	1,876	-	-	7,943
Buildings		11,869	144	(22)	(292)	11,699	951	-	-	12,650
Plants (6)		49,730	403	-	-	50,133	22,327	-	-	72,460
Distribution lines		92,724	6,847	(354)	-	99,217	7,922	(550)	-	106,589
Transmission lines		2,022	-	-	-	2,022	-	-	-	2,022
Substations		13,445	432	-	(54)	13,823	1,927	(493)	-	15,257
Service connections		17,099	1,783	(60)	-	18,822	2,656	(83)	-	21,395
Street lighting equipment		3,838	60	(32)	122	3,988	92	(74)	30	4,036
Street lighting		5,706	1,406	-	-	7,112	1,521	-	-	8,633
General equipment		24,365	2,178	(689)	(60)	25,794	1,515	(1,213)	-	26,096
Communication systems		633	147	-	-	780	172	-	-	952
<b>Subtotal CNFL</b>	<b>¢</b>	<b>230,870</b>	<b>13,467</b>	<b>(1,172)</b>	<b>(372)</b>	<b>242,793</b>	<b>41,403</b>	<b>(2,413)</b>	<b>30</b>	<b>281,813</b>
<b>RACSA:</b>										
Land	¢	203	-	-	-	203	-	-	-	203
Building		768	-	-	-	768	-	-	-	768
Communication equipment		36,121	1,587	(988)	-	36,720	327	(6,364)	-	30,683
General equipment		6,334	1,118	(142)	-	7,310	15	(132)	-	7,193
Submarine cable - Maya I		6,832	-	-	-	6,832	-	-	-	6,832
Submarine cable - Arcos I		2,449	-	-	-	2,449	-	-	-	2,449
Submarine cable - Pacific (Costa Rica)		7,331	-	-	-	7,331	-	-	-	7,331
<b>Subtotal RACSA</b>	<b>¢</b>	<b>60,038</b>	<b>2,705</b>	<b>(1,130)</b>	<b>-</b>	<b>61,613</b>	<b>342</b>	<b>(6,496)</b>	<b>-</b>	<b>55,459</b>
<b>Cable Visión</b>										
Transport	¢	-	-	-	-	-	3,504	-	-	3,504
Platforms		-	-	-	-	-	288	-	-	288
<b>Subtotal Cable Visión</b>	<b>¢</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,792</b>	<b>-</b>	<b>-</b>	<b>3,792</b>
<b>Total ICE Group</b>	<b>¢</b>	<b>2,476,201</b>	<b>303,641</b>	<b>(5,502)</b>	<b>(1,004)</b>	<b>2,773,336</b>	<b>379,300</b>	<b>(20,098)</b>	<b>(226)</b>	<b>3,132,312</b>

\* See note 26

In 2013, changes were applied to the accounting policy related to the treatment of rights of way and easements and security spare parts, which gave rise to a decrease in “Operating assets - cost” in the amounts of ¢2,298 and ¢12,038, respectively (see notes 2(e)(ii)(iii) and 26).

(Continued)



INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

For the year ended December 31, 2013, the main variations in “Operating assets” are summarized as follows:

**ICE Electricity:**

**(1) Hydraulic power generation:**

Additions for ¢24,720 (mainly due to capitalizations for ¢2,744 related to components of the engine room and ¢14,977 for electromechanical works of the Río Macho Hydroelectric Power Project).

**(2) Substations:**

Additions for ¢27,780 (mainly due to capitalizations of the modules of electromechanical facilities for ¢4,437, distribution lines for ¢2,559, step down transformers for ¢4,224, transmission lines for ¢3,934, and additional works for substations for ¢5,175).

**(3) Transmission:**

Increase in additions to power transmission lines for ¢14,174 (mainly due to capitalizations of the conductor component for ¢2,081 and the transmission structure of the Cachí-Moín transmission line for ¢10,403).

**(4) Distribution:**

Additions for ¢47,405 (mainly due to capitalizations of the civil works – distribution and street lighting components for ¢18,842 and electrical works – distribution and street lighting for ¢20,030).

**(5) ICE Telecom:**

**Transport:**

Additions for ¢74,049 (due to partial and full capitalizations of different projects, mainly Expansion and Modernization of ICE’s transport system, Advanced Mobile Services, Expansion of Mobile Telephony, and general infrastructure projects). The main network elements related to the aforementioned capitalizations include the following: underground wiring and transport of fiber optic for ¢3,544, switching center equipment for ¢3,392, packet switch for ¢6,840, radio network controller for ¢8,363, transport routers for ¢13,075, fiber optic transport for ¢3,459, multiplexers for ¢6,592, gateway GPRS support node for ¢3,075, serving GPRS support node for ¢2,462, and home location register for ¢3,522.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Access:**

Additions for ¢62,915 (due to partial and full capitalizations of different projects, mainly Expansion and Modernization of ICE's Transport System, Sustained Income Growth - Telecom Segment, Expansion of Mobile Telephony, Advanced Mobile Services, and general infrastructure projects). The main network elements related to the aforementioned capitalizations include the following: access router for ¢6,009, secondary copper network for ¢6,694, 2G mobile telephony for ¢4,622, partial execution of the purchase option with Huawei corresponding to 3G mobile telephony for ¢24,686, and residential terminal for ¢2,172.

**Platforms:**

Additions for ¢63,947 (due to partial and full capitalizations of different projects, mainly PESSO's measurement and provision components for ¢27,055, Expansion of Mobile Telephony, Advanced Mobile Services, and general infrastructure projects). The main network elements related to the aforementioned capitalizations include the following: service delivery platform for ¢2,025, network management platform for ¢9,257, service web portal for ¢3,510, and prepaid web portal for ¢3,739.

**(6) CNFL:**

Additions to the "Power plants" asset group for ¢22,327 (due to the consolidation of the subsidiary EVCSA, which develops the Valle Central Wind Power Plant located in Pabellón, Santa Ana, San José, with an installed capacity of 15.3 MW (see note 8)).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Accumulated depreciation of the cost of operating assets is as follows:

Accumulated depreciation - cost	Plants, substations, lines, stations, and other As of December 31,									
	2011 (Restated)*	Depreciation	Retirements and transfers	Adjustments and reclassifications	2012 (Restated)*	Depreciation	Retirements and transfers	Adjustments and reclassifications	2013	
<b>ICE Electricity:</b>										
Hydraulic power generation	¢	57,599	14,604	(402)	191	71,992	15,274	(23)	(21)	87,222
Thermal power generation		16,231	3,588	(216)	(12)	19,591	4,065	(993)	30	22,693
Substations		25,075	5,474	148	(36)	30,661	6,842	(144)	(84)	37,275
Transmission lines		10,504	2,946	21	775	14,246	4,873	(272)	(280)	18,567
Distribution lines		43,965	10,335	(465)	(752)	53,083	11,995	(494)	(20)	64,564
Street lighting		2,074	80	(7)	-	2,147	140	(86)	-	2,201
Geothermal power generation		36,098	5,348	-	(265)	41,181	5,312	12	-	46,505
Wind power generation		2,451	418	(8)	-	2,861	425	2	-	3,288
Solar power generation		492	114	-	-	606	479	-	-	1,085
Micro hydro power generation		13	6	-	-	19	6	-	-	25
Communication, control and infrastructure equipment		3,129	1,102	-	-	4,231	1,322	-	-	5,553
<b>Subtotal ICE Electricity</b>	<b>¢</b>	<b>197,631</b>	<b>44,015</b>	<b>(929)</b>	<b>(99)</b>	<b>240,618</b>	<b>50,733</b>	<b>(1,998)</b>	<b>(375)</b>	<b>288,978</b>
<b>ICE Telecom:</b>										
Transport	¢	225,604	41,715	(781)	(9)	266,529	42,345	(32)	(235)	308,607
Access		134,491	31,278	7	11	165,787	37,428	52	(395)	202,872
Civil and electromechanical		105,929	11,779	5	7	117,720	13,864	(80)	(309)	131,195
Platforms		17,745	10,678	(33)	1,533	29,923	16,449	(309)	(496)	45,567
<b>Subtotal ICE Telecom</b>	<b>¢</b>	<b>483,769</b>	<b>95,450</b>	<b>(802)</b>	<b>1,542</b>	<b>579,959</b>	<b>110,086</b>	<b>(369)</b>	<b>(1,435)</b>	<b>688,241</b>
<b>Subtotal ICE</b>	<b>¢</b>	<b>681,400</b>	<b>139,465</b>	<b>(1,731)</b>	<b>1,443</b>	<b>820,577</b>	<b>160,819</b>	<b>(2,367)</b>	<b>(1,810)</b>	<b>977,219</b>

\* See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(In millions of colones)

Accumulated depreciation - cost	Plants, substations, lines, stations, and other									
	As of December 31,									
	<u>2011</u> (Restated)*	Depreciation	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Depreciation	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>CNFL:</b>										
Land improvements	¢	879	135	(3)	1	1,012	186	3	-	1,201
Buildings		1,767	215	(5)	23	2,000	234	20	-	2,254
Plants		8,091	1,248	-	56	9,395	2,173	-	-	11,568
Distribution		18,410	3,036	(109)	361	21,698	3,609	(189)	-	25,118
Transmission		344	68	-	2	414	69	-	-	483
Substations		2,769	447	-	43	3,259	536	(195)	-	3,600
Service connections		3,273	599	(17)	19	3,874	671	(25)	-	4,520
Street lighting equipment		626	124	(32)	128	846	148	(72)	29	951
Street lighting		836	216	-	63	1,115	264	-	-	1,379
General equipment		10,625	1,437	(538)	909	12,433	1,428	(166)	14	13,709
Communication systems		80	22	-	-	102	28	-	-	130
<b>Subtotal CNFL</b>	<b>¢</b>	<b>47,700</b>	<b>7,547</b>	<b>(704)</b>	<b>1,605</b>	<b>56,148</b>	<b>9,346</b>	<b>(624)</b>	<b>43</b>	<b>64,913</b>
<b>RACSA:</b>										
Building	¢	212	24	-	-	236	25	-	-	261
Communication equipment		26,977	3,458	(981)	-	29,454	3,156	(3,040)	-	29,570
General equipment		2,147	611	(141)	-	2,617	712	(64)	-	3,265
Submarine cable - Maya I		1,418	382	-	-	1,800	382	-	-	2,182
Submarine cable - Arcos I		778	109	-	-	887	109	-	-	996
Submarine cable - Pacific (Costa Rica)		1,586	490	-	-	2,076	489	-	-	2,565
<b>Subtotal RACSA</b>	<b>¢</b>	<b>33,118</b>	<b>5,074</b>	<b>(1,122)</b>	<b>-</b>	<b>37,070</b>	<b>4,873</b>	<b>(3,104)</b>	<b>-</b>	<b>38,839</b>
<b>Cable Visión</b>										
Transport	¢	-	-	-	-	-	1,666	-	-	1,666
Platforms		-	-	-	-	-	117	-	-	117
<b>Subtotal Cable Visión</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,783</b>	<b>-</b>	<b>-</b>	<b>1,783</b>
<b>Total ICE Group</b>	<b>¢</b>	<b>762,218</b>	<b>152,086</b>	<b>(3,557)</b>	<b>3,048</b>	<b>913,795</b>	<b>176,821</b>	<b>(6,095)</b>	<b>(1,767)</b>	<b>1,082,754</b>

\* See note 26

In 2013, changes were applied to the accounting policy related to the treatment of rights of way and easements and security spare parts, which gave rise to a decrease in the accumulated depreciation of “Operating assets - cost” in the amounts of ¢221 and ¢2,228, respectively (see notes 2(e)(ii)(iii) and 26).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In 2013 and 2012, depreciation on ICE Electricity's operating assets was calculated based on the annual rates and useful lives corresponding to each group of assets, as follows:

Operating assets	Useful life (in years)	Surrender value (of cost)	Annual rate (%)
<b><u>ICE Electricity:</u></b>			
Hydraulic power plants	40	10%	2.25%
Thermal power plants	30	5%	3.17%
Geothermal power plants	40	10%	2.25%
Wind power plants	20	0%	5.00%
Solar power plants	30	5%	3.17%
Substations	30	5%	3.17%
Distribution lines	30	10%	3.00%
Transmission lines	30	5%	3.17%
Street lighting	20	4%	4.80%
Control and communication equipment	30	5%	3.17%

Until December 2008, ICE Telecom's operating assets were booked in a single group of assets called "Telecommunications stations", detailed by location and segregated into large components, such as Switching equipment, Transmission equipment, Access equipment, etc. In 2009, network elements were segregated and classified into four asset groups: Transport, Access, Civil and electromechanical, and Platforms.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Consequently, the useful lives of assets acquired until December 2008 are as follows:

Operating assets	Useful life (in years)	Annual rate (%)
<b><u>ICE Telecom</u></b>		
<b>Control building</b>	20	5.00%
<b>Switching equipment:</b>		
Mobile switching centers	7	14.29%
Switching centers and multiplexing equipment	20	5.00%
<b>Data transmission equipment:</b>		
Radio and multiplexing equipment, mobile cells, and repeaters	7	14.29%
Submarine cable communication equipment	17	6.00%
Radio and multiplexing equipment, carrier wave, and T-MUX synchronous transmission	20	5.00%
<b>Access equipment:</b>		
Sundry access equipment	5	20.00%
Cables, lines, networks, and public telephones	20	5.00%
<b>Management equipment:</b>		
Software, hardware, servers, accessories, and management platforms	5	20.00%
Distribution equipment and television monitor	10	10.00%
<b>Service platform:</b>		
Anti-fraud system	5	20.00%
<b>Routing equipment:</b>		
Core, edge, and access devices	5	20.00%
Data transmission	20	5.00%
<b>Control equipment:</b>		
Control software	3	33.33%
Servers and accessories	5	20.00%

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In September 2008, the useful lives of ICE Telecom's operating assets were revised based on technical criteria and the technological trend toward new generation networks. Accordingly, assets acquired starting 2009 have the following useful lives:

Useful life (in years)	As of December 31, 2013												
	3	4	5	6	7	8	10	12	15	20	25	30	40
Annual rate	33%	25%	20%	17%	14%	13%	10%	8%	7%	5%	4%	3%	3%
<b>ICE Telecom:</b>													
<b>Transport:</b>													
<b>Transmission</b>													
Ground stations													
Gigarouters							X						
Multiplexors							X						
Transceivers							X						
Sync system							X						
Radiating system							X						
<b>Switching</b>													
Packet switching			X										
Soft switches								X					
Frame relay			X										
Switching centers (circuit switching)			X										
<b>Distribution</b>													
Optical distributors									X				
Digital distributors							X						
<b>Optical wiring</b>													
Fiber optic transport										X			
International wiring													
Poles for fiber optic transport network										X			
Underground wiring for fiber optic transport network												X	
OPGW (Right of use)											X		
<b>Equipment-System, control, and register</b>													
Radio network controller (RNC)							X						
Home location register (HLR)							X						
Authentication center (AuC)							X						
Equipment identity register (EIR)							X						
Base station controller (BSC)							X						
Signal transfer point (STP)							X						
Serving GPRS support node (SGSN)							X						
Gateway GPRS support node (GGSN)							X						

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Useful life (in years)	As of December 31, 2013												
	3	4	5	6	7	8	10	12	15	20	25	30	40
Annual rate	33%	25%	20%	17%	14%	13%	10%	8%	7%	5%	4%	3%	3%
<b>Access:</b>													
<b>Peripheral switching systems</b>													
Line concentrator			X										
Remote unit			X										
<b>Multiservice access platforms</b>													
IMAPs			X										
Multiservice access nodes (MSAN)							X						
<b>Copper network</b>													
Primary							X						
Secondary							X						
Copper network poles										X			
Copper network underground wiring												X	
<b>Base stations</b>													
Fixed phone line			X										
Broad band						X							
2G mobile phone line (BTS) (Note A)				X									
3G mobile phone line (Nodes B) (Note A)							X						
<b>Network terminal equipment</b>													
VSAT					X								
Public				X									
Residential	X												
Business	X												
<b>Packet network</b>													
DSLAM			X										
Metro router			X										
Access router			X										
<b>Distribution</b>													
Main distributor			X										
Closet			X										
Optical distributor									X				
<b>Gateways</b>													
Trunking gateway			X										
Media gateway					X								
<b>Fiber optic network - Access</b>													
Fiber optic access										X			
Poles for fiber optic network access										X			
Underground wiring for fiber optic network access												X	

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Useful life (in years) Annual rate	As of December 31, 2013												
	3	4	5	6	7	8	10	12	15	20	25	30	40
	33%	25%	20%	17%	14%	13%	10%	8%	7%	5%	4%	3%	3%
<b>Civil &amp; electromechanical:</b>													
<b>Civil works</b>													
Access roads							X						
Buildings													X
Infrastructure civil works												X	
Towers												X	
Posts										X			
Underground wiring												X	
Perimeter security										X			
<b>Electromechanical</b>													
Uninterruptible power system (UPS)			X										
Alternating current system									X				
AC power back-up system								X					
Climatization system					X								
Direct current system			X										
Electronic security system							X						
Protection and grounding system									X				
<b>Platforms:</b>													
<b>Management</b>													
Network			X										
Services			X										
<b>Services</b>													
Automatic call distributor (ACD)			X										
Voicemail platform			X										
Multimedia messaging service (MMS)			X										
Multi-service platforms (APEX)			X										
Support for data packets routing services (GPRS)			X										
Intelligent network			X										
Prepaid mobile recharge			X										
Short message service (SMS)			X										
Customer relationship management (CRM)			X										
Internet protocol television services (IP-TV)			X										
Multimedia services system (IMS)			X										
Ringback tone			X										
Support for email services (PSS)			X										
Transmission of short messages (FDA)			X										
Automatic device configurations (ADC)			X										
Video streaming			X										
Added value - telephone book service			X										
Unstructured Supplementary Service Data (USSD)			X										
Content gateway			X										
Mobile banking			X										
Mobile internet enabling proxy (MIEP)			X										
Videoconferencing			X										
Wireless integrated services gateway (WISG/SCG)			X										
Service delivery and development (MDSP)			X										
Unified messaging service (UMS)			X										
Services portal			X										
Service delivery platform (SDP)			X										
Fraud and intervention			X										
Changes to SIM card (OTA)			X										
Localization			X										
Atlantis SMS			X										
Data mediation and supply			X										
Security for IP services			X										
Backup system and data warehouse			X										
Data center network platform			X										
Data center IT service platforms			X										

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note A:**

In 2013, a review was performed which modified the estimated remaining useful lives of the technologies of the 2G and 3G mobile network assets based on the expert criteria of the technical area of the Mobile Department and supported by criteria of the manufacturers of 2G and 3G networks as well as relevant documentation on the mobile terminals market from GSMA Intelligence and Pyramid Research, which are internationally renowned companies in the telecom field. Such review also considered ICE's investment in both technologies, which exceed the corresponding initial capital investments. Accordingly, estimated useful lives are as follows:

- 2G network: ICE has constantly streamlined this network by increasing its capacity to render voice and data services in order to offer more services to users and, therefore, keep the network updated during the estimated useful life (until December 2019). As a result of the change in the accounting policy, depreciation expense decreased, which had an effect on profit or loss for the period in the amount of ¢431.
- 3G network: This technology permits rendering mobile broadband services, which helps ICE maintain its market share. In addition, worldwide use of this technology and supplier technical support guarantee the functionality of the network until December 2023 (new estimated useful life). As a result of the change in the accounting policy, depreciation expense decreased, which had an effect on profit or loss for the period in the amount of ¢1,424.

Depreciation percentages applied by CNFL and its subsidiary EVCSA, RACSA, and CVCRSA are based on the following useful lives:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Operating assets	Useful life (in years)						
	5	10	15	20	30	40	50
<b><u>CNFL:</u></b>							
Buildings							x
Hydraulic power plants						x	
Thermal power plants					x		
Substations					x		
Communication systems					x		
Distribution					x		
Underground lines					x		
Transmission					x		
Service connections					x		
Street lighting system					x		
Municipal lighting					x		
Communication equipment		x					
Special general equipment		x					
Stationary machines			x				
<b><u>RACSA:</u></b>							
Buildings							x
Electronic and transmission equipment	x						
General equipment		x					
Towers and antenna				x			
<b><u>CABLE VISIÓN:</u></b>							
Transport					x		
Platforms	x						

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Revalued operating assets are as follows:

Operating assets - revalued	Plants, substations, lines, stations, and other As of December 31,									
	<u>2011</u> (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>ICE Electricity:</b>										
Hydraulic power generation	¢	1,131,726	27,890	(8,255)	-	1,151,361	22,326	(9,638)	-	1,164,049
Thermal power generation		88,538	3,345	(1,164)	-	90,719	2,912	(6,266)	-	87,365
Substations		152,025	5,922	(199)	-	157,748	5,369	(847)	-	162,270
Transmission lines		90,242	4,614	-	-	94,856	5,664	(1,003)	-	99,517
Distribution lines		244,121	7,989	(6,258)	-	245,852	7,158	(2,040)	-	250,970
Street lighting		4,450	175	(13)	-	4,612	139	(239)	-	4,512
Geothermal power generation		303,415	10,724	-	-	314,139	9,209	-	-	323,348
Wind power generation		4,414	222	(11)	-	4,625	186	-	-	4,811
Solar power generation		1,379	72	-	-	1,451	295	-	-	1,746
Micro hydro power generation		(2)	3	-	-	1	2	-	-	3
Communication, control and infrastructure equipment		7,197	380	-	-	7,577	602	-	-	8,179
<b>Subtotal ICE Electricity</b>	<b>¢</b>	<b>2,027,505</b>	<b>61,336</b>	<b>(15,900)</b>	<b>-</b>	<b>2,072,941</b>	<b>53,862</b>	<b>(20,033)</b>	<b>-</b>	<b>2,106,770</b>
<b>ICE Telecom:</b>										
Transport	¢	304	-	-	(304)	-	-	-	-	-
Access		6	-	-	-	6	-	-	-	6
Civil and electromechanical		84,602	4,730	-	-	89,332	3,729	-	-	93,061
<b>Subtotal ICE Telecom</b>	<b>¢</b>	<b>84,912</b>	<b>4,730</b>	<b>-</b>	<b>(304)</b>	<b>89,338</b>	<b>3,729</b>	<b>-</b>	<b>-</b>	<b>93,067</b>
<b>Subtotal ICE</b>	<b>¢</b>	<b>2,112,417</b>	<b>66,066</b>	<b>(15,900)</b>	<b>(304)</b>	<b>2,162,279</b>	<b>57,591</b>	<b>(20,033)</b>	<b>-</b>	<b>2,199,837</b>

\* See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(In millions of colones)

Operating assets - revalued	Plants, substations, lines, stations, and other As of December 31,									
	<u>2011</u> (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>CNFL:</b>										
Land	¢	14,834	633	-	215	15,682	700	-	-	16,382
Land improvements		7,437	598	(21)	(126)	7,888	512	-	-	8,400
Buildings		17,786	1,142	(36)	(230)	18,662	1,096	-	-	19,758
Plants		66,761	3,668	2	-	70,431	3,046	-	(326)	73,151
Distribution		118,427	7,407	(1,023)	-	124,811	6,343	(1,393)	-	129,761
Transmission		1,523	133	(1)	-	1,655	112	-	-	1,767
Substations		19,620	1,127	-	(30)	20,717	875	(2,038)	-	19,554
Service connections		28,381	1,169	(142)	-	29,408	989	(135)	-	30,262
Street lighting		11,015	724	(77)	135	11,797	601	(126)	50	12,322
General equipment		5,546	-	(354)	(2)	5,190	-	(538)	-	4,652
Communication systems		230	6	-	1	237	25	-	-	262
<b>Subtotal CNFL</b>	¢	<b>291,560</b>	<b>16,607</b>	<b>(1,652)</b>	<b>(37)</b>	<b>306,478</b>	<b>14,299</b>	<b>(4,230)</b>	<b>(276)</b>	<b>316,271</b>
<b>RACSA:</b>										
Land		11	-	-	-	11	-	-	-	11
Building		2,287	-	-	-	2,287	-	-	-	2,287
Communication equipment		10,189	-	(456)	-	9,733	-	(1,526)	-	8,207
General equipment		1,609	-	(110)	-	1,499	-	(50)	-	1,449
<b>Subtotal RACSA</b>	¢	<b>14,096</b>	<b>-</b>	<b>(566)</b>	<b>-</b>	<b>13,530</b>	<b>-</b>	<b>(1,576)</b>	<b>-</b>	<b>11,954</b>
<b>Total ICE Group</b>	¢	<b>2,418,073</b>	<b>82,673</b>	<b>(18,118)</b>	<b>(341)</b>	<b>2,482,287</b>	<b>71,890</b>	<b>(25,839)</b>	<b>(276)</b>	<b>2,528,062</b>

\* See note 26

In 2013, this account decreased as a result of changes in the accounting policy. Changes to accounting policies also caused a decrease in rights of way and easements of ¢123, security spare parts of ¢404, and fiber optic and copper networks of ¢179,682 (see notes 2(e)(i)(ii)(iii) and 26).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**ICE Telecom****2013****Revaluation of fiber optic and copper elements**

In December 2013, the Telecom segment performed a retrospective adjustment to fiber optic and copper elements for the revalued amount of ¢179,682 based on expert criteria and as a result of applying ICE's accounting policy for asset revaluation (changed from the revaluation method to the historical cost method) (see notes 2(e)(i) and 26).

The operating asset categories of the Telecom segment that are subject to revaluation and those that are not are as follows:

As of December 31, 2013				
Group of assets	Category	Class	Subject to revaluation	Not subject to revaluation
<b>Transport:</b>				
	Transmission			X
	Switching			X
	Distribution			X
	Optical wiring			X
	Equipment-System, control, and register			X
<b>Access:</b>				
	Peripheral switching systems			X
	Multiservice access platforms			X
	Copper network			X
	Base stations			X
	Network terminal equipment			X
	Packet network			X
	Distribution			X
	Gateways			X
	Fiber optic network - Access			X
<b>Civil &amp; electromechanical:</b>				
	Property	Land	X	
	Civil works	Access roads	X	
		Buildings	X	
		Infrastructure civil works	X	
	Electromechanical			X
<b>Platforms:</b>				
	Management			X
	Services			X

In 2013, civil works and property were revalued using a price index of 0.030173 and 0.028111, respectively.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**ICE Electricity****2013**

Rates applied to revalue the cost of each group of ICE Electricity's assets are as follows:

Operating assets	As of December 31,	
	2013	2012
<b><u>ICE Electricity:</u></b>		
Hydraulic power generation	0.01324	0.01675
Thermal power generation	0.01771	0.02066
Substations	0.01917	0.02351
Transmission lines	0.02992	0.03414
Distribution lines	0.01819	0.02182
Street lighting	0.02013	0.02556
Geothermal power generation	0.01958	0.02338
Wind power generation	0.01589	0.01934
Solar power generation	0.02898	0.02209
Micro hydro power generation	0.01324	0.01675
Communication and control equipment	0.02514	0.02953

Except for the index applicable to solar power generation, the decrease in revaluation rates for the Electricity segment with respect to 2012 resulted from the following variables: the local (Costa Rica) annual inflation rate for the period was 3.68%, a decline of 0.87% with respect to the rate reported for 2012 (4.55%); the foreign exchange rate (colon-U.S. dollar) decreased by 1.33%, from ¢509.23 to ¢502.47; and the external (USA) annual inflation rate (Employment Cost Trends of the Bureau of Labor Statistics) increased by 1.63%, compared to an increase of 2.22% in 2012.

Revaluation rates applied by CNFL, RACSA, and CVCRSA are as follows:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Operating assets	As of December 31,	
	2013	2012
<b><u>CNFL:</u></b>		
Hydraulic	0,025262	0,031490
Distribution	0,030364	0,037675
Transformation	0,002813	0,004276
Substations	0,027983	0,034788
Street lighting	0,026282	0,035201
Land	0,036827	0,045509
Land improvements	0,036827	0,045509
Buildings	0,036827	0,045509
General equipment	0,000000	0,045509
Service connections	0,020500	0,025717
Communication systems	0,025262	0,006869
<b><u>RACSA and Cable Visión: (*)</u></b>		

(\*) Assets were not revalued in 2013 and 2012 because they are considered to be part of the Telecom segment.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Accumulated depreciation of revalued operating assets is as follows:

Plants, substations, lines, stations, and other												
As of December 31,												
Accumulated depreciation - Revaluation	<u>2011</u> (Restated)*	Depreciation	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Depreciation	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>ICE Electricity:</b>												
Hydraulic power generation	¢	636,937	28,685	11,109	(5,428)	(683)	670,620	27,089	9,364	(5,429)	124	701,768
Thermal power generation		51,761	1,904	1,410	(639)	645	55,081	1,889	1,210	(4,684)	40	53,536
Substations		95,079	5,155	2,765	(167)	(1)	102,831	5,340	2,393	(581)	-	109,983
Transmission lines		62,155	2,570	1,457	-	17	66,199	2,191	1,402	(730)	(6)	69,056
Distribution lines		146,194	8,819	4,002	(3,814)	12	155,213	8,973	3,714	(1,274)	(1)	166,625
Street lighting		4,232	26	148	(13)	-	4,393	25	116	(235)	-	4,299
Geothermal power generation		109,935	9,945	3,421	-	(1)	123,300	9,973	3,214	249	107	136,843
Wind power generation		1,597	227	80	(5)	1	1,900	234	75	(23)	29	2,215
Solar power generation		434	54	20	-	1	509	58	32	-	-	599
Micro hydro power generation		-	-	-	-	(2)	(2)	-	-	-	-	(2)
Communication, control and infrastructure equipment		5,658	478	259	-	(1)	6,394	548	267	-	-	7,209
<b>Subtotal ICE Electricity</b>	<b>¢</b>	<b>1,113,982</b>	<b>57,863</b>	<b>24,671</b>	<b>(10,066)</b>	<b>(12)</b>	<b>1,186,438</b>	<b>56,320</b>	<b>21,787</b>	<b>(12,707)</b>	<b>293</b>	<b>1,252,131</b>
<b>ICE Telecom:</b>												
Transport	¢	204	9,440	-	-	(9,643)	1	-	-	-	(1)	-
Access		(1)	1,515	-	-	(1,509)	5	-	-	-	1	6
Civil and electromechanical		55,541	8,131	2,318	-	(5,509)	60,481	2,551	1,745	-	-	64,777
Platforms		-	193	-	-	(193)	-	-	-	-	-	-
<b>Subtotal ICE Telecom</b>	<b>¢</b>	<b>55,744</b>	<b>19,279</b>	<b>2,318</b>	<b>-</b>	<b>(16,854)</b>	<b>60,487</b>	<b>2,551</b>	<b>1,745</b>	<b>-</b>	<b>-</b>	<b>64,783</b>
<b>Subtotal ICE</b>	<b>¢</b>	<b>1,169,726</b>	<b>77,142</b>	<b>26,989</b>	<b>(10,066)</b>	<b>(16,866)</b>	<b>1,246,925</b>	<b>58,871</b>	<b>23,532</b>	<b>(12,707)</b>	<b>293</b>	<b>1,316,914</b>

\* See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*(In millions of colones)*

Accumulated depreciation - Revaluation	Plants, substations, lines, stations, and other											
	As of December 31,											
	<u>2011</u> (Restated)*	Depreciation	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2012</u> (Restated)*	Depreciation	Revaluation	Retirements and transfers	Adjustments and reclassifications	<u>2013</u>	
<b>CNFL:</b>												
Land improvements	¢	1,964	150	124	(3)	(12)	2,223	156	118	-	-	2,497
Buildings		6,963	305	338	35	(65)	7,576	277	333	39	-	8,225
Plants		21,080	1,675	915	-	(77)	23,593	1,788	833	-	-	26,214
Distribution		63,141	3,927	2,970	(774)	(858)	68,406	3,619	2,643	(1,000)	-	73,668
Transmission		524	50	33	-	(2)	605	59	31	-	-	695
Substations		8,942	659	387	-	(56)	9,932	663	313	(1,272)	-	9,636
Service connections		19,311	949	591	(109)	(417)	20,325	627	496	(92)	-	21,356
Street lighting		6,347	375	277	(74)	9	6,934	311	234	(122)	48	7,405
General equipment		4,535	124	-	(241)	-	4,418	70	-	(441)	-	4,047
Communication systems		80	8	1	-	(3)	86	8	5	-	-	99
<b>Subtotal CNFL</b>	<b>¢</b>	<b>132,887</b>	<b>8,222</b>	<b>5,636</b>	<b>(1,166)</b>	<b>(1,481)</b>	<b>144,098</b>	<b>7,578</b>	<b>5,006</b>	<b>(2,888)</b>	<b>48</b>	<b>153,842</b>
<b>RACSA:</b>												
Building	¢	1,116	48	-	-	-	1,164	49	-	-	-	1,213
Communication equipment		10,094	78	-	(455)	-	9,717	16	-	(1,526)	-	8,207
General equipment		1,260	73	-	(110)	-	1,223	75	-	(49)	-	1,249
<b>Subtotal RACSA</b>	<b>¢</b>	<b>12,470</b>	<b>199</b>	<b>-</b>	<b>(565)</b>	<b>-</b>	<b>12,104</b>	<b>140</b>	<b>-</b>	<b>(1,575)</b>	<b>-</b>	<b>10,669</b>
<b>Total ICE Group</b>	<b>¢</b>	<b>1,315,083</b>	<b>85,563</b>	<b>32,625</b>	<b>(11,797)</b>	<b>(18,347)</b>	<b>1,403,127</b>	<b>66,589</b>	<b>28,538</b>	<b>(17,170)</b>	<b>341</b>	<b>1,481,425</b>

\* See note 26

In December 2013, the Telecom segment performed a retrospective adjustment to the depreciation of the revaluation of fiber optic and copper elements for ¢141,522 (revalued depreciation) based on expert criteria and as a result of applying ICE's accounting policy for asset revaluation (changed from the revaluation method to the historical cost method) (see notes 2(e)(i) and 26).

In 2013, changes were applied to the accounting policy related to the treatment of rights of way and easements and security spare parts, which gave rise to a decrease in the accumulated depreciation of "Operating assets - revalued" in the amounts of ¢12 and ¢302, respectively (see notes 2(e)(ii)(iii) and 26).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 5. Other operating assets**

Other operating assets – cost are as follows:

Other operating assets - cost	As of December 31,									
	<u>2011</u>	Additions	Adjustments and reclassifications	Retirements and transfers	<u>2012</u>	Additions (*)	Adjustments and reclassifications	Retirements and transfers	<u>2013</u>	
Land	¢	2,603	(524)	-	(41)	2,038	-	-	-	2,038
Access roads		1,760	-	-	-	1,760	476	-	-	2,236
Buildings		23,691	7,252	-	(5)	30,938	6,555	-	(186)	37,307
Production machinery and equipment		2,236	96	24	146	2,502	965	-	873	4,340
Construction equipment		49,591	23,295	-	1,271	74,157	12,326	-	(1,783)	84,700
Transport equipment		78,952	3,934	-	(573)	82,313	5,576	-	853	88,742
Communication equipment		12,524	1,031	-	(1,082)	12,473	7,708	-	(249)	19,932
Office furniture and equipment		7,947	1,007	-	(394)	8,560	438	-	(244)	8,754
Computer hardware and software		65,825	7,032	-	(3,080)	69,777	3,651	-	(2,890)	70,538
Laboratory, research, and sanitation equipment		27,700	5,687	-	(1,021)	32,366	5,264	-	(920)	36,710
Sports, recreational, and educational furniture and equipment		863	84	-	(282)	665	72	-	(9)	728
Sundry machinery and equipment		14,336	3,373	-	17	17,726	1,872	-	8	19,606
Maintenance machinery and equipment		31,378	4,213	-	(283)	35,308	2,919	-	(37)	38,190
Photography, video, and publication equipment		3,404	1,757	-	(1,456)	3,705	163	-	2	3,870
Livestock		5	-	-	(5)	-	-	-	-	-
<b>Total ICE Group</b>	¢	<b>322,815</b>	<b>58,237</b>	<b>24</b>	<b>(6,788)</b>	<b>374,288</b>	<b>47,985</b>	<b>-</b>	<b>(4,582)</b>	<b>417,691</b>

(\*) Includes ¢327 million corresponding to assets of the company Cable Visión de Costa Rica, S.A. acquired as a subsidiary of ICE Group on December 5, 2013.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Accumulated depreciation of the cost of other operating assets is as follows:

Accumulated depreciation - cost	As of December 31,						
	<u>2011</u>	Depreciation	Retirement s and transfers	<u>2012</u>	Depreciation (*)	Retirement s and transfers	<u>2013</u>
Buildings	¢ 3,374	590	(1)	3,963	789	-	4,752
Production machinery and equipment	902	81	(324)	659	453	(3)	1,109
Construction equipment	25,853	8,426	(95)	34,184	12,453	(447)	46,190
Transport equipment	56,968	8,128	(470)	64,626	7,051	(508)	71,169
Communication equipment	5,629	1,534	(935)	6,228	1,575	(398)	7,405
Office furniture and equipment	3,229	716	(198)	3,747	730	(143)	4,334
Computer hardware and software	40,183	11,745	(2,460)	49,468	11,264	(2,145)	58,587
Laboratory, research, and sanitation equipment	12,863	3,267	(1,017)	15,113	3,836	(601)	18,348
Sports, recreational, and educational furniture and equipment	391	67	(223)	235	71	(2)	304
Sundry machinery and equipment	6,464	2,309	(133)	8,640	2,449	(182)	10,907
Maintenance machinery and equipment	12,333	5,778	(239)	17,872	6,153	(217)	23,808
Photography, video, and publication equipment	1,470	729	(164)	2,035	635	(43)	2,627
Livestock	3	-	(3)	-	-	-	-
<b>Total ICE Group</b>	<b>¢ 169,662</b>	<b>43,370</b>	<b>(6,262)</b>	<b>206,770</b>	<b>47,459</b>	<b>(4,689)</b>	<b>249,540</b>

(\*) Includes ¢89 million corresponding to the depreciation of the assets of the company Cable Visión de Costa Rica, S.A. acquired as a subsidiary of ICE Group on December 5, 2013.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The useful lives established by ICE for each group of other operating assets for depreciation purposes are as follows:

<b>Other operating assets</b>	<b>Useful life (in years)</b>													
	<b>0.1</b>	<b>3</b>	<b>4</b>	<b>4.2</b>	<b>5</b>	<b>6</b>	<b>6.5</b>	<b>7</b>	<b>8</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>40</b>	<b>50</b>
Buildings													x	x
Production machinery and equipment												x		
Construction equipment			x		x			x		x				
Transport equipment		x	x		x		x	x		x				
Communication equipment		x	x		x			x	x	x				
Office furniture and equipment			x		x					x	x			
Computer hardware and software					x				x	x				
Laboratory, research, and sanitation equipment			x			x		x		x				
Sports, recreational, and educational furniture and equipment	x							x	x	x				
Sundry machinery and equipment			x		x	x		x	x	x				
Maintenance machinery and equipment			x	x	x			x		x		x		
Photography, video, and publication equipment			x		x					x				

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

*(In millions of colones)*

Revalued other operating assets are as follows:

Other operating assets - revalued	As of December 31,							
	<u>2011</u>	Revaluation	Retirements and transfers	<u>2012</u>	Revaluation	Retirements and transfers	<u>2013</u>	
Land	6,572	309	(37)	6,844	250	-	7,094	
Access roads	-	-	-	-	-	16	16	
Buildings	44,140	2,505	-	46,645	2,251	(4)	48,892	
Production machinery and equipment	1,835	116	(206)	1,745	128	203	2,076	
Construction equipment	9,855	1,488	(177)	11,166	1,953	(88)	13,031	
Transport equipment	14,296	1,390	(272)	15,414	1,096	(375)	16,135	
Office furniture and equipment	2,045	258	(134)	2,169	226	(92)	2,303	
Computer hardware and software	-	(1)	1	-	-	-	-	
Laboratory, research, and sanitation equipment	5,237	878	(914)	5,201	804	(289)	5,716	
Sports, recreational, and educational furniture and equipment	80	19	(36)	63	18	(1)	80	
Sundry machinery and equipment	1,030	308	(27)	1,311	284	(29)	1,566	
Maintenance machinery and equipment	2,755	1,013	(46)	3,722	851	(55)	4,518	
Photography, video, and publication equipment	218	106	(13)	311	84	(6)	389	
<b>Total ICE Group</b>	<b>88,063</b>	<b>8,389</b>	<b>(1,861)</b>	<b>94,591</b>	<b>7,945</b>	<b>(720)</b>	<b>101,816</b>	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Rates applied to revalue the cost of each group of other operating assets are as follows:

<b>Other operating assets</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
Land	0.028111	0.037731
Buildings	0.030173	0.039917
Production machinery and equipment	0.030111	0.039509
Construction equipment	0.030144	0.040418
Transport equipment	0.030316	0.040360
Office furniture and equipment	0.030219	0.040221
Laboratory, research, and sanitation equipment	0.030166	0.040352
Sports, recreational, and educational furniture and equipment	0.030194	0.040057
Sundry machinery and equipment	0.029985	0.040429
Maintenance machinery and equipment	0.029831	0.040692
Photography, video, and publication equipment	0.030213	0.040359

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*(In millions of colones)*

Accumulated depreciation of revalued other operating assets is as follows:

Accumulated depreciation - revalued	As of December 31,									
	<u>2011</u>	Depreciation	Revaluation	Retirements and transfers	<u>2012</u>	Depreciation	Revaluation	Retirements and transfers	<u>2013</u>	
Access Roads	¢	-	-	-	-	-	-	16	16	
Buildings		24,819	958	1,097	-	26,874	1,015	906	(2)	28,793
Production machinery and equipment		1,022	98	61	(63)	1,118	177	53	-	1,348
Construction equipment		8,824	407	502	(175)	9,558	719	739	(85)	10,931
Transport equipment		12,677	796	528	(271)	13,730	755	544	(374)	14,655
Communication equipment		(10)	(2)	(1)	13	-	-	-	-	-
Office furniture and equipment		1,683	90	72	(126)	1,719	90	73	(84)	1,798
Computer hardware and software		1	-	(2)	1	-	(1)	-	1	-
Laboratory, research, and sanitation equipment		4,278	286	284	(902)	3,946	390	275	(264)	4,347
Sports, recreational, and educational furniture and equipment		63	3	3	(33)	36	6	4	(1)	45
Sundry machinery and equipment		760	106	95	(26)	935	148	94	(30)	1,147
Maintenance machinery and equipment		2,238	207	258	(41)	2,662	449	332	(113)	3,330
Photography, video, and publication equipment		144	35	33	(14)	198	57	36	(7)	284
<b>Total ICE Group</b>	¢	<b>56,499</b>	<b>2,984</b>	<b>2,930</b>	<b>(1,637)</b>	<b>60,776</b>	<b>3,805</b>	<b>3,056</b>	<b>(943)</b>	<b>66,694</b>

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 6. Other operating assets under finance leases**

Other operating assets under finance leases are as follows:

<b>Other operating assets under finance leases</b>		<b>December 31,</b>	
		<b>2013</b>	<b>2012</b>
Land	¢	1,151	1,151
Buildings		25,315	25,315
Office furniture and equipment		1,084	1,084
Transport equipment		60	-
<b>Total ICE Group</b>	<b>¢</b>	<b>27,610</b>	<b>27,550</b>

Accumulated depreciation of revalued other operating assets under finance leases is as follows:

<b>Accumulated depreciation - Other operating assets under finance leases - cost</b>		<b>As of December 31,</b>	
		<b>2013</b>	<b>2012</b>
Buildings	¢	1,773	1,267
Office furniture and equipment		378	270
Transport equipment		8	-
<b>Total ICE Group</b>	<b>¢</b>	<b>2,159</b>	<b>1,537</b>

On January 29, 2010, Banco de Costa Rica (BCR) and ICE agreed to create a “Securitization Trust”, which involved execution of a trust agreement whereby ICE acts as the trustor and beneficiary and BCR is named as the trustee. The general purpose of the trust is the independent generation and management of the necessary resources to acquire the property known as “Centro Empresarial La Sabana” and office furniture and equipment. Such property corresponds to an office tower located in Sabana Sur, San José, where ICE Telecom’s administrative offices are located. The trust may obtain those resources by acquiring commercial loans and by issuing, placing, and managing debt securities through securitization.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Currently, the trust is authorized to issue public debt and has booked liabilities therefor as of December 31, 2013 and 2012. The trust, as the owner of “Centro Empresarial La Sabana” and office furniture and equipment within that property, leases such property to ICE for a 12-year term, at the end of which ICE may exercise a purchase option for US\$1 (one U.S. dollar). ICE has classified this lease as a finance lease. In accordance with ICE Group’s accounting policies, this trust is not required to be included as an entity in the consolidated financial statements of ICE Group.

The main clauses of the Securitization Trust agreement are summarized below.

- The purposes of the trust are as follows:
  - a) Acquire the necessary goods and services for operating and maintaining the building that is the subject of the agreement, in accordance with the purchase plans provided by the beneficiary, where appropriate;
  - b) Lease the building and its appurtenances to ICE, manage cash flows to repay the financing, and provide preventive and corrective maintenance to the facilities in accordance with the agreed terms;
  - c) Become a vehicle to issue and place securities in accordance with the terms and conditions established in the prospectus and the agreement, provided that prior authorization is granted by SUGEVAL, which is the entity responsible for regulating the issue of debt securities. Securities may be issued and placed in rounds, in conformity with the projected payments, terms, and conditions. The trust may also sign loan agreements to obtain the necessary funding, based on financial market conditions.
- The funds received by the trust from the lease shall be used to pay the principal and returns on the securities placed in the securities market, as well as private placements and funds obtained from local and international bank loans.
- The term of the trust is 30 years.
- The trust equity will be used exclusively to comply with and attain the objectives of the trust agreement.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The useful lives established by ICE for each group of other operating assets under finance leases are as follows:

<b>Other operating assets under finance leases</b>	<b>Useful life (in years)</b>	
	<b>10</b>	<b>50</b>
Buildings		X
Transport equipment	X	
Office furniture and equipment	X	

Revalued other operating assets under finance leases are as follows:

<b>Other operating assets under finance leases - revalued</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
Land	¢ 125	90
Buildings	2,981	2,152
Office furniture and equipment	129	94
<b>Total ICE Group</b>	<b>¢ 3,235</b>	<b>2,336</b>

Accumulated depreciation of revalued other operating assets under finance leases is as follows:

<b>Accumulated depreciation - Other operating assets under finance leases - revalued</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
Buildings	¢ 148	64
Office furniture and equipment	34	14
<b>Total ICE Group</b>	<b>¢ 182</b>	<b>78</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 7. Construction work in progress and materials in transit and inventory for investment**

In 2013 and 2012, movements in construction work in progress and materials in transit and inventory for investment are as follows:

As of December 31,																
Account	2011 (Restated)*	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	Prior period adjustments	2012 (Restated)*	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	2013
<b>ICE:</b>																
Major construction work in progress	€ 230,877	178,189	(78,976)	20,071	-	650	-	-	350,811	185,300	(51,306)	27,094	-	(57,280)	-	454,619
Other construction work in progress	224,996	209,246	(200,399)	5,169	-	(4,665)	-	-	234,347	168,911	(255,495)	9,580	-	(5,488)	-	151,855
** Elimination of Government services	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,752)	-	(3,752)
<b>Subtotal construction work in progress</b>	<b>455,873</b>	<b>387,435</b>	<b>(279,375)</b>	<b>25,240</b>	<b>-</b>	<b>(4,015)</b>	<b>-</b>	<b>-</b>	<b>585,158</b>	<b>354,211</b>	<b>(306,801)</b>	<b>36,674</b>	<b>-</b>	<b>(66,520)</b>	<b>-</b>	<b>602,722</b>
Materials in transit for investment	174,698	39,668	-	-	(42,915)	(35)	(17,940)	-	153,476	22,127	-	-	(25,686)	(130)	(32,291)	117,496
Inventory for investment	147,658	37,035	-	-	119,422	26,676	(161,227)	-	169,564	1,096	-	-	74,558	(16,717)	(94,284)	134,217
<b>Total ICE</b>	<b>€ 778,229</b>	<b>464,138</b>	<b>(279,375)</b>	<b>25,240</b>	<b>76,507</b>	<b>22,626</b>	<b>(179,167)</b>	<b>-</b>	<b>908,198</b>	<b>377,434</b>	<b>(306,801)</b>	<b>36,674</b>	<b>48,872</b>	<b>(83,367)</b>	<b>(126,575)</b>	<b>854,435</b>
<b>CNFL:</b>																
Construction work in progress	41,053	64,934	(11,044)	-	-	6,070	-	(6,939)	94,074	75,706	(12,984)	9,859	-	(6,069)	-	160,586
Inventory and materials for investment	4,496	-	-	-	-	-	(779)	-	3,717	82	-	-	-	-	-	3,799
<b>Subtotal CNFL</b>	<b>45,549</b>	<b>64,934</b>	<b>(11,044)</b>	<b>-</b>	<b>-</b>	<b>6,070</b>	<b>(779)</b>	<b>(6,939)</b>	<b>97,791</b>	<b>75,788</b>	<b>(12,984)</b>	<b>9,859</b>	<b>-</b>	<b>(6,069)</b>	<b>-</b>	<b>164,385</b>
<b>RACSA:</b>																
Construction work in progress	540	167	(556)	-	-	16	-	-	167	240	(177)	-	-	-	-	230
Materials in transit for investment	718	18	(700)	-	-	-	-	-	36	228	(49)	-	-	(6)	-	209
<b>Subtotal RACSA</b>	<b>1,258</b>	<b>185</b>	<b>(1,256)</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>203</b>	<b>468</b>	<b>(226)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>439</b>
<b>Cable Visión:</b>																
Inventory for investment	-	-	-	-	-	-	-	-	-	29	-	-	-	-	-	29
<b>Subtotal Cable Visión</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>
<b>Total ICE Group</b>	<b>825,036</b>	<b>529,257</b>	<b>(291,675)</b>	<b>25,240</b>	<b>76,507</b>	<b>28,712</b>	<b>(179,946)</b>	<b>(6,939)</b>	<b>1,006,192</b>	<b>453,719</b>	<b>(320,011)</b>	<b>46,533</b>	<b>48,872</b>	<b>(89,442)</b>	<b>(126,575)</b>	<b>1,019,288</b>
<b>ICE Group:</b>																
Major construction work in progress	272,470	243,290	(90,576)	20,071	-	6,736	-	(6,939)	445,052	261,246	(64,467)	36,953	-	(63,349)	-	615,435
Other construction work in progress	224,996	209,246	(200,399)	5,169	-	(4,665)	-	-	234,347	168,911	(255,495)	9,580	-	(5,488)	-	151,855
Elimination of Government services	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,752)	-	(3,752)
<b>Subtotal construction work in progress</b>	<b>497,466</b>	<b>452,536</b>	<b>(290,975)</b>	<b>25,240</b>	<b>-</b>	<b>2,071</b>	<b>-</b>	<b>(6,939)</b>	<b>679,399</b>	<b>430,157</b>	<b>(319,962)</b>	<b>46,533</b>	<b>-</b>	<b>(72,589)</b>	<b>-</b>	<b>763,538</b>
Materials in transit for investment	175,416	39,686	(700)	-	(42,915)	(35)	(17,940)	-	153,512	22,355	(49)	-	(25,686)	(136)	(32,291)	117,705
Inventory for investment	152,154	37,035	-	-	119,422	26,676	(162,006)	-	173,281	1,207	-	-	74,558	(16,717)	(94,284)	138,045
<b>Total ICE Group</b>	<b>€ 825,036</b>	<b>529,257</b>	<b>(291,675)</b>	<b>25,240</b>	<b>76,507</b>	<b>28,712</b>	<b>(179,946)</b>	<b>(6,939)</b>	<b>1,006,192</b>	<b>453,719</b>	<b>(320,011)</b>	<b>46,533</b>	<b>48,872</b>	<b>(89,442)</b>	<b>(126,575)</b>	<b>1,019,288</b>

\* See note 26.

\*\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

In 2013, changes were applied to the accounting policy related to the treatment of security spare parts, which gave rise to an increase in "Inventory for investment" of ¢12,038 (see notes 2(e)(iii) and 26).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Movement in construction work in progress and other construction work in progress as of December 31, 2013 is as follows:

Construction work in progress and other construction work in progress	As of December 31,					2013
	2012 (Restated)*	Additions	Capitalizations	Interest and commissions	Adjustments and reclassifications	
<b>ICE</b>						
<b>Construction work in progress:</b>						
Reventazón Hydroelectric Project (1)	228,928	96,925	-	13,488	(54,899)	284,442
Cachí Hydroelectric Project (2)	33,069	31,077	-	5,960	(1,797)	68,309
Cariblanco - Trapiche Transmission Line (3)	11,517	10,760	-	1,665	-	23,942
Peñas Blancas - Garita Transmission Line (4)	21,552	2,779	(4,169)	1,695	-	21,857
Río Macho Hydroelectric Project (5)	5,988	18,604	(15,021)	1,270	-	10,841
Las Pailas II Geothermal Project	-	9,098	-	-	-	9,098
Río Macho Transmission System upgrade	4,726	2,614	-	400	-	7,740
Anillo Sur Transmission Line	1,018	6,101	-	140	12	7,271
Cóbano Transmission Line	5,190	1,610	-	471	(585)	6,686
Veneza Transmission Line	5,240	378	(146)	68	-	5,540
MV connections	1,179	702	(182)	167	-	1,866
SIEPAC Transmission Line	854	886	-	69	-	1,809
Auxiliary bars	4,423	706	(3,732)	309	-	1,706
Transformation of power	5,016	484	(4,073)	252	(11)	1,668
Jacó Transmission Line	-	937	-	12	-	949
Sundry projects	22,111	1,639	(23,983)	1,128	-	895
<b>Subtotal construction work in progress</b>	<b>350,811</b>	<b>185,300</b>	<b>( 51,306)</b>	<b>27,094</b>	<b>( 57,280)</b>	<b>454,619</b>
<b>Other construction work in progress:</b>						
PESSO Project (6)	41,687	1,617	(25,704)	1,496	-	19,096
Construction and rehabilitation of civil and metallic works	19,888	-	(2,728)	109	(1,019)	16,250
Miravalles II Geothermal Project (7)	1,155	8,324	(57)	1,553	-	10,975
Advanced mobile progress (8)	337	20,333	(11,651)	-	-	9,019
Las Pailas Geothermal Project	5,245	2,896	-	766	-	8,907
Ongoing quality improvement (Distribution) (9)	13,254	9,503	(14,824)	844	-	8,777
Expansion and upgrade of electricity transport system (10)	23,837	16,190	(32,710)	850	-	8,167
Advanced connectivity fiber optic (FOCA)	9,541	3,407	(5,624)	-	(77)	7,247
Management of network elements (11)	653	17,436	(11,610)	7	-	6,486
Network Development Project (12)	19,077	10,478	(23,586)	384	-	6,353
Technical services for distribution projects	10,785	3,990	(9,286)	510	(11)	5,988
Strengthening of distribution system	466	6,181	(803)	105	-	5,949
Improvements to telecommunications transport network (13)	2,891	11,981	(10,317)	1	(15)	4,541
Permanent investment in transmission works	3,311	1,197	(814)	111	-	3,805
New Power Control Center	1,340	1,897	-	141	-	3,378
Improvements to electricity transport network	3,674	3,039	(3,973)	441	(125)	3,056
Infrastructure maintenance and soundproofing	3,652	3,986	(5,143)	-	(1)	2,494
Technological infrastructure	2,517	1,108	(2,076)	543	-	2,092
Integral business customer services	1,057	5,947	(5,097)	-	(3)	1,904
Barranca Thermal Project	1	1,681	-	47	-	1,729
Upgrade of street lighting - tests	729	813	(4)	40	-	1,578
Renovation of power transformers	-	2,182	(640)	12	-	1,554
Administrative Support	768	973	(440)	-	-	1,301
Río Macho Hydroelectric Project (5)	2,219	-	-	170	(1,188)	1,201
Street lighting	2,038	1,077	(2,034)	70	-	1,151
Arenal Hydroelectric Project	3,215	1,148	(3,001)	147	(379)	1,130
Expansion of mobile telephony (14)	14,412	1,421	(13,537)	377	(1,744)	929
Miravalles Generation Center	-	712	-	45	1	758
Advanced mobile services (15)	24,677	25,218	(48,985)	-	(190)	720
Sundry projects	21,921	4,176	(20,851)	811	(737)	5,320
<b>Subtotal other construction work in progress</b>	<b>234,347</b>	<b>168,911</b>	<b>(255,495)</b>	<b>9,580</b>	<b>(5,488)</b>	<b>151,855</b>
(**) Elimination of Government services	-	-	-	-	(3,752)	(3,752)
<b>Total ICE</b>	<b>585,158</b>	<b>354,211</b>	<b>(306,801)</b>	<b>36,674</b>	<b>(66,520)</b>	<b>602,722</b>
<b>CNFL:</b>						
Balsa Inferior Hydroelectric Project (16)	88,737	61,640	-	9,859	(6,069)	154,167
Anonos Hydroelectric Project	1,742	(206)	-	-	-	1,536
Purchases and improvements to buildings	869	479	(13)	-	-	1,335
San Buenaventura Wind Power Project	800	157	-	-	-	957
Improvements to hydroelectric power plants	280	509	(11)	-	-	778
Improvements to substations	420	481	(295)	-	-	606
Valle Central Wind Power Project	298	-	-	-	-	298
Purchases and improvements to land	22	243	(29)	-	-	236
Extensions of underground lines	208	3,000	(3,005)	-	-	203
Extensions of aerial lines	203	4,856	(4,919)	-	-	140
Other	495	4,547	(4,712)	-	-	330
<b>Subtotal CNFL</b>	<b>94,074</b>	<b>75,706</b>	<b>(12,984)</b>	<b>9,859</b>	<b>(6,069)</b>	<b>160,586</b>
<b>RACSA:</b>						
Forestry projects	-	86	(86)	-	-	-
300 Km fiber optic network	76	154	-	-	-	230
Java Enterprise System (JES) server virtualization	91	-	(91)	-	-	-
<b>Subtotal RACSA</b>	<b>167</b>	<b>240</b>	<b>( 177)</b>	<b>-</b>	<b>-</b>	<b>230</b>
<b>Total ICE Group</b>	<b>679,399</b>	<b>430,157</b>	<b>(319,962)</b>	<b>46,533</b>	<b>(72,589)</b>	<b>763,538</b>

\* See note 26.

\*\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In 2013, ICE Group capitalized interest for a total of ¢46,433. Of that amount, ¢36,674 relates to the construction of projects such as the Reventazón Hydroelectric Power Project, Cachí Hydroelectric Power Project, Peñas Blancas-Garita Transmission Line, Cariblanco-Trapiche Transmission Line, and Río Macho Hydroelectric Power Project. In addition, CNFL capitalized interest for a total of ¢9,859 related to the construction of the Balsa Inferior Hydroelectric Power Project.

A summary of the main construction work in progress is presented below.

**(1) Reventazón Hydroelectric Power Project**

The Reventazón Hydroelectric Power Project is located in the middle basin of the Reventazón River in Limón, Costa Rica; has a power output of 305 MW. This project is expected to start operations in the second half of 2016. This project is financed with ICE's resources and funds generated from other financing structures subscribed by ICE.

In 2013, additions increased by ¢96,925 mainly as a result of the purchase of metallic and mineral materials, leases of machinery, and fuel and lubricant purchases.

In 2013, the project's construction work in progress decreased due to the transfer of costs related to works included in the construction agreement subscribed with the trust. The transfer amounts to ¢54,899 (see note 15).

The trust constitution agreement and the construction agreement have been subscribed and are in effect. The former agreement was authorized by the CGR.

As of December 31, 2013, the project's physical progress reaches 63.27% of total general works, according to the progress report prepared by management of the Electricity segment.

**(2) Cachí Hydroelectric Power Project**

The Cachí Hydroelectric Power Plant is the second use given to the water from the middle basin of the Reventazón River. The engine room is located 4 km south of Juan Viñas, in the Tucurrique district, canton of Jiménez. The reservoir and dam are located in the Cachí district, canton of Paraíso. Both cantons are located in the province of Cartago.

The works consist of the extension of the Cachí Hydroelectric Power Project, which involves construction of an additional tunnel that will provide the plant with an additional power output of 20 MW, a surge tank, two inspection openings, and the expansion of the current engine room. Construction is expected to be completed by the second half of 2014.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Additions for ¢31,077 mainly correspond to the purchase of materials, metallic and mineral products, production machinery and equipment, and leases.

As of December 31, 2013, the project's physical progress reaches 65.4% of total general works, according to the progress report prepared by management of the Electricity segment.

**(3) Cariblanco-Trapiche Transmission Line**

This project involves the construction of the Cariblanco – General Transmission Line, located between the Cariblanco Hydroelectric Power Plant and the substation of the General Hydroelectric Power Project, passing through Puente de Piedra and Río Cuarto in Grecia, and La Virgen, Puerto Viejo, and Horquetas in Sarapiquí. The transmission line is 76.5 km long, has 274 structures (including towers and poles), and has an easement 20 m wide. Its voltage is 230 kW.

The project involves the reconstruction of the Trapiche Transmission Line and the construction of the Trapiche and General Transmission Systems.

As of December 31, 2013, additions amount to ¢10,760 and mainly correspond to the purchase of materials and electricity products and leases of machinery.

**(4) Peñas Blancas-Garita Transmission Line**

The purpose of this project is to strengthen the electricity transmission network in Costa Rica's northern region, in order to increase the reliability and security required for the transport of energy.

The transmission line will serve as an alternate connection point for the Peñas Blancas Hydroelectric Power Project with the National Electricity System (SEN). As of December 31, 2013, additions amount to ¢2,779 and mainly correspond to the purchase of materials and metallic products, payment of the project's payroll, and leases of machinery.

**(5) Río Macho Hydroelectric Power Project**

The scope of this project is the comprehensive replacement of the five power generating units and the corresponding emergency power generation systems, water intakes, reservoir, substation, and engineering and environmental feasibility studies required to repair the tunnel that supplies the El Llano reservoir.

The Río Macho Production Center is located at Valle de Orosi in the basin of the Reventazón River, Atlantic watershed.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The works are expected to start operations by December 31, 2017.

As of December 31, 2013, additions amount to ¢18,604 and mainly correspond to the purchase of materials, electricity products, production machinery, and general leases.

As of December 31, 2013, the project's progress reaches 57.24% of total general works, according to the progress report prepared by management of the Electricity segment.

**(6) Evolution Plan for Systems Supporting Business Operations (PESSO):**

The scope of this project includes replacement of all current applications that support the telecom business operations towards state-of-the art applications, based on industry best practices and the TOM model (framework that identifies the business processes; a guidebook that classifies all the business activities of a service provider and places them in different levels; it is a communication instrument).

**(7) Miravalles II Geothermal Power Project**

This project involves the use of natural resources extracted from the geothermal field located at the slopes of the Miravalles Volcano at La Fortuna, Bagaces, Guanacaste.

The purpose of this project is to expand the non-condensable gas removal system of the Miravalles I and Miravalles II geothermal power generating units.

As of December 31, 2013, additions amount to ¢8,324 and mainly correspond to the purchase of spare parts and metallic materials.

As of December 31, 2013, the project's progress reaches 83.33% of total general works.

**(8) Evolution of Advanced Mobile Services**

This project involves the implementation of a more complex system that offers an increased data handling capacity. Trends show a growth in Internet interconnection speed and mobile broadband.

As of December 31, 2013, additions amount to ¢20,233 and mainly correspond to the purchase of infocommunication equipment.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**(9) Ongoing Quality Improvement (Electricity Distribution)**

The purpose of this project is to improve the infrastructure, facilities, and remote operation of equipment for electricity distribution through modern maintenance practices that permanently improve the quality and continuity of electricity supply and support competitiveness of economic processes, including industry, tourism, trade, and services.

As of December 31, 2013, additions amount to ¢9,503 and mainly correspond to the purchase of production machinery and equipment and supplies.

**(10) Expansion and Modernization of ICE's Transport System**

The scope of this project is to meet the transport requirements of the telecom system. The estimated project cost by 2015 amounts to approximately US\$105 (in millions).

Additions for ¢16,190 mainly correspond to the purchase of materials and electricity products and infocommunication equipment.

**(11) Management of Network Elements**

This project is comprised of two main subprojects:

- **Advanced Internet Network (RAI) Management Platform:** This project involves the implementation of a new Advanced Internet Network (RAI) management system to monitor and analyze the parameters for quality and customer service as well as all other services transported that use the RAI.
- **Advanced Internet Network (RAI) Logical Security Project:** This project involves the implementation of Logical Security for ICE's RAI into the National Telecom System in order to guarantee transport services for sensitive information such as bank transactions, IPTV, VoIP, local and international VPN, VoD, and managed services with the purpose of preventing possible attacks and vulnerabilities found internally and externally of the IP Network.

As of December 31, 2013, additions amount to ¢17,436 and mainly correspond to the purchase of infocommunication equipment, materials and supplies.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(12) Network Development Project**

The Distribution System Network Development Project aims to increase coverage of the electricity distribution system by building lines to supply electricity to citizens who do not have that service.

As of December 31, 2013, additions amount to ¢10,478 and mainly correspond to the purchase of production machinery and equipment, durable goods, materials, and supplies.

**(13) Improvements to the Telecom transport network**

The purpose of this project is to design and execute works in sites of interest for the entity, providing short-term solutions.

As of December 31, 2013, additions amount to ¢11,981 and mainly correspond to the purchase of materials, electricity products, fuel, lubricants, and materials and supplies.

**(14) Project for the Expansion of Mobile Telephony**

This project involves the expansion of the GSM network, mobile network management, and procurement of the necessary equipment, licenses, and services to enable interoperability and integration between GSM and 3G technologies.

As of December 31, 2013, additions amount to ¢1,421 and mainly correspond to the purchase of materials, electricity products, and materials and supplies.

**(15) Advanced Mobile Services**

This project involves the acquisition of an Advanced 3G Mobile Services communication system, with a capacity of 950,000 solutions to address the demand for mobile connection services and expand service coverage.

Additions for ¢25,218 correspond to the value-added of works to expand the mobile network traffic capacity with SMA-3G technology and its installation with the purpose of ensuring the growth and optimization of service platforms associated with the Universal Mobile Telecommunications (UMT) network.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(16) Balsa Inferior Hydroelectric Power Project**

The Balsa Inferior Hydroelectric Power Project will have an installed capacity of 37.5 MW and an average annual power output of 122 GW/h. This project is located in Santa Rita de Florencia, San Carlos, Alajuela.

The total investment for development of this project is estimated at approximately US\$272 million and involves one agreement with the OAS-Engevix Consortium for US\$81 million for the dam/water abstraction and engine room structures and US\$17 million to build the booster substation of 34.5/230 kW. Both are turnkey projects. Another agreement was subscribed with ICE for US\$174 million for dam and engine room management.

Additions for  $\text{¢}61,640$  mainly correspond to the cost of the project's executing unit, the works contracted with ICE (tunnel, well, reservoir, pressure piping, and surge tank), and the works contracted with the company OAS (dam works, electromechanical equipment, and engine room).

Investments made have been financed with CNFL's own resources and domestic loans.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)ICE Electricity

As of December 31, 2013, ICE's main construction work in progress by financing source is as follows:

Construction work in progress	Financing sources																As of December 31, 2013	
	Local	IDB 796	A bonds	B bonds	CABEI electricity services (2007)	CABEI (additional)	Andean Development Corporation (CAF)	Local banks	CLIPP	Multilateral banks	International bonds	Local bonds (2009)	Local bonds (2010)	EIB	CABEI	Third parties		CABEI 2109
<b>Hydraulic power generation:</b>																		
Río Macho Hydroelectric Project	€ 3,538	-	-	-	-	-	-	1,829	-	-	3,552	84	1,838	-	-	-	-	10,841
Cachí Hydroelectric Project	17,290	-	-	-	-	-	3	-	-	-	4,788	167	15,563	-	30,498	-	-	68,309
Reventazón Hydroelectric Project	180,911	-	-	-	-	-	10	15	7,242	-	94,396	1,123	668	10	-	-	55	284,442
<b>Subtotal</b>	<b>201,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>18</b>	<b>7,242</b>	<b>1,829</b>	<b>102,736</b>	<b>1,374</b>	<b>18,069</b>	<b>10</b>	<b>30,498</b>	<b>-</b>	<b>55</b>	<b>363,592</b>
<b>Substations:</b>																		
Cariblanco - Trapiche Transmission Line	2,314	7	-	-	-	-	-	569	-	-	1,853	1	1,609	-	-	-	-	6,353
Quín 03-07 Transformer Back-up Program	995	141	-	-	-	-	-	119	-	-	136	11	266	-	-	-	-	1,668
MV connections	910	-	-	-	19	-	1	189	-	-	144	3	600	-	-	-	-	1,866
Anillo Sur Transmission Line	364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	364
Auxiliary bars	384	6	-	-	155	-	-	84	13	-	164	95	1,440	-	-	-	-	1,706
Jacó Transmission Line	215	-	-	-	-	-	-	-	-	-	98	72	43	-	-	-	-	428
Coyol Transmission Line	176	-	-	-	-	-	-	-	-	-	15	-	148	-	-	-	-	339
Río Macho Transmission System upgrade	4,344	-	-	-	-	-	-	199	1,312	-	154	-	1,731	-	-	-	-	7,740
Venecia Transmission Line	5,203	-	-	-	-	-	-	-	-	-	-	-	337	-	-	-	-	5,540
<b>Subtotal</b>	<b>14,905</b>	<b>154</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>-</b>	<b>(634)</b>	<b>591</b>	<b>1,894</b>	<b>-</b>	<b>2,564</b>	<b>182</b>	<b>6,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,004</b>
<b>Transmission lines</b>																		
Cariblanco - Trapiche	4,891	(51)	-	16	220	37	202	-	-	-	6,794	305	5,172	-	-	-	-	17,586
Tejar	11	-	-	-	-	-	-	-	-	-	-	-	457	-	-	-	-	468
Poás	(74)	141	1	16	2	-	-	-	-	-	-	-	-	-	-	-	-	86
Peñas Blancas - Garita	9,387	(376)	49	10	504	2,823	1,809	-	-	-	1,982	24	5,644	-	-	1	-	21,857
Cóbano	3,284	-	-	-	-	-	-	-	-	-	1,054	-	2,348	-	-	-	-	6,686
SIEPAC Transmission Lines	1,372	-	(27)	(99)	23	-	39	-	-	-	69	-	432	-	-	-	-	1,809
Anillo Sur	135	-	-	-	-	-	-	-	-	-	15	-	6,759	-	-	-	-	6,909
Jacó	89	-	-	-	-	-	-	-	-	-	28	80	324	-	-	-	-	521
Coyol	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
<b>Subtotal</b>	<b>19,098</b>	<b>(286)</b>	<b>23</b>	<b>(57)</b>	<b>749</b>	<b>2,860</b>	<b>2,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,942</b>	<b>409</b>	<b>21,136</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>55,925</b>
<b>Geothermal power generation:</b>																		
Las Pailas II Geothermal Project	5,602	-	-	-	-	-	-	-	-	-	2,512	66	918	-	-	-	-	9,098
<b>Subtotal</b>	<b>5,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,512</b>	<b>66</b>	<b>918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,098</b>
<b>Total construction work in progress</b>	<b>€ 241,344</b>	<b>(132)</b>	<b>23</b>	<b>(57)</b>	<b>923</b>	<b>2,870</b>	<b>1,434</b>	<b>7,833</b>	<b>3,723</b>	<b>12</b>	<b>117,754</b>	<b>2,031</b>	<b>46,297</b>	<b>10</b>	<b>30,498</b>	<b>1</b>	<b>55</b>	<b>454,619</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 8. Long-term investments**

Long-term investments are as follows:

	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Other investments valued at cost:</b>		
Toro III Hydroelectric Power Project Trust (1) ¢	11,203	11,203
Empresa Propietaria de la Red, S.A. (2)	3,124	3,124
Red Centroamericana de Fibras Ópticas, S.A. (3)	143	-
Rural electrification cooperative	43	43
Red Centroamericana Telecomunicaciones, S.A.	10	-
Eólico Valle Central, S.A. (4)	-	5,322
<b>Subtotal</b>	<b>14,523</b>	<b>19,692</b>
<b>Long-term financial investments:</b>		
Government (External debt bonds)	20,273	9,780
BCCR (Bond)	6,598	1,765
Banco BAC San José, S.A. (BAC)	1,500	500
Florida Ice and Farm Company, S.A. (FIFCO)	900	500
Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	778	316
Costa Rican Oil Refinery (RECOPE)	754	509
La Nación, S.A. (Bond)	750	-
Banco Hipotecario de la Vivienda (BANHVI) (Bond)	500	500
Instituto Costarricense del Cemento y del Concreto	350	350
Banco Promérica	300	300
Banco Crédito Agrícola de Cartago	251	-
Banco BCT	250	-
Mutual Cartago de Ahorro y Préstamo	-	1,414
Banco de Costa Rica	-	1,000
<b>Subtotal</b>	<b>33,204</b>	<b>16,934</b>
<b>Total ICE Group</b> ¢	<b>47,727</b>	<b>36,626</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(1) Toro 3 Hydroelectric Power Project Trust**

On March 9, 2006, ICE and JASEC subscribed a business partnership agreement for the joint construction of the Toro 3 Hydroelectric Power Project whereby both entities will have equal participation (50% each) in respect of rights and obligations, with the purpose of designing, financing, constructing, operating, and maintaining such project. In January 2008, under the business partnership agreement, ICE and JASEC subscribed a Trust agreement with BCR whereby ICE and JASEC act as trustors and beneficiaries and BCR is named as the trustee. The purpose of the trust is the independent generation and management of the necessary financial resources to build the Toro 3 Hydroelectric Power Project. In addition, the trust will construct the project within the established term, lease the plant to ICE and JASEC, purchase the required construction goods and services, provide maintenance services, and manage the cash flows to repay the financing and make timely payments in relation thereto (see note 30). The trust agreement is for a term of 30 years.

On January 26, 2012, ICE, JASEC, and the Toro 3 trust subscribed a lease agreement for the Toro 3 Hydroelectric Power Project, with the following characteristics:

- Lessor: Toro 3 trust, represented by BCR;
- Lessees: ICE and JASEC;
- Term: one hundred and thirty-seven (137) months from June 1, 2013, which is the date of commencement of the lease.
- Transfer: Upon expiration of the lease agreement, the lessors (JASEC-ICE) may exercise a purchase option for the power project.

In 2012, ICE Group, as trustor, made a capital contribution to the Toro 3 Hydroelectric Power Project Trust in the amount of ¢11,203 (equivalent to US\$22 (in millions)) to finance a portion of the project construction.

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

ICE Group holds an ownership interest in Empresa Propietaria de la Red, S.A. (EPR), which was selected to execute the Sistema de Interconexión Eléctrica de los Países de América Central [Central American Electric Interconnection System] (SIEPAC) Project. EPR's share capital is comprised of 58,500 ordinary shares of US\$1,000 par value each. ICE and CNFL own 6,061 and 439 shares of US\$1,000 par value each, respectively, for a total of US\$6,5 million (equivalent to ¢3,124) for ICE Group. The shares are valued at acquisition cost.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

(3) **Red Centroamericana de Fibras Ópticas, S.A. (REDCASA)**

In 2013, ICE Group acquired ownership interest in REDCASA, which is dedicated to developing, financing, constructing, operating, and commercially exploiting and providing maintenance to telecom services or services related to IT and communications. REDCASA's share capital is comprised of 2,700 ordinary shares of US\$1,000 par value each. ICE Group owns 300 shares, of which 93.24% are owned by ICE and 6.75% by CNFL.

(4) **Eólico Valle Central, S.A. (EVCSA)**

ICE Group is responsible for building the Valle Central Wind Power Generation Plant through a company organized by CABEI and CNFL.

It is a special-purpose company organized in accordance with the Code of Commerce and the provisions of the Agreement for Management of the Wind Power Project. Its registered office is the Central American Bank for Economic Integration (CABEI) at San Pedro, Montes de Oca. The specific purpose of this company is the planning, design, financing, building, operation, commercial exploitation of and providing maintenance to the Valle Central Wind Power Project.

EVCSA's share capital amounts to US\$100,000 and is comprised of 1,000 ordinary and registered shares of US\$100 par value each. The company agreed to issue 1,000 equity instruments of US\$25,688.03 par value each, for a total of US\$25.7 (in millions). Each equity instrument represents an indissoluble unit and the ordinary share bears the same number as the equity instrument; accordingly, one may not be transferred without the other. Equity instruments do not entitle their holders to corporate or equity rights since any right or benefit derives exclusively from shares.

In accordance with the agreement, on September 13, 2013, CNFL acquired the shares held by CABEI. Accordingly, from that date, CNFL holds 100% ownership interest and controls EVCSA, which must be included as a subsidiary in the consolidation process.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

As of December 31, 2013, the main features of long-term financial investments are as follows:

Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term	As of December 31, 2013					
								Face value	Value traded	Rate	Coupon	Net return	
BSJ Bond	CRBSJ00B1608	SCR AAA	Colones	BAC	28-Jun-12	27-Mar-14	629	e	500	500	Fixed	10.85%	10.85%
INC (HOLCIM) bond	CRINC00B0126	AAA (cri)	Colones	Instituto Costarricense del Cemento y del Concreto	7-May-12	2-May-14	715		350	351	Variable	7.82%	10.29%
Bond	CRBPR00B1169	SCR AA +	Colones	Banco Promérica	5-Oct-12	3-Oct-14	718		300	300	Fixed	12.50%	12.47%
BANHVI bond	CRBANV1B0037	F1+ (cri)	Colones	BANHVI	15-Apr-10	7-Apr-15	1792		500	504	Variable	8.95%	10.32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	13-Jan-11	9-Oct-15	1766		317	318	Variable	8.65%	9.63%
Bond	CRBCT00B0143	SCR AAA	Colones	Banco BCT	19-Feb-13	15-Feb-16	1076		250	251	Fixed	8.75%	8.63%
MADAP bond	CRMADAPB2368	F1+ (cri)	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	6-Jun-13	4-Jun-16	1078		350	351	Fixed	7.75%	7.70%
CNFL Bond	CRCFUZB0207	AAA (cri)	Colones	CNFL	4-Oct-10	30-Sep-17	2516		400	400	Fixed	10.53%	10.51%
FIFCO bond	CRFIFCOB0972	SCR AAA	Colones	FIFCO	8-Nov-12	6-Nov-17	1798		500	500	Variable	8.05%	11.25%
BSJ Bond	CRBSJ00B1640	SCR AAA	Colones	BAC	15-Mar-13	15-Mar-18	1800		400	400	Fixed	8.25%	8.23%
BSJ Bond	CRBSJ00B1640	SCR AAA	Colones	BAC	15-Mar-13	15-Mar-18	1800		600	600	Fixed	8.25%	8.25%
La Nación, S.A. Bond	CRNACTOB0142	SCR AAA	Colones	La Nación, S.A.	14-Oct-13	9-Oct-18	1795		750	751	Fixed	8.75%	8.74%
FIFCO bond	CRFIFCOB0998	SCR AAA	Colones	FIFCO	3-Jul-13	3-Jul-23	3600		400	400	Fixed	8.85%	8.84%
Central Bank bond	CRG0000B64G3	Country risk	Colones	Government	11-Feb-13	28-Jan-15	707		160	164	Fixed	8.51%	7.22%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	4-Feb-13	23-Mar-16	1129		500	528	Fixed	8.74%	7.83%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	12-Feb-13	23-Mar-16	1121		500	533	Fixed	8.74%	7.53%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	10-Oct-13	23-Mar-16	883		500	524	Fixed	8.74%	6.72%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	30-Oct-13	23-Mar-16	863		1,000	1,053	Fixed	8.74%	6.69%
Central Bank bond	CRG0000B92G4	Country risk	Colones	Government	27-Mar-13	22-Jun-16	1165		500	565	Fixed	10.58%	6.98%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	7.08%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	6.95%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	7.08%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	7.08%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	7.08%
Central Bank bond	CRG0000B14H6	Country risk	Colones	Government	6-Nov-13	21-Dec-16	1125		500	507	Fixed	6.67%	7.08%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	19-Feb-13	28-Jun-17	1569		170	185	Fixed	9.89%	7.84%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	1-Mar-13	28-Jun-17	1557		675	743	Fixed	9.89%	7.58%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	23-Oct-13	28-Jun-17	1325		2,394	2,647	Fixed	9.89%	7.52%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	23-Oct-13	28-Jun-17	1325		500	553	Fixed	9.89%	7.53%
Central Bank bond	CRG0000B81G7	Country risk	Colones	Government	8-Feb-13	27-Sep-17	1669		500	583	Fixed	11.04%	7.74%
Central Bank bond	CRG0000B81G7	Country risk	Colones	Government	12-Feb-13	27-Sep-17	1665		500	583	Fixed	11.04%	7.75%
Central Bank bond	CRG0000B81G7	Country risk	Colones	Government	19-Feb-13	27-Sep-17	1658		500	584	Fixed	11.04%	7.76%
Central Bank bond	CRG0000B60G1	Country risk	Colones	Government	4-Mar-13	24-Jan-18	1760		1,000	1,048	Fixed	8.74%	7.76%
Central Bank bond	CRG0000B60G1	Country risk	Colones	Government	5-Mar-13	24-Jan-18	1759		1,460	1,573	Fixed	8.74%	7.57%
Central Bank bond	CRG0000B60G1	Country risk	Colones	Government	6-Mar-13	24-Jan-18	1758		500	524	Fixed	8.74%	7.57%
Central Bank bond	CRG0000B60G1	Country risk	Colones	Government	6-Mar-13	24-Jan-18	1758		1,000	1,048	Fixed	8.74%	7.77%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	3-Oct-12	28-Mar-18	1975		500	494	Fixed	11.13%	11.46%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	11-Feb-13	28-Mar-18	1847		165	194	Fixed	11.13%	7.88%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	11-Feb-13	28-Mar-18	1847		300	353	Fixed	11.13%	7.87%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	11-Feb-13	28-Mar-18	1847		500	588	Fixed	11.13%	7.87%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	12-Feb-13	28-Mar-18	1846		125	147	Fixed	11.13%	7.92%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	12-Feb-13	28-Mar-18	1846		286	336	Fixed	11.13%	7.90%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	19-Feb-13	28-Mar-18	1839		350	411	Fixed	11.13%	7.92%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	19-Feb-13	28-Mar-18	1839		500	588	Fixed	11.13%	7.92%
Central Bank bond	CRG0000B97G3	Country risk	Colones	Government	27-Mar-13	26-Sep-18	1979		500	505	Fixed	7.82%	7.57%
Central Bank bond	CRG0000B97G3	Country risk	Colones	Government	27-Mar-13	26-Sep-18	1979		500	505	Fixed	7.82%	7.58%
Central Bank bond	CRG0000B72G6	Country risk	Colones	Government	11-Feb-13	27-Mar-19	2206		120	131	Fixed	9.20%	7.94%
Central Bank bond	CRG0000B59G3	Country risk	Colones	Government	27-Mar-13	23-Dec-20	2786		500	542	Fixed	8.97%	7.88%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1335		278	281	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1335		500	491	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B4353	Country risk	Colones	BCCR	30-Oct-13	15-Jul-15	615		1,000	1,075	Fixed	9.20%	6.11%
Monetary stabilization bond - fixed rate	CRBCCR0B4353	Country risk	Colones	BCCR	30-Oct-13	15-Jul-15	615		750	807	Fixed	9.20%	6.11%
Monetary stabilization bond - fixed rate	CRBCCR0B3827	Country risk	Colones	BCCR	4-Feb-13	9-Dec-15	1025		500	513	Fixed	9.28%	7.71%
Monetary stabilization bond - fixed rate	CRBCCR0B4361	Country risk	Colones	BCCR	30-Oct-13	13-Jul-16	973		750	818	Fixed	9.20%	6.58%
Monetary stabilization bond - fixed rate	CRBCCR0B3553	Country risk	Colones	BCCR	30-Oct-13	14-Sep-16	1034		1,500	1,608	Fixed	9.16%	6.80%
Monetary stabilization bond - fixed rate	CRBCCR0B3553	Country risk	Colones	BCCR	30-Oct-13	14-Sep-16	1034		500	536	Fixed	9.16%	6.82%
Monetary stabilization bond - fixed rate	CRBCCR0B4080	Country risk	Colones	BCCR	12-Feb-13	4-Sep-19	2362		395	435	Fixed	9.20%	7.98%
Monetary stabilization bond - fixed rate	CRBCCR0B4080	Country risk	Colones	BCCR	12-Feb-13	4-Sep-19	2362		250	275	Fixed	9.20%	7.99%
Monetary stabilization bond - fixed rate	CRBCCR0B4080	Country risk	Colones	BCCR	12-Feb-13	4-Sep-19	2362		155	171	Fixed	9.20%	7.99%
Monetary stabilization bond - fixed rate	CRBCCR0B4080	Country risk	Colones	BCCR	12-Feb-13	4-Sep-19	2362		20	22	Fixed	9.20%	8.00%
Mortgage participation certificate	00MADAPC1140	F1+ (cri)	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	31-Oct-13	31-10-2014	361		111	111	Fixed	6.15%	6.09%
<b>Total investments</b>									<b>e 32,030</b>	<b>34,039</b>			
<b>Instrument</b>	<b>ISIN</b>	<b>Risk rating</b>	<b>Currency</b>	<b>Issuer</b>	<b>Purchase date</b>	<b>Maturity</b>	<b>Term</b>		<b>Face value</b>	<b>Value traded</b>	<b>Rate</b>	<b>Coupon</b>	<b>Net return</b>
Bond	CRBAC0B1181	AA(cri-)	U.S. dollars	Banco Crédito Agrícola de Cartago	19-Feb-13	29-Jan-18	1780	US\$	1	1	Fixed	4.70%	4.69%
Recopie standardized bond	CRRECOPB0012	AAA (cri)	U.S. dollars	RECOPE	7-Dec-12	5-Dec-22	3598		1	1	Fixed	5.50%	5.27%
Recopie standardized bond	CRRECOPB0020	AAA (cri)	U.S. dollars	RECOPE	5-Apr-13	3-Apr-28	5398		1	1	Fixed	5.85%	5.84%
Costa Rican external debt bond	USP3699PEM51	Country risk	U.S. dollars	Government	11-May-09	20-Mar-14	1749		1	1	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	Country risk	U.S. dollars	Government	9-Mar-10	20-Mar-14	1451		-	-	Fixed	6.55%	4.18%
Costa Rican external debt bond	USP3699PAA59	Country risk	U.S. dollars	Government	12-Jan-11	1-Aug-20	3439		-	-	Fixed	10.00%	5.12%
<b>Total investments</b>									<b>US\$ 3</b>	<b>3</b>			

(Continued)



INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In 2012, the main features of long-term financial investments are as follows:

As of December 31, 2012													
Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term	Face value	Value traded	Rate	Coupon	Net return	
CNFL bond	CRCFLUZB0207	AAA (cri)	Colones	CNFL	4-Oct-10	30-Sep-17	2516	€	400	400	Fixed	10.53%	10.51%
BANHVI bond	CRBANVIB0037	F1+ (cri)	Colones	BANHVI	15-Apr-10	7-Apr-15	1792		500	504	Variable	10.50%	10.32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	13-Jan-11	9-Dec-15	1766		318	318	Variable	9.40%	9.63%
BCR bond	CRBCR00B2760	AA (cri)+	Colones	Banco de Costa Rica	28-Apr-11	14-Jun-13	766		1,000	1,074	Fixed	10.12%	8.14%
BSJ bond	CRBSJ00B1608	SCR AAA	Colones	BAC	28-Jun-12	27-Mar-14	629		500	500	Fixed	10.85%	10.85%
INC (HOLCIM) bond	CRINC00B0126	AAA (cri)	Colones	Instituto Costarricense del Cemento y del Concreto	7-May-12	2-May-14	715		350	351	Variable	10.55%	10.29%
FIFCO bond	CRFIFCOB0972	SCR AAA	Colones	FIFCO	8-Nov-12	6-Nov-17	1798		500	500	Fixed	11.27%	11.25%
Bond	CRBPROMB1169	SCR AA +	Colones	Banco Promerica	5-Oct-12	3-Oct-14	718		300	300	Fixed	12.50%	12.47%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.66%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.68%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.68%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1065		286	281	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1065		500	491	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3496	Country risk	Colones	BCCR	6-Apr-11	3-Jul-13	807		1,000	1,000	Fixed	7.06%	7.91%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	12-Jan-11	27-Mar-13	795		1,000	1,061	Fixed	9.84%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-11	27-Mar-13	795		1,000	1,062	Fixed	9.84%	8.11%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-11	27-Mar-13	795		300	318	Fixed	9.84%	8.16%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-11	19-Mar-14	1076		1,000	996	Fixed	8.28%	8.41%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-11	19-Mar-14	1076		1,000	995	Fixed	8.28%	8.46%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	12-Jan-11	28-Jun-17	2326		1,000	1,023	Fixed	9.89%	9.45%
Central Bank bond	CRG0000B80G9	Country risk	Colones	Government	3-Oct-12	23-Sep-15	1070		500	498	Fixed	10.58%	10.84%
Central Bank bond	CRG0000B80G9	Country risk	Colones	Government	2-Oct-12	23-Sep-15	1071		500	498	Fixed	10.58%	10.84%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	8-Oct-12	23-Mar-16	1245		500	465	Fixed	8.74%	11.36%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	3-Oct-12	28-Mar-18	1975		500	494	Fixed	11.13%	11.46%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	24-Oct-12	28-Mar-18	1954		1,000	994	Fixed	11.13%	11.46%
Central Bank bond	CRG0000B93G2	Country risk	Colones	Government	24-Oct-12	21-Dec-22	3657		1,000	1,011	Fixed	11.50%	11.97%
<b>Total investments</b>								€	<b>16,454</b>				
Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term	Face value	Value traded	Rate	Coupon	Net return	
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	11-May-09	20-Mar-14	1749	US\$	613	628	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	9-Mar-10	20-Mar-14	1451		498	557	Fixed	6.55%	4.18%
Costa Rican external debt bond	USP3699PAA59	***	U.S. dollars	Government	12-Jan-11	1-Aug-20	3439		20	28	Fixed	10.00%	5.12%
Recope standardized bond	CRRECOPB0012	AAA (cri)	U.S. dollars	RECOPE	7-Dec-12	5-Dec-22	3598		1,000	1,017	Fixed	5.50%	5.27%
<b>Total investments</b>								US\$	<b>2,131</b>				

\*\*\* Not rated according to SUGEVAL information

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 9. Banks**

Banks are as follows:

<b>Banks</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b> <i>(Restated) *</i>
<b><u>ICE Group</u></b>		
Public and private entities	¢ 10,126	8,397
<b>Total ICE Group</b>	<b>¢ 10,126</b>	<b>8,397</b>

\* See note 26

**Note 10. Notes and accounts receivable**

Short- and long-term notes receivable are as follows:

<b>Notes and accounts receivable</b>	<b>As of December 31,</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>
Loan to autonomous entities (1)	¢ 7,046	-	7,075	-
Individuals	-	1,669	-	799
Other	62	300	126	115
Central Valley wind power project -				
Principal	-	-	1,579	203
In legal collections	-	108	-	108
Payment arrangements	-	54	-	67
<b>Total ICE Group</b>	<b>¢ 7,108</b>	<b>2,131</b>	<b>8,780</b>	<b>1,292</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(1) Loan to autonomous entities**

Through an inter-institutional agreement between ICE and the 911 emergency system, the “Agreement to Pay Accounts due from the 911 Emergency System to ICE” was subscribed on December 21, 2012. In this agreement, the debt was expressly acknowledged and accepted and a “payment arrangement” was formally subscribed by the 911 emergency system to settle such debt. As of December 31, 2013 and 2012, the debt is equivalent to ¢4,784.

In accordance with the long-term note due to ICE, the payment arrangement is for a term of 10 years starting January 1, 2013 and the liability is payable by the 911 emergency system in 16 half-yearly installments. A two-year grace period was established for payment of principal and interest. The first payment is due on January 1, 2015, while the final payment is due on July 1, 2022. The loan bears interest at the base deposit rate of BCCR in effect the week preceding the payment date.

Additionally, this item includes ICE’s loan to EPR to repay loan IDB No. 1908 for ¢2,261 (equivalent to US\$4.5 million).

Receivables for services rendered and non-trade receivables for services are as follows:

Receivables for services rendered	As of December 31,	
	2013	2012 (Restated) *
Individuals	¢ 49,990	43,884
In administrative and legal collections	36,590	39,297
Electricity cooperatives and municipal electricity distribution companies	8,375	9,768
Operators and service providers	5,790	9,211
Telephone administrations	1,562	9,441
Public agencies	2,798	6,701
Sale of terminals	269	243
Electricity services - consumers	20,791	17,348
Foreign lines	546	793
Other	1,328	1,566
<b>Total ICE Group</b>	<b>¢ 128,039</b>	<b>138,252</b>

\* See note 26.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Non-trade receivables	As of December 31,	
	2013	2012 (Restated)*
Individuals (1)	¢ 45,702	30,268
Government taxes	4,594	4,315
Other	955	4,561
Toro III Project	179	3,214
Employees	219	267
Sales tax credit	1,513	1,367
Agreements, paid services, and other	1,053	937
National Insurance Institute (INS) compensation - Cote Power Plant	-	2,036
Damage to electrical installations	730	473
Income tax withholding (2%)	822	614
Trade transactions receivable	580	1,343
Sundry receivables	416	301
Other services rendered	74	2,192
Savings and loan fund	200	200
Estimated sales tax	110	85
Sundry government services	109	135
Social interest electricity services	-	10
Bad checks	-	3
Estimated income tax	108	154
Advance payments to suppliers	72	-
Interest receivable	-	2
<b>Total ICE Group</b>	<b>¢ 57,436</b>	<b>52,477</b>

\* See note 26.

**(1) Private individuals or companies**

As of December 31, 2013, this item includes advance payments made by ICE to purchase fuel to generate power in thermal power plants for ¢16,085, advance payments to private individuals for ¢16,179, guarantees, interest, and fees and commissions for ¢2,094, receivables for unpriced services for ¢2,260 (corresponding to the services provided by the Strategic Business Units), and ICE's deposits in courts for ¢7,013.

Movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts	As of December 31, 2011	Used	Recoveries	Expense	As of December 31, 2012	Prior period adjustments	Used	Recoveries	Expense	As of December 31, 2013
Receivables for services rendered and non-trade receivables	¢ 37,066	(6,089)	909	3,730	35,616	1,829	(12,526)	1,259	6,739	32,917
<b>Total ICE Group</b>	<b>¢ 37,066</b>	<b>(6,089)</b>	<b>909</b>	<b>3,730</b>	<b>35,616</b>	<b>1,829</b>	<b>(12,526)</b>	<b>1,259</b>	<b>6,739</b>	<b>32,917</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 11. Operating inventory**

Operating inventory by location is as follows:

Operating inventory	As of December 31,	
	2013	2012
San José	¢ 27,473	45,499
Limón	19,990	23,483
Puntarenas	18,162	17,758
Guanacaste	12,143	6,825
Alajuela	3,295	5,203
Cartago	3,157	7,649
<b>Subtotal ICE Group</b>	<b>84,220</b>	<b>106,417</b>
Reclassification to inventory for investment and other assets	(44,725)	(59,271)
<b>Total ICE Group</b>	<b>¢ 39,495</b>	<b>47,146</b>

ICE Group follows the policy of reclassifying to inventory for investment the items of operating inventory that are directly related to operating assets and other assets that are not physically included in the asset and, therefore, are not available for use since they are not installed or operating in the manner intended by ICE Group.

**Allowance for valuation of inventory**

Movement in the allowance for valuation of operating inventory is as follows:

	As of December 31,						
	2011	Used	Expenses	2012	Used	Expenses	2013
Allowance for valuation of inventory	¢ 7,311	(2,499)	1,164	5,976	(2,414)	7,394	10,956
<b>Total ICE Group</b>	<b>¢ 7,311</b>	<b>(2,499)</b>	<b>1,164</b>	<b>5,976</b>	<b>(2,414)</b>	<b>7,394</b>	<b>10,956</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In addition to operating inventory and inventory for investment, ICE Group holds materials and equipment in custody, as follows:

<b>Materials and equipment held in custody</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
Terminals and other devices	¢ 2,278	3,016
Spare parts not in warehouse custody	615	938
<b>Total ICE Group</b>	<b>¢ 2,893</b>	<b>3,954</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 12. Temporary investments**

Temporary investments are as follows:

				As of December 31, 2013			
	Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months	
<b>ICE Electricity</b>							
<b>Uncommitted:</b>							
<i>Available-for-sale</i>	<b>Colones</b>	Banco de Costa Rica	Investment funds	3	-	3,44% - 4,08%	Demand
		SAFI BAC San José	BAC SAN JOSÉ - liquidity, non-diversified	50	-	0.03	Demand
		Banco Popular y de Desarrollo Comunal	SAFI Banco Popular	4	-	0.03	Demand
	<b>US dollars</b>	Banco de Costa Rica	Investment funds	1,368	-	0.01	Demand
		Banco Internacional de Costa Rica	Overnight deposit	39,626	-	0.00	Demand
<i>Held-to-maturity</i>	<b>Colones</b>	Banco de Costa Rica	Term certificate of deposit	9,517	9,517	0.03	Dec 2013 to Jan 2014
	<b>US dollars</b>	Banco de Costa Rica	Term certificate of deposit	5,025	5,025	0.00	Dec 2013 to Jan 2014
<b>Total ICE Electricity</b>			<b>55,593</b>				
<b>ICE Telecom</b>							
<b>Uncommitted:</b>							
<i>Available-for-sale</i>	<b>Colones</b>	Banco Nacional de Costa Rica	Term certificate of deposit	6,100	6,100	5,77% - 6,41%	May 2013 to Jul 2014
		Banco de Costa Rica	Investment funds	11	-	3,44% - 4,08%	Demand
		Banco de Costa Rica	Term certificate of deposit	5,682	5,682	5,91% - 7,49%	Jun 2013 to Aug 2014
		Banco de Costa Rica	Commercial paper (global bond)	341	348	5.28%	Nov 2013 to May 2014
		Government	Fixed-rate Central Bank bond	1,500	1,500	5,82% - 6,10%	May 2013 to Mar 2014
		Government	Zero-coupon Central Bank global bond	8,225	8,500	5,01% - 5,46%	Aug 2013 to Aug 2014
		Banco Popular y de Desarrollo Comunal	Investment funds	1	-	2.39%	Demand
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit	13,067	13,067	5,61% - 6,34%	Mar 2013 to Aug 2014
		BCCR	Monetary Stabilization Bond	3,807	3,900	4,72% - 6,06%	Apr 2013 to Nov 2014
		Banco CITIBANK (CMB COSTA RICA)	Term certificate of deposit	1,750	1,750	6.14%	Jul 2013 to Jul 2014
		Banco Crédito Agrícola de Cartago	Term certificate of deposit	4,960	4,960	5,74% - 6,35%	Abr 2013 to Aug 2014
		Banco BAC San José, S.A.	Term certificate of deposit (global bond)	4,456	4,456	5,94% - 6,25%	May 2013 to Oct 2014
		SAFI BAC San José	BAC SAN JOSÉ - liquidity, non-diversified	50	-	2.95%	Demand
		Repurchase operations	Repurchase operations	1,458	1,458	3,30% - 5,30%	Aug 2013 to Jan 2014
		Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	Bond	300	300	6.10%	Jul 2013 to Mar 2014
		Mutual de Ahorro y Préstamo	Mortgage participation certificate	1,275	1,275	6,14% - 6,24%	Aug 2012 to Set 2014
		Banco Improsa	Term certificate of deposit (global bond)	1,000	1,000	5.89%	Nov 2013 to Nov 2014
		HSBC Bond	Bond	240	240	6.25%	Oct 2013 to Aug 14
		Banco de Soluciones Bansol de Costa Rica, S.A.	Term certificate of deposit (global bond)	350	350	6.54%	Oct 2013 to Jun 14
		Banco Promérica	Bond	105	105	6.64%	Oct 2013 to Oct 2014
	<b>US dollars</b>	Banco de Costa Rica	Investment funds	132	-	1.31%	Demand
		Banco Internacional Costa Rica	Overnight deposit No. 104600328 BICSA USS	6,427	-	0.20%	Demand
		Banco Crédito Agrícola de Cartago	Bond	251	251	3.68%	Feb 2013 to Jan 2014
		Repurchase operations	Repurchase operations	544	544	2,91% - 5,30%	Dec 2013 to Jan 2014
		Banco Cathay de Costa Rica S.A.	Commercial paper	270	270	4.45%	Dec 2013 to Oct 2014
<i>Held-to-maturity</i>	<b>Colones</b>	Banco de Costa Rica	Term certificate of deposit	11,184	11,184	3.00%	Dec 2013 to Jan 2014
		BANHVI	Term certificate of deposit	2,350	2,350	8.74%	Jan 2013 to Jan 2014
	<b>US dollars</b>	Banco Internacional de Costa Rica	Term deposit - BICSA, Miami branch	1,005	1,005	3.00%	Set 2013 to Mar 2014
<b>Total ICE Telecom</b>			<b>76,841</b>				
<b>Total ICE</b>			<b>132,434</b>				
<b>CNFL:</b>							
<i>Held-to-maturity</i>	<b>US dollars</b>	Banco Nacional de Costa Rica	Term certificate of deposit	501	502	0.75%	90 days
		Banco de Costa Rica	Term certificate of deposit	101	100	1.15%	Set 2012 to Mar 2015
<b>Subtotal CNFL</b>			<b>602</b>	100			
<b>CRICRSA</b>							
<i>Available-for-sale</i>	<b>Colones</b>	BN Sociedad de Fondos de Inversión, S.A.	Investment funds	15	-	-	Demand
<b>Total CRICRSA</b>			<b>15</b>				
<b>CABLE VISIÓN</b>							
<b>Committed:</b>							
<i>Available-for-sale</i>	<b>US dollars</b>	Banco Nacional de Costa Rica	Investment funds	615	-	1.24%	Demand
<b>Uncommitted:</b>							
<i>Available-for-sale</i>	<b>Colones</b>	Banco Nacional de Costa Rica	Investment funds	116	-	3.54%	Demand
<b>Total CABLE VISIÓN</b>			<b>731</b>				
<b>Total ICE Group</b>			<b>133,782</b>				

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

				As of December 31, 2012			
		Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
<b>ICE Electricity</b>							
<b>Uncommitted:</b>							
<i>Available-for-sale</i>							
<b>Colones</b>		Banco Nacional de Costa Rica	Investment funds	2	-	6.66% - 6.90%	Demand
		Banco de Costa Rica	Investment funds	2	-	6.29% - 7.13%	Demand
<b>US dollars</b>		National Insurance Institute (INS)	Investment funds	2	-	5.66%	Demand
		Banco de Costa Rica	Investment funds	16	-	1.92%	Demand
<b>Colones</b>		Banco Internacional de Costa Rica	Overnight deposit	15,491	-	0.20%	Demand
		BCCR	Electronic term deposit	173	173	3.04%	Dec 2012 to Jan 2013
<b>US dollars</b>		Banco Nacional de Costa Rica	Short-term investment	18,941	18,941	6.00%	Dec 2012 to Jan 2013
		Banco de Costa Rica	Term certificate of deposit (over the counter)	153	153	2.49% - 2.50%	Dec 2012 to Jan 2013
<b>Subtotal ICE Electricity</b>				<b>34,780</b>			
<b>ICE Telecom</b>							
<b>Committed:</b>							
<i>Held-to-maturity</i>							
<b>US dollars</b>		Banco Scotiabank de Costa Rica, S.A.	Term certificate of deposit (over the counter)	1,120	1,120	3.80%	Nov 2012 to May 2013
<b>Uncommitted:</b>							
<i>Available-for-sale</i>							
<b>Colones</b>		Banco Nacional de Costa Rica	Investment funds	468	-	6.66% - 6.90%	Demand
		Banco Nacional de Costa Rica	Term certificate of deposit	7,615	7,615	8.89% - 10.53%	Jan 2012 to May 2013
<b>Colones</b>		Banco de Costa Rica	Investment funds	533	-	6.29% - 7.13%	Demand
		Banco de Costa Rica	Term certificate of deposit	3,000	3,000	9.00% - 10.05%	Oct 2011 to Jul 2013
<b>Colones</b>		Banco de Costa Rica	Commercial paper (global bond)	880	887	9.39% - 10.89%	May 2012 to Jul 2013
		Government	Zero-coupon Central Bank global bond	8,731	9,000	8.64% - 9.14%	May 2012 to Jun 2013
<b>Colones</b>		National Insurance Institute (INS)	Investment funds	73	-	5.66%	Demand
		Banco Popular y de Desarrollo Comunal	Investment funds	2	-	5.52%	Demand
<b>Colones</b>		Banco Popular y de Desarrollo Comunal	Short-term bond	995	1,000	11.91%	Oct 2012 to Jul 2013
		BCCR	Monetary Stabilization Bond	971	1,000	8.73%	May 2012 to May 2013
<b>Colones</b>		Banco Crédito Agrícola de Cartago	Term certificate of deposit	1,400	1,400	10.45% - 10.67%	Jul 2012 to Oct 2013
		Repurchase operations	Repurchase operations	23,401	23,714	3.30% - 8.11%	Nov 2012 to May 2013
<b>Colones</b>		Scotiabank	Investment funds	56	-	5.56%	Demand
		CABEI	Commercial paper	500	500	9.42%	Jun 2012 to Dec 2012
<b>Colones</b>		Banco Lafise	Term certificate of deposit (global bond)	1,000	1,000	10.99%	Nov 2012 to Nov 2013
		Mutual de Ahorro y Préstamo	Mortgage participation certificate	250	250	12.00%	Aug 2012 to Aug 2013
<b>US dollars</b>		Banco de Costa Rica	Investment funds	9	-	1.92%	Demand
		Government	Fixed-rate Central Bank bond - US\$	509	509	3.46% - 3.51%	Oct 2012 to Aug 2013
<b>US dollars</b>		Banco de Costa Rica	Commercial paper (global bond)	518	519	3.10%	Aug 2012 to Feb 2013
		Banco Internacional Costa Rica	Overnight deposit No. 104600328 BICSA US\$	5,588	5,588	0.20%	Demand
<b>US dollars</b>		Banco Crédito Agrícola de Cartago	Term certificate of deposit	255	255	3.90%	May 2012 to May 2013
		Repurchase operations	Repurchase operations	9,680	9,729	2.50% - 3.90%	Nov 2012 to Feb 2013
<b>Colones</b>		Mutual de Ahorro y Préstamo	Mortgage participation certificate	509	509	3.77%	Oct 2012 to Apr 2013
		Cariblanco Securitization Trust	Cariblanco Securitization Trust	322	321	4.44% - 4.45%	Dec 2012 to Set 2013
<b>Colones</b>		Banco Nacional de Costa Rica	Short-term investment	8,415	8,415	6.00%	Dec 2012 to Jan 2013
		BANHVI	Term certificate of deposit	2,245	2,245	8.56%	Jul 2012 to Jan 2013
<b>US dollars</b>		Banco de Soluciones Bansol de Costa Rica, S.A.	Term certificate of deposit (over the counter)	500	500	10.00%	Nov 2012 to May 2013
		Banco de Costa Rica	Term certificate of deposit (over the counter)	8,148	8,148	2.76%	Dec 2012 to Jan 2013
<b>US dollars</b>		Banco Internacional de Costa Rica	Term deposit - BICSA, Miami branch	1,018	1,018	2.00%	Set 2012 to Mar 2013
		Banco CMB (Costa Rica), S.A.	Term certificate of deposit	10,185	10,185	4.00%	Dec 2012 to Feb 2013
<b>US dollars</b>		Banco Lafise	Term certificate of deposit (over the counter)	2,037	2,037	3.75%	Oct 2012 to Jan 2013
		<b>Subtotal ICE Telecom</b>				<b>100,933</b>	
<b>Subtotal ICE</b>				<b>135,713</b>			
<b>CNFL:</b>							
<i>Held-to-maturity</i>							
<b>Colones</b>		Banco Nacional de Costa Rica	Term certificate of deposit	59	-	7.26%	45 days
		BCCR	Monetary Stabilization Bond	102	-	2.96%	1 month
<b>US dollars</b>		Government	Central Bank bond	356	-	3.15%	1 month
		Government	Central Bank bond	106	-	2.91%	1 month
<b>US dollars</b>		Government	Central Bank bond	107	-	2.92%	1 month
		Government	Central Bank bond	300	-	3.10%	1 month
<b>US dollars</b>		Government	Central Bank bond	560	-	3.15%	1 month
		Government	Central Bank bond	145	-	3.06%	1 month
<b>US dollars</b>		Banco de Costa Rica - US\$	Investment funds	96	-	3.61%	1 month
		Government	Central Bank bond	204	-	3.38%	1 month
<b>US dollars</b>		Banco de Costa Rica - US\$	Term certificate of deposit - US\$	509	-	1.75%	17 days
		<b>Subtotal CNFL</b>				<b>2,544</b>	
<b>RACSA:</b>							
<i>Held-to-maturity</i>							
<b>Colones</b>		Banco de Costa Rica	Term certificate of deposit	200	200	5.35%	Nov 2012 to Jan 2013
		Banco de Costa Rica	Term certificate of deposit	200	200	5.60%	Dec 2012 to Jan 2013
<b>Subtotal RACSA</b>				<b>400</b>			
<b>CRICRSA:</b>							
<i>Available-for-sale</i>							
<b>Colones</b>		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	14	-	-	Demand
<b>Subtotal CRICRSA</b>				<b>14</b>			
<b>Total ICE Group</b>				<b>€ 138,671</b>			

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Valuation of investments**

The accounting treatment for temporary investments is determined on a case-by-case basis for each instrument, including determination of face values, interest, premiums, discounts, and transaction costs. Premiums, discounts, and transaction costs are amortized using the effective interest method.

Available-for-sale investments are valued at market prices using the price vector furnished by PIPCA. The effect of the valuation of available-for-sale investments is included in equity under "Result of valuation of financial instruments" until the instrument is derecognized.

As of December 31, 2013, ICE recognized a net unrealized gain in the amount of ¢20 (2012: ¢906) as a result of the valuation of available-for-sale temporary investments. Such unrealized gain is included under "Result of valuation of financial instruments" in the equity section.

**Note 13. Restricted funds**

Restricted funds allocated to specific purposes are as follows:

<b>Restricted funds</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Guarantees received from third parties:</b>		
In U.S. dollars	¢ 914	832
In colones	358	246
<b>Specific purpose funds</b>		
BCR Platinum (¢) - Cash for payments of ICE services	2,468	3,764
BNCR Gold - Cash for amortization of short-term debt	1,666	5,210
BCR Platinum - Bonds	-	1
<b>Total ICE Group</b>	<b>¢ 5,406</b>	<b>10,053</b>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 14. Prepaid expenses**

Prepaid expenses are as follows:

Prepaid expenses	As of December 31,	
	2013	2012
<b><u>ICE:</u></b>		
Mobile terminals and devices, net (1) ¢	37,882	22,825
Use agreements (2)	18,688	19,000
Fuel (3)	7,877	15,460
U-500 insurance policy, net (4)	4,029	4,128
All-risk insurance policy - construction	4,131	606
Sundry policies	19	24
Stationery	338	377
<b>Subtotal ICE</b>	<b>72,964</b>	<b>62,420</b>
<b><u>CNFL:</u></b>		
U-500 insurance policy, net	359	209
Sundry policies	359	228
<b>Subtotal CNFL</b>	<b>718</b>	<b>437</b>
<b><u>RACSA:</u></b>		
Phone book	2,183	2,253
Other	36	31
National Insurance Institute (INS) - vehicles	4	4
U-500 insurance policy, net	60	59
Vacation	21	47
<b>Subtotal RACSA</b>	<b>2,304</b>	<b>2,394</b>
<b><u>CABLE VISIÓN:</u></b>		
Insurance policies	5	-
Patents	3	-
Interest on leases	21	-
Services	-	-
Vehicle tax	2	-
<b>Subtotal CABLE VISIÓN</b>	<b>31</b>	<b>-</b>
<b>Total ICE Group</b> ¢	<b>76,017</b>	<b>65,251</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

U-500 insurance policy		As of December 31,	
		2013	2012
Opening balance	¢	4,396	2,501
Amount of premium		12,415	11,185
Amortization of premium		(12,363)	(9,290)
<b>Total ICE Group</b>	<b>¢</b>	<b>4,448</b>	<b>4,396</b>

**(1) Mobile terminals and devices**

This account corresponds to the balance pending amortization of the cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans. Such amounts are expensed based on the term of the plan, matching the costs with the plan's income and the termination of the service due to early termination, arrears, or plan change.

**(2) Use agreements**

On November 5, 2007, ICE and BCR (trustee) subscribed a lease agreement under a Securitization Trust for construction of a thermal power plant called Garabito Thermal Power Plant (see note 30). The lease term of the aforementioned thermal power plant according to that trust is 142 months (11 years and 10 months) starting June 2010. Since the plant did not start commercial operations on the anticipated date (June 2010), management of the Executing Unit of the Garabito Thermal Power Plant and ICE agreed on November 19, 2010 that ICE would begin to amortize prepaid expenses starting January 2011 corresponding to lease payments made by ICE from June to December 2010, applying the first payment (made in June 2010) in January 2011 and so on until March 2022, which is the expiration date of the lease agreement.

After March 2022, ICE may continue to use the asset for an additional seven months.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(3) Fuel**

In 2012, according to Decision No. 977-RCR-2012 dated November 2, 2012, ARESEP partially approved the request filed by ICE for the recognition through rate adjustments of fuel additional expenses corresponding to the first half of 2012. Those expenses for a total of ¢19,225 were not recognized in the rate approved in ARESEP's prior ruling. Of that amount, ICE recovered ¢3,765 in 2012, while the outstanding amount of ¢15,460 corresponds to lags in the recognition of fuel expenses in that year. According to Decision ARESEP RJD-003-2013 dated February 25, 2013, such lags must be recognized quarterly through rate adjustments from July 1, 2013. As of December 31, 2013, the balance outstanding amounts to ¢7,877. Through Decision No. 795-SJD-2013/125269 dated November 29, 2013, ARESEP upheld ICE's request to transfer the lagged balance corresponding to fuel approved in 2012 to the first and second quarters of 2014 (through Agreement No. 04-14-2013), for the balance to be applied in the rates corresponding to the third and fourth quarters of 2014. That balance will be fully amortized in that year.

**(4) U-500 insurance policy**

The U-500 all-risk policy is a contract at replacement value that is appropriate for ICE's needs and covers all risks of physical loss to property insured, such as fire, landslides, floods, hurricanes, lightning, etc. Policy coverage includes: equipment breakdown, business interruption, additional expenses, inland transit, robbery, wire theft, debris removal, errors and omissions, construction work in progress, sabotage, terrorism, catastrophic risks, etc. In 2013, the policy remains in effect to cover additional expenses of the generation centers of the Las Pailas and Pirrís projects.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Prepaid expenses include premiums for insurance policies. Policy coverages are as follows:

Type of policy	Type of coverage	Insured assets	Amount insured	
			As of December 31, 2013	2012
<b>ICE:</b>				
U-500	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; civil liability; and commercial crime.	Administrative and technical buildings (central offices, blocks A - B, and block C (Procurement Department), PySA building, and Power Control Center), warehouses, telephone exchanges, shelters, base stations, electricity agencies, telephone agencies, Comprehensive Customer Service Center (CAIC), power generation centers, power transformers, autotransformers, and mobile transformers.	3,133,978	3,191,787
02-01-INS-613-00	Construction and assembly works all-risk insurance. Covers tremors, earthquakes, volcanic eruptions, cyclones, hurricanes, hail, tempests, windstorms, floods, water overflow, seaquake, mud silting, testing period, civil liability, adjacent property, and debris removal.	Project to expand Cachí.	64,319	65,506
G-9312	Construction and assembly works all-risk basic liability insurance. Covers direct damage as a result of earthquake, volcanism, seaquake, tempest, cyclone, rising floodwaters, flood, landslide, extended maintenance, and debris removal.	Toro III Hydroelectric Power Project.	-	61,046
02-01-TRC-0196	Construction and assembly works all-risk basic liability insurance. Covers direct damage as a result of earthquake, volcanism, seaquake, tempest, cyclone, rising floodwaters, flood, landslide, extended maintenance, and debris removal; umbrella liability; startup delay; transport; sabotage; and terrorism.	Reventazón Hydroelectric Project.	508,657	-
Inland transport of mobile terminals	Covers risks of loss of goods (only while goods are being transported) due to accidents caused by the accidental fall of the vehicle to a ditch, ravine, cliff, river, lagoon, and the sea; collision and/or crash of a vehicle with fixed or moving objects, animals, or individuals; fire, lightning strike, cyclon, earthquake, tremor, flood, overturn or accidental fall of the container, and collision with fixed or moving objects, animals, or individuals, provided the container is attached to the chassis or platform. This policy was subscribed in December 2012.	Mobile terminals transported in ICE's vehicles to different points of sale for trading.	35,350	-
02-01-INC-0004621	Covers direct physical damage, recovery value of fixed assets, assault, automatic coverage for new goods, errors and omissions, loading and unloading, replacement of accounting books, technical and professional fees, automatic reinstatement of insured amount in the event of loss (not applicable to catastrophic risk or robbery), extraordinary expenses, reconstruction of electronic files, multiple location, fire extinguishment expenses, goods in custody, and control over the insured good.	Goods imported by ICE and in custody of the bonded warehouse	1,753	2,551
01-01-CGM-7800 (55000)	Covers inland, maritime, and air transport of materials acquired by ICE through temporary import and/or export permits issued worldwide, as follows: A: All risk; C: Named-risk; D: War; and E: Strike.	All imported materials.	1,027	1,028
02-01-EQE-0000335-00	Covers all risks of loss or damage and collision and/or overturn of a vehicle transporting insured assets (mobile or portable equipment), as follows: R: Direct damage to electronic equipment.	LIDAR electronic equipment and vehicle where it is installed.	473	482
AUM-052	Covers vehicles for personal use assigned to ICE's senior management, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision or overturn; F: Robbery and/or theft; and H: Additional risks.	Senior management vehicles.	31	151

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Type of policy	Type of coverage	Insured assets	Amount insured	
			As of December 31,	
			2013	2012
02-01-VAG-134-00	Covers personal accident (death, dismemberment, total and permanent disability), medical expenses for accident or acute illness, additional expenses (funeral expenses, emergency dental treatment, medical repatriation, repatriation of remains, air travel for a companion upon medical recommendation, accommodation, board, and local transportation for a companion), and daily costs of a hospital stay. Exchange rate \$516.41, amount of insurance US\$21,530.96	Officers traveling abroad	25	161
01-01-ACG-245-01	Covers accidental death, permanent disability, and medical expenses.	Non-employee passengers in ICE vehicles	20	40
02-01-INS-000062	General civil liability that covers bodily injury or death of third parties and damage to third party property as combined single limit civil liability and total limit civil liability per year, related to activities, property, and legal actions filed abroad.	Civil liability arising from activities and property while providing international interconnection access service, MSM access points, and equipment maintenance and/or operation in the Global Crossing building located in Los Angeles (USA).	13	13
01-ACG-264	Covers accidental death, total and permanent disability, and medical expenses for accident.	Employees of ICE's Institutional Protection and Security Office	11	11
Type of policy	Type of coverage	Insured assets	Amount insured	
			As of December 31,	
			2013	2012
<b>CNFL:</b>				
U-500 now ING-008	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; civil liability; and commercial crime.	Administrative buildings, hydroelectric power plants, and substations. Amount insured expressed in U.S. dollars.	289,463	255,665
AUM-144	Covers CNFL's vehicle fleet, as follows: A: Umbrella liability or excess liability for injury and/or death of persons and C: Umbrella liability or excess liability for damages to third party property.	CNFL's vehicle fleet	6,060	5,622
Maritime 11955	Maritime Cargo Insurance	Imports	1,455	1,450
AUM-172	Covers CNFL's vehicle fleet, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision or overturn; F: Robbery and/or theft; and H: Additional risks.	Vehicles (insurable interest)	186	166
FCP-0000041-00	Fidelity Guarantee Insurance		50	50
EQC-3868	Contractor's Equipment Insurance	Forklifts and tractors	50	50

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Type of policy	Type of coverage	Insured assets	Amount insured	
			As of December 31, 2013	2012
<b>RACSA:</b>				
U-500	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; and civil liability.	RACSA's central buildings (Buildings A, B, and C located at the intersection of Avenida 5 and Calle 1) and the office furniture and equipment, and electronic and telecommunications equipment contained therein; inventories in warehouses (supplies and electronic and telecommunications equipment); and the RACSA-ZURQUI Teleport buildings (located in Calle Blancos) and their contents.	€ 75,235	75,198
AUM-0502-06 - RACSA	Covers company vehicles, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision and/or overturn; F: Robbery and/or theft; and H: Additional risks.	Vehicle fleet	183	203
EQE-0009580 - RACSA	Mobile and/or portable equipment all-risk insurance, as follows: E: Risks of loss or damage to mobile and/or portable equipment and R: Direct damage to electronic equipment and collision and/or overturn of a vehicle transporting insured assets.	Sales force laptops	28	28
OCIO001137-RACSA	Covers personal accident (death, loss of limb(s), total and permanent disability), medical expenses for accident or acute illness, additional expenses (funeral expenses, emergency dental treatment, medical repatriation, repatriation of remains, air travel for a companion upon medical recommendation, accommodation, board, and local transportation for a companion), daily costs of a hospital stay, lost luggage, and lost passport.	Employees traveling abroad	25	26
INC-0256115-17 Fire - RACSA	Insurance against accidental fire or lightning strike, sundry risks, flood, landslide, and convulsions of nature.	El Cerrito Farm storehouse	28	28
EQC- 0004970- RACSA	Insurance against: E: Direct damage including losses to the equipment caused by collision, accidental overturn, accidental fire, lightning strike, and transport of the equipment by other means; and L: Combined Single Limit Civil Liability.	El Cerrito Farm tractor	10	10
Type of policy	Type of coverage	Insured assets	Amount insured	
			As of December 31, 2013	2012
<b>CABLE VISIÓN:</b>				
Umbrella liability	Covers umbrella liability for injury of persons and damages to third party property.	Damages to third parties	€ 10	-
			100	-
Vehicle fleet	Umbrella liability for damages to third parties.	Injury or death of persons and damages to third party property	200	-
			30	-

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 15. Service agreements**

The main service agreements subscribed with third parties are as follows:

Service agreements	As of December 31,	
	2013	2012
<b>ICE:</b>		
Reventazón Hydroelectric Project (note 43) (1) ¢	91,620	-
Toro III Hydroelectric Project (2)	-	8,410
Other	11	345
<b>Subtotal ICE</b>	<b>91,631</b>	<b>8,755</b>
Eliminations of Government services*	(47)	-
<b>Total ICE Group</b>	<b>¢ 91,584</b>	<b>8,755</b>

\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

**(1) Reventazón Hydroelectric Power Project**

The Reventazón Hydroelectric Power Project is located in the middle basin of the Reventazón River in Limón, Costa Rica, and has a power output of 305 MW.

The project will use the water of the Reventazón River and will become, when completed, one of the hydroelectric power plants with the greatest installed capacity in the country, with a design flow rate of 240 m<sup>3</sup>/s and a power output of 305.5 MW.

The project is expected to start operations in late 2016. The estimated cost of the works amounts to US\$1,406 million.

On May 22, 2013, ICE and Banco Scotiabank subscribed an infrastructure trust agreement for the development of the Reventazón Hydroelectric Power Project called “UNO P.H. Reventazón/ICE/Scotiabank/2013 Trust Agreement”, whereby ICE acts as the Trustor and Main Beneficiary, Banco Scotiabank as Trustee, and the individuals identified in each notification for appointment of secondary beneficiaries as such.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The main clauses of the UNO P.H. Reventazón/ICE/Scotiabank/2013 Trust Agreement are summarized below.

- The purposes of the trust are as follows:
  - a. Develop, continue the construction, lease, operate, and offer maintenance to the Reventazón Hydroelectric Power Project and subscribe the necessary financing to achieve those goals.
  - b. Create autonomous and independent equity to secure and guarantee compliance with the Trust's obligations.
  - c. Organize the Guarantee Trust to which the Trust Equity will be transferred, whereby this Trust will act as the trustor, the secured creditors as the beneficiaries, and this Trust's trustee as the trustee. The trustee of the Guarantee Trust is Banco Scotiabank.
  - d. Comply with the Trust's obligations established in the transaction documents, including making payments to secured creditors that granted loans or invested in securities for the development, financing, construction, lease, operation, and maintenance of the Reventazón Hydroelectric Power Project.
  - e. Once (i) the objectives of this Trust have been met, (ii) the obligations established in the transaction documents have been fulfilled, and (iii) the trustee receives written authorization from the representative of the secured creditors; transfer the Trust Equity to the Trustor, who also acts as the Main Beneficiary.
  - f. Pursue any other objective or purpose derived from the nature of this Trust Agreement and the transaction documents that does not infringe good faith in business or violates the relevant legislation.
  
- Trust Equity will be comprised of: (i) assets placed in the trust property to develop the Reventazón Hydroelectric Power Project; (ii) works and equipment involved in the project's development process; (iii) the Trustor's contributions in cash or kind; (iv) resources obtained by the Trust under loan agreements and from issue, placement, and management of securities, if issued; (v) income from the lease of the plant and any other income generated by the Trust in the normal course of business; (vi) licenses, authorizations, studies, and documents required to support the attainment of the Trust's objectives; (vii) trust accounts and investments and returns derived therefrom and any other resources that the Trustee manages in accordance with this Trust; (viii) any income earned by the Trust generated from the project, directly or indirectly; (ix) future goods that would be included in the Trust Equity; (x) the equity of the Guarantee Trust upon its return to the Trust as trustor in accordance with the terms and conditions of the Guarantee Trust.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- The Trustee shall manage and, if appropriate, make use of the Trust Equity in accordance with purposes and provisions of the agreement and meeting all of the Trust's obligations.
- All funds received by the Trust on any account or reason shall be immediately deposited by the Trustee in the bank accounts held with the Guarantee Trust, in accordance with the terms and conditions of the Guarantee Trust; except for the funds obtained from bridge loans, which shall be deposited in the accounts opened by the Trust for such purposes.

On May 22, 2013, ICE and Banco Scotiabank subscribed the following agreements related to the financing structure established under the Trust:

*EPC (Engineering, Procurement, and Construction) Turnkey Agreement*

- The UNO P.H. Reventazón Trust acts as the employer and ICE as the contractor responsible for the construction of the Reventazón Hydroelectric Power Project. The agreement amounts to US\$693 million and the construction must be completed no later than the fourth quarter of 2016.

*Lease agreement for the Reventazón Hydroelectric Power Project*

- The UNO P.H. Reventazón Trust acts as the lessor and ICE as the lessee. The agreement is for a minimum term of 17 years and semiannual payments are based on the amount paid by the UNO P.H. Reventazón Trust for the debt with the creditor banks.

**(2) Toro 3 Hydroelectric Power Project**

The Toro 3 Hydroelectric Power Project is located on the tributary of the Sarapiquí River, Heredia, Costa Rica. The project is expected to generate 46 MW of power for the National Electricity System.

ICE and the Junta Administrativa de Servicios Eléctricos de Cartago [Administrative Board of Cartago's Electricity Service] (JASEC) are responsible for the construction of the project in accordance with the partnership agreement subscribed by those entities. Under the agreement, ICE and JASEC, with equal participation in respect of rights and obligations, will take the necessary actions to design, finance, construct, operate, and maintain the Toro 3 Hydroelectric Power Project. With the purpose of executing this project, the parties agreed to create a trust with BCR, which must obtain financing and manage the resources to develop the infrastructure works required for electricity generation. Such infrastructure works will subsequently be leased to ICE and JASEC for their operation.

The project began commercial operations on February 1, 2013, contributing 46 MW to the National Electricity System.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 16. Project design and execution**

Project design and execution includes the costs incurred or investments made in the design and planning stages of the following projects:

<b>Project design and execution</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
El Diquís Hydroelectric Project (1)      ¢	71,023	68,902
Borinquen Geothermal Project (2)	19,847	15,252
Las Pailas II Geothermal Project (3)	-	3,823
Refitting of south-center transmission line	4,222	-
Transmission lines	2,348	5,328
Other	1,264	1,468
<b>Subtotal ICE</b>	<b>98,704</b>	<b>94,773</b>
* Elimination of Government services	(154)	-
<b>Total ICE Group</b> ¢	<b>98,550</b>	<b>94,773</b>

\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

**(1) El Diquís Hydroelectric Power Project (PHED)**

PHED is located in the Southern Region of Costa Rica, will have a power output of 650 MW and an annual power generation of 3,050 GW/h, and was declared a matter of national interest in Decree No. 34312-MP-MINAE of 2008.

As of December 31, 2013, PHED includes costs incurred prior to construction and disbursements made during the investment phase, which encompasses the design of the works, and technical, economic, and financial studies for a total of ¢71,023 (2012: ¢68,902) that were required to complete the Environmental Feasibility Studies and the final Environmental Impact Study. PHED's Environmental Impact Study is in its final stages and will be submitted to Secretaría Técnica Nacional Ambiental [National Technical Secretariat for the Environment] (SETENA), which is the entity charged with issuing the environmental feasibility permit or environmental permit required to begin construction of the project.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The area required for PHED covers a number of indigenous territories, the most significant of which are China Kichá (Cabécar) and Térraba (Térraba). The area of PHED's reservoir will require the use of 74 and 653 hectares of those indigenous lands, which will be flooded. Legal actions and consultative processes have been initiated with the aforementioned communities, seeking an agreement for execution of the project.

In the opinion of ICE's Legal Department, the consultative process with indigenous peoples is required for the issue of the Environmental Permit required by ICE to begin construction of PHED.

PHED is the defendant in Lawsuit No. 11-001691-1027-CA filed by Asociación de Desarrollo Integral del Territorio Indígena de Térraba [Association for the Comprehensive Development of the Térraba Indigenous Reservation] (ADIT) with the Sixth Section of the Administrative Litigation Court requesting the nullity of Decree No. 34312-MP-MINAE of 2008, which declares PHED works and studies and its transmission works to be a matter of public and national interest, as well as eviction from the indigenous territories allegedly occupied by ICE. As a result of alleged cultural damages and occupation of indigenous territories by ICE, the plaintiff is seeking compensatory damages for a reasonable estimate of US\$200 (in millions) or its equivalent in colones. In the opinion of ICE's legal counsel, the defense for these cases is based on reasonable arguments; however, legal counsel is unable to predict a favorable outcome since the proceedings are in the early stages.

A decision issued in 2011 ordered that the proceedings be suspended since an appeal claiming violation of constitutional rights was filed. Such appeal discusses the subject matter of the process leading to a declaratory judgment as follows:

- Appeal No. 08-009215-0007-CO filed by ADIT against a number of articles of the aforementioned Decree No. 34312-MP-MINAE. As of the date of this report, judicial decisions have been handed down in this regard that require performing a consultative process with the communities affected by the construction of the project. In the opinion of ICE's advisors, the entity's role as the project's developer is different from the role of the Government of the Republic, who is the sole responsible for performing such consultative process, in accordance with International Standards that have been declared Law of the Republic. As previously informed, the outcome of this consultative process is binding for the issue of the Environmental Permit.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

As of the date of this report, there is no defined work schedule for performing the consultative process with indigenous peoples. Preparing and implementing the schedule is the responsibility of the Government of the Republic of Costa Rica, based on the agreements reached between the parties (the Government of the Republic acting as the sole responsible and the indigenous peoples that reside within the project's area of influence). ICE's responsibility as the project's developer consists of furnishing the required information on the project, its works, and their impact and environmental measures, which has been prepared by qualified professionals as input for the discussions between the Government of the Republic and the indigenous peoples for the consultative process. However, ICE's active involvement in such process requires prior authorization from the Government of the Republic of Costa Rica.

**(2) Borinquén Geothermal Power Project**

The project is located in the Guanacaste Mountain Range, on the Pacific slope of the Rincón de la Vieja Volcano, and will have an estimated power output of 55 MW.

Costs incurred as of December 31, 2013 correspond to work related to site preparation for deep-well drilling. Construction is expected to begin in late 2015.

**(3) Las Pailas II Project:**

As of December 31, 2013, accrued costs for this project were transferred to "Construction work in progress" because the project is in the development phase.

The authorization to start the project's construction work was issued in February 2013, as indicated in the "Preparatory Study on the Geothermal Power Development Project in Guanacaste, Costa Rica", prepared by West Japan Engineering Consultants, Inc.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 17. Non-operating assets**

Assets related to activities other than the normal operations of ICE Group and the corresponding accumulated revaluation and accumulated depreciation are as follows:

<b>Non-operating assets</b>	<b>As of December 31,</b>						
	<b>2011</b> <i>(Restated)*</i>	<b>Additions at cost</b>	<b>Retirements and transfers</b>	<b>2012</b> <i>(Restated)*</i>	<b>Additions at cost</b>	<b>Retirements and transfers</b>	<b>2013</b>
<b>Historical cost:</b>							
Land	¢ 22,665	798	(368)	23,095	930	16	24,041
Buildings	4,573	-	167	4,740	-	155	4,895
Land and rights of way (1)	-	166	(166)	-	968	(968)	-
Artwork and collector's items	82	-	(59)	23	-	-	23
Substations	3,036	-	(1,073)	1,963	-	-	1,963
Hydroelectric power plants	674	-	-	674	-	-	674
General equipment	899	-	-	899	-	-	899
Surco Tico, S.A. - Forestry project	755	86	-	841	86	-	927
Other assets	146	-	-	146	-	(1)	145
<b>Total cost ICE Group</b>	<b>¢ 32,830</b>	<b>1,050</b>	<b>(1,499)</b>	<b>32,381</b>	<b>1,984</b>	<b>(798)</b>	<b>33,567</b>
<b>Accumulated depreciation - cost:</b>							
Land and land improvements	¢ 26	9	-	35	9	-	44
Buildings	113	218	146	477	232	89	798
Artwork and collector's items	22	-	(22)	-	-	-	-
Substations	120	63	-	183	63	-	246
Hydroelectric power plants	100	17	-	117	17	-	134
General equipment	2	-	-	2	-	-	2
Other assets	13	1	-	14	-	-	14
<b>Total accumulated depreciation - cost ICE Group</b>	<b>¢ 396</b>	<b>308</b>	<b>124</b>	<b>828</b>	<b>321</b>	<b>89</b>	<b>1,238</b>
<b>Revaluation:</b>							
Land	¢ 5,357	1,045	(38)	6,364	818	313	7,495
Buildings	880	214	177	1,271	215	1,420	2,906
Land and rights of way (1)	-	-	-	-	206	(206)	-
Substations	86	48	-	134	40	-	174
Hydroelectric power plants	7,178	196	-	7,374	162	-	7,536
General equipment	1	-	-	1	-	-	1
Other assets	144	13	-	157	11	-	168
<b>Total revaluation ICE Group</b>	<b>¢ 13,646</b>	<b>1,516</b>	<b>139</b>	<b>15,301</b>	<b>1,452</b>	<b>1,527</b>	<b>18,280</b>
<b>Accumulated depreciation - revaluation:</b>							
Land and land improvements	¢ 195	18	-	213	17	-	230
Buildings	636	35	127	798	57	1,353	2,208
Substations	3	6	-	9	5	4	18
Hydroelectric power plants	4,982	203	-	5,185	159	-	5,344
General equipment	1	-	-	1	-	-	1
Other assets	42	5	-	47	5	-	52
<b>Total accumulated depreciation - revaluation ICE Group</b>	<b>5,859</b>	<b>267</b>	<b>127</b>	<b>6,253</b>	<b>243</b>	<b>1,357</b>	<b>7,853</b>
<b>Total non-operating assets ICE Group</b>	<b>¢ 40,221</b>	<b>1,991</b>	<b>(1,611)</b>	<b>40,601</b>	<b>2,872</b>	<b>(717)</b>	<b>42,756</b>

\* See note 26

“Accumulated depreciation - cost” and “Accumulated depreciation - revaluation” correspond to the depreciation of land improvements recognized by CNFL.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The methodology and rates used in the revaluation of operating assets are applied for the revaluation of non-operating assets (see note 4).

**(1) Land and rights of way:**

As a result of a change to the accounting policy performed in 2013, the cost of land and rights of way was transferred from “Non-operating assets” to “Intangible assets” with retrospective effect, in order to align ICE Group’s financial and accounting policies with international best practices (see note 2(e)(ii)).

**Note 18. Intangible assets**

Intangible assets are as follows:

	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b> <i>(Restated)*</i>
<b>Intangible assets:</b>		
Licenses, systems and applications    ¢	84,089	72,103
Rights of way and easements	23,777	23,951
Goodwill (note A)	5,372	-
<b>Total cost ICE Group</b>	<b>113,238</b>	<b>96,054</b>
<b>Accumulated amortization:</b>		
Licenses, systems and applications	53,203	40,052
<b>Total amortization ICE Group</b>	<b>53,203</b>	<b>40,052</b>
<b>Net total ICE Group</b> ¢	<b>60,035</b>	<b>56,002</b>

\* See note 26

**Amortization method**

For calculating the amortization of licenses, software, and applications, ICE applies the straight-line method from the date the assets were first used, over a useful life of three years. ICE’s rights of way and easements have no defined term over which they generate future benefits to ICE; accordingly, they are not amortized (see notes 2(e)(ii) and 26).

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Such change to the accounting policy gave rise to an increase of ¢23,777 (2012: ¢23,951).

Movement in intangible assets is as follows:

	As of December 31,							
	<u>Licenses, systems and applications</u>		<u>Rights of way and easements</u>		<u>Goodwill</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012	2013	2012 (Restated)*
<b>Cost:</b>								
Opening balance	¢ 72,103	61,717	23,951	-	-	-	96,054	61,717
Additions	19,529	22,308	-	-	5,372	-	24,901	22,308
Transfers	(3,491)	(533)	-	23,951	-	-	(3,491)	23,418
Retirements	(3,981)	(11,389)	-	-	-	-	(3,981)	(11,389)
Adjustments	(71)	-	(174)	-	-	-	(245)	-
<b>Total cost ICE Group</b>	<b>¢ 84,089</b>	<b>72,103</b>	<b>23,777</b>	<b>23,951</b>	<b>5,372</b>	<b>-</b>	<b>113,238</b>	<b>96,054</b>
<b>Accumulated amortization:</b>								
Opening balance	¢ 40,052	27,962	-	-	-	-	40,052	27,962
Additions	-	133	-	-	-	-	-	133
Amortization - expense	11,454	9,589	-	-	-	-	11,454	9,589
Amortization - investment	1,926	5,829	-	-	-	-	1,926	5,829
Reclassifications	9	(57)	-	-	-	-	9	(57)
Transfers	(5)	(822)	-	-	-	-	(5)	(822)
Retirements	(233)	(2,582)	-	-	-	-	(233)	(2,582)
<b>Total amortization ICE Group</b>	<b>53,203</b>	<b>40,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,203</b>	<b>40,052</b>
<b>Net total ICE Group</b>	<b>¢ 30,886</b>	<b>32,051</b>	<b>23,777</b>	<b>23,951</b>	<b>5,372</b>	<b>-</b>	<b>60,035</b>	<b>56,002</b>

\* See note 26

**Note A:** Corresponds to the excess of the acquisition cost over the carrying amount (net equity) of the subsidiaries acquired in 2013: CVCRSA and EVCSA (see note 2(a)(ii)).

The unaudited financial information of EVCSA is summarized as follows:

	<u>December 31,</u> <u>2013</u>
Total assets	¢ <u>27,101</u>
Total liabilities	¢ <u>13,982</u>
Profit, net	¢ <u>47</u>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 19. Guarantee and Savings Fund (restricted fund)**

ICE's Employee Guarantee and Savings Fund was created under Law No. 3625 of December 16, 1965. Pursuant to that law, ICE must allocate reserves and funds to the payment of severance benefits and to the employee fund and must continue matching all member employee contributions.

The main activity of the Employee Guarantee and Savings Fund is granting mortgage and personal loans to employees for housing and generating returns, which are partially capitalized to the savings of member employees and partially allocated to the annual distribution of dividends.

The balance of the employer contribution transferred by ICE to the Employee Guarantee and Savings Fund is allocated as follows:

As of December 31,					
2013			2012		
	Amount	%	Amount	%	
<b><u>ICE:</u></b>					
Electricity	¢ 71,746	39%	65,990	39%	
Telecom	99,341	54%	91,371	54%	
Corporate	12,877	7%	11,844	7%	
<b>Subtotal ICE</b>	<b>¢ 183,964</b>	<b>100%</b>	<b>169,205</b>	<b>100%</b>	
<b><u>RACSA:</u></b>					
RACSA Guarantee and Savings Fund	2,400	100%	3,065	100%	
<b>Subtotal RACSA</b>	<b>2,400</b>	<b>100%</b>	<b>3,065</b>	<b>100%</b>	
<b>Total ICE Group</b>	<b>¢ 186,364</b>	<b>100%</b>	<b>172,270</b>	<b>100%</b>	

Of that amount, ¢107,582 corresponds to the Supplemental Pension System and ¢76,382 to the Savings Fund (4.5% and 6%, respectively, of the monthly salaries of ICE's permanent employees).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(In millions of colones)

**Note 20. Amortizable items**

Amortizable items are as follows:

Cost	Frequency	Method	As of December 31, 2011	Write-offs	Increase	As of December 31, 2012	Write-offs	Increase	As of December 31, 2013
<b>Project</b>									
Miravalles III Geothermal Project	180 months	Straight line	176	-	-	176	-	-	176
Electrona Belén Hydroelectric Project	480 months	Straight line	573	-	-	573	-	-	573
<b>Transaction costs - investments:</b>									
Transaction costs - investments	30 days	Effective interest	2	(5)	3	-	(13)	13	-
Transaction costs - investments	60 days	Effective interest	-	(33)	50	17	(36)	19	-
Transaction costs - investments	90 days	Effective interest	-	-	23	23	(31)	16	8
Transaction costs - investments	120 days	Effective interest	-	(1)	11	10	(44)	37	3
Transaction costs - investments	More than 180 days	Effective interest	361	(205)	62	218	(218)	1,727	1,727
<b>Subtotal transaction costs - projects and investments</b>			<b>1,112</b>	<b>(244)</b>	<b>149</b>	<b>1,017</b>	<b>(342)</b>	<b>1,812</b>	<b>2,487</b>
<b>Commissions for financing agreements:</b>									
Series A bonds	120 months	Effective interest	296	-	-	296	-	-	296
Series B bonds	120 months	Effective interest	358	-	-	358	-	-	358
Citibank	120 months	Effective interest	378	-	-	378	-	-	378
CABEI No. 1856	180 months	Effective interest	143	-	-	143	(143)	-	-
Andean Development Corporation (CAF)	180 months	Effective interest	644	-	-	644	-	-	644
Conversion IDB No. 1931 A/OC-CR - tranche A	180 months	Effective interest	975	-	-	975	-	-	975
Conversion IDB No. 1931 A/OC-CR - tranche B	120 months	Effective interest	1,532	-	-	1,532	-	-	1,532
INS Security No. 1	60 months	Effective interest	90	-	-	90	(90)	-	-
INS Security No. 2	60 months	Effective interest	9	-	-	9	(9)	-	-
INS Security No. 3	36 months	Effective interest	305	(305)	-	-	-	-	-
Nordea Export & Project Finance No. 1	60 months	Effective interest	834	-	-	834	-	-	834
M&T Bank No. 1	84 months	Effective interest	56	-	-	56	-	-	56
Scotiabank - tranche A	36 months	Effective interest	157	-	-	157	(157)	-	-
Scotiabank - tranche B	60 months	Effective interest	157	-	-	157	-	-	157
BNP Paribas - loan A	60 months	Effective interest	33	-	-	33	-	-	33
BNP Paribas - loan B	60 months	Effective interest	115	-	-	115	-	-	115
HSBC Bank	60 months	Effective interest	57	-	-	57	-	-	57
Deutsche Bank Trust Company Americas	12 months	Effective interest	1	-	-	1	-	-	1
M&T Bank No. 2	60 months	Effective interest	88	-	-	88	-	-	88
Nordea Export & Project Finance No. 2	60 months	Effective interest	213	-	-	213	-	-	213
International Series B bonds 2043	120 months	Effective interest	-	-	-	-	(4)	165	161
Banistmo No. 2	60 months	Effective interest	-	-	-	-	-	8	8
Banistmo No. 3	84 months	Effective interest	-	-	-	-	-	8	8
International Series B bonds	120 months	Effective interest	602	-	343	945	-	-	945
<b>Subtotal commissions for financing agreements</b>			<b>7,043</b>	<b>(305)</b>	<b>343</b>	<b>7,081</b>	<b>(403)</b>	<b>181</b>	<b>6,859</b>
<b>Total - ICE Group</b>			<b>8,155</b>	<b>(549)</b>	<b>492</b>	<b>8,098</b>	<b>(745)</b>	<b>1,993</b>	<b>9,346</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Absorption of amortizable items	Frequency	Method	As of December 31, 2011	Amortizations	Write-offs	As of December 31, 2012	Amortizations	Write-offs	As of December 31, 2013
<b>Project</b>									
Miravalles III Geothermal Project	180 months	Straight line	¢ 137	12	-	149	12	-	161
Electrona Belén Hydroelectric Project	480 months	Straight line	286	15	-	301	14	-	315
<b>Transaction costs - investments:</b>									
Transaction costs - investments	30 days	Effective interest	3	1	(3)	1	8	(8)	1
Transaction costs - investments	60 days	Effective interest	-	23	(12)	11	10	(21)	-
Transaction costs - investments	90 days	Effective interest	-	14	(1)	13	12	(21)	4
Transaction costs - investments	120 days	Effective interest	-	4	(1)	3	20	(21)	2
Transaction costs - investments	More than 180 days	Effective interest	200	108	(169)	139	403	(154)	388
<b>Subtotal transaction costs - projects and investments</b>			<b>626</b>	<b>177</b>	<b>(186)</b>	<b>617</b>	<b>479</b>	<b>(225)</b>	<b>871</b>
<b>Commissions for financing agreements:</b>									
Series A bonds	120 months	Effective interest	221	80	-	301	46	-	347
Series B bonds	120 months	Effective interest	257	-	-	257	40	-	297
Citibank	120 months	Effective interest	193	49	-	228	46	-	274
CABEI No.1856	180 months	Effective interest	32	8	-	40	103	(143)	-
Andean Development Corporation (CAF)	180 months	Effective interest	138	40	-	178	40	-	218
Conversion IDB - tranche A	180 months	Effective interest	179	58	(19)	232	71	(5)	298
Conversion IDB - tranche B	120 months	Effective interest	379	118	-	497	130	(4)	623
INS Security No. 1	60 months	Effective interest	53	18	-	71	18	(89)	-
INS Security No. 2	60 months	Effective interest	6	2	-	8	1	(9)	-
INS Security No. 3	36 months	Effective interest	274	31	(305)	-	-	-	-
Nordea Export & Project Finance No. 1	60 months	Effective interest	404	169	-	573	173	-	746
M&T Bank No. 1	84 months	Effective interest	15	8	-	23	8	-	31
Scotiabank - tranche A	36 months	Effective interest	102	55	-	157	43	(200)	-
Scotiabank - tranche B	60 months	Effective interest	57	31	-	88	101	-	189
BNP Paribas - loan A	60 months	Effective interest	8	6	-	14	7	-	21
BNP Paribas - loan B	60 months	Effective interest	27	23	-	50	23	-	73
HSBC Bank	60 months	Effective interest	11	11	-	22	12	-	34
Nordea Export & Project Finance No. 2	12 months	Effective interest	45	41	-	86	43	-	129
M&T Bank No. 2	12 months	Effective interest	17	17	-	34	18	-	52
International Series B bonds 2043	120 months	Effective interest	-	-	-	-	-	-	-
International Series B bonds	120 months	Effective interest	3	59	-	62	74	-	136
<b>Subtotal commissions for financing agreements</b>			<b>2,421</b>	<b>824</b>	<b>(324)</b>	<b>2,921</b>	<b>997</b>	<b>(450)</b>	<b>3,468</b>
<b>Total - ICE Group</b>			<b>¢ 3,047</b>	<b>1,001</b>	<b>(510)</b>	<b>3,538</b>	<b>1,476</b>	<b>(675)</b>	<b>4,339</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 21. Securities payable (bonds)**

Securities payable (bonds) issued by ICE Group are as follows:

Securities payable	As of December 31,										
	2011	Amortization	Foreign exchange differences	Disbursements	2012	Amortization	Foreign exchange differences	Disbursements	2013	Long-term	Short-term
<b>ICE:</b>											
<b>Internal debt:</b>											
INS Security No. 1 (1)	€ 12,388	-	(217)	-	€ 12,171	12,171	-	-	€ -	-	-
INS Security No. 2 (1)	1,230	-	(22)	-	1,208	1,208	-	-	-	-	-
INS Security No. 3	30,500	30,500	-	-	-	-	-	-	-	-	-
Series A1 bonds	50,000	-	-	-	50,000	-	-	-	50,000	50,000	-
Series A2 bonds	6,328	-	-	-	6,328	-	-	-	6,328	6,328	-
Series B1 bonds - U.S. dollars	38,874	-	(683)	-	38,192	-	(508)	-	37,684	37,684	-
Series B2 bonds - U.S. dollars	25,917	-	(455)	-	25,462	-	(338)	-	25,124	25,124	-
Series A2 bonds - 2010	28,426	-	-	-	28,426	-	-	-	28,426	28,426	-
Series B3 bonds - U.S. dollars (Electricity)	38,875	-	(683)	-	38,192	-	(507)	-	37,685	37,685	-
Series A3 bonds - colones	20,000	-	-	-	20,000	-	-	-	20,000	20,000	-
Series E1 bonds - U.S. dollars (Electricity)	30,357	-	(533)	-	29,824	-	(396)	-	29,428	29,428	-
Series A4 bonds - Telecom	10,000	-	-	-	10,000	-	-	-	10,000	10,000	-
Series A5 bonds - Electricity	20,000	-	-	-	20,000	-	-	-	20,000	20,000	-
Series A2 bonds - Electricity	15,246	-	-	-	15,246	-	-	-	15,246	15,246	-
Series E1 bonds - U.S. dollars (Electricity)	8,518	-	(150)	-	8,369	-	(111)	-	8,258	8,258	-
Series A6 bonds - Electricity	18,756	-	-	-	18,756	-	-	-	18,756	18,756	-
Series E2 bonds - U.S. dollars (Electricity)	64,791	-	(1,138)	-	63,654	-	(845)	-	62,809	62,809	-
Series F1 bonds - U.S. dollars	-	-	(301)	17,155	16,853	-	(223)	-	16,630	16,630	-
Series F3 bonds - U.S. dollars (Electricity)	-	-	-	5,627	5,627	-	-	-	5,627	5,627	-
Series F4 bonds - U.S. dollars (Telecom)	-	-	(273)	15,550	15,277	-	(203)	-	15,074	15,074	-
Series F4 bonds - U.S. dollars (Electricity)	-	-	(1,320)	75,158	73,838	-	(980)	-	72,858	72,858	-
<b>Subtotal internal debt - ICE</b>	<b>€ 420,206</b>	<b>30,500</b>	<b>(5,773)</b>	<b>113,489</b>	<b>€ 497,423</b>	<b>13,379</b>	<b>(4,111)</b>	<b>-</b>	<b>€ 479,933</b>	<b>479,933</b>	<b>-</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Securities payable	As of December 31,											
	2011	Amortization	Foreign exchange differences	Disbursements	2012	Amortization	Foreign exchange differences	Disbursements	2013	Long-term	Short-term	
<b>ICE:</b>												
<b>External debt:</b>												
A bonds - Credit Suisse First Boston (2)	€ 20,733	-	(364)	-	€ 20,369	20,099	(270)	-	€ -	-	-	-
B bonds - Credit Suisse First Boston	31,100	-	(546)	-	30,554	-	-	-	30,554	406	30,148	-
International bond issue - 2012	129,583	-	(4,550)	129,583	254,615	-	(3,380)	-	251,235	251,235	-	-
International bond issue - 2013 (3)	-	-	-	-	-	-	(3,380)	254,615	251,235	251,235	-	-
<b>Other:</b>												
Premium Series A1 bonds	151	7	-	-	144	16	-	-	128	128	-	-
Premium Series A2 bonds	90	2	-	-	87	7	-	-	80	80	-	-
Premium Series B1 bonds	161	11	-	-	149	12	-	-	137	137	-	-
Premium Series B2 bonds	376	77	-	-	299	82	-	-	217	217	-	-
Premium Series A2 bonds - 2010	8	-	-	-	8	1	-	-	7	7	-	-
Premium Series B3 bonds - U.S. dollars (Electricity)	1,216	81	-	-	1,135	86	-	-	1,049	1,049	-	-
Premium Series A3 bonds (Electricity)	4	-	-	-	4	-	-	-	4	4	-	-
Premium Series E1 bonds (Electricity)	195	17	-	-	178	18	-	-	160	160	-	-
Premium Series E1 bonds - U.S. dollars (Electricity)	4	-	-	-	4	-	-	-	4	4	-	-
Premium Series A6 bonds - colones (Electricity)	1	-	-	-	1	-	-	-	1	1	-	-
Premium Series F3 bonds - U.S. dollars (Electricity)	-	-	-	3	3	-	-	-	3	3	-	-
Premium international bond issue - ICE - 2012	-	287	-	6,479	6,192	519	-	-	5,673	5,673	-	-
Premium Series F4 bonds - U.S. dollars (Telecom)	-	2	-	176	174	7	-	-	167	167	-	-
Premium Series F4 bonds - U.S. dollars (Electricity)	-	1	-	117	116	4	-	-	112	112	-	-
<b>Discounts:</b>												
Series A2 bonds - 2010	(612)	(17)	-	-	(595)	(43)	-	-	(552)	(552)	-	-
Series A3 bonds (Electricity)	(94)	(6)	-	-	(88)	(7)	-	-	(81)	(81)	-	-
Series A4 bonds (Telecom)	(25)	(3)	-	-	(20)	(3)	-	-	(17)	(17)	-	-
Series A2 bonds (Electricity)	(440)	(13)	-	-	(427)	(32)	-	-	(395)	(395)	-	-
Series E2 bonds - U.S. dollars (Electricity)	(207)	(10)	-	-	(198)	(11)	-	-	(187)	(187)	-	-
Series F1 bonds	-	(23)	-	(244)	(221)	(30)	-	-	(191)	(191)	-	-
Series F4 bonds - U.S. dollars	-	(2)	-	(188)	(186)	(6)	-	-	(180)	(180)	-	-
International bond issue - 2013	-	-	-	-	-	(22)	-	(4,178)	(4,156)	(4,156)	-	-
<b>Subtotal external debt - ICE</b>	<b>€ 182,244</b>	<b>411</b>	<b>(5,460)</b>	<b>135,926</b>	<b>€ 312,298</b>	<b>20,698</b>	<b>(7,030)</b>	<b>250,437</b>	<b>€ 535,007</b>	<b>504,859</b>	<b>30,148</b>	<b>-</b>
<b>Standardized commercial paper</b>												
Standardized commercial paper Series C1, C2 and D1	-	27,068	-	27,147	78	78	-	-	-	-	-	-
<b>Subtotal short-term securities payable - ICE</b>	<b>-</b>	<b>27,068</b>	<b>-</b>	<b>27,147</b>	<b>78</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total securities payable - ICE</b>	<b>€ 602,450</b>	<b>57,979</b>	<b>(11,233)</b>	<b>276,562</b>	<b>€ 809,798</b>	<b>34,155</b>	<b>(11,141)</b>	<b>250,437</b>	<b>€ 1,014,940</b>	<b>984,792</b>	<b>30,148</b>	<b>-</b>
<b>CNFL:</b>												
<b>Internal debt:</b>												
Series B1 bonds	14,996	-	-	4	15,000	-	-	-	15,000	15,000	-	-
Series B2 bonds	14,600	-	-	-	14,600	-	-	-	14,600	14,600	-	-
Series B3 bonds	-	-	-	12,000	12,000	-	-	-	12,000	12,000	-	-
Series B4 bonds (4)	-	-	-	-	-	-	-	10,300	10,300	10,300	-	-
<b>Subtotal CNFL</b>	<b>29,596</b>	<b>-</b>	<b>-</b>	<b>12,004</b>	<b>41,600</b>	<b>-</b>	<b>-</b>	<b>10,300</b>	<b>51,900</b>	<b>51,900</b>	<b>-</b>	<b>-</b>
<b>Total ICE Group</b>	<b>€ 632,046</b>	<b>57,979</b>	<b>(11,233)</b>	<b>288,566</b>	<b>€ 851,398</b>	<b>34,155</b>	<b>(11,141)</b>	<b>260,737</b>	<b>€ 1,066,840</b>	<b>1,036,692</b>	<b>30,148</b>	<b>-</b>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The features of the aforementioned securities payable (bonds) are as follows:

Creditor	Instrument	Securities payable						As of December 31,		
		Currency	Interest rate	Type of rate	Load	Contract date	Maturity date	2013	2012	
<b>ICE:</b>										
<b>Bonds in colones:</b>										
Series A1 bonds	Standardized bonds	Colones	8.30%	Variable	-	30-Sep-09	30-Sep-21	¢	50,000	50,000
Series A2 bonds	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		6,328	6,328
Series A2 bonds - 2010	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		28,426	28,426
Series A2 bonds - 2011	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		15,246	15,246
Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20		20,000	20,000
Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	14-Dec-10	14-Dec-17		10,000	10,000
Series A5 bonds	Standardized bonds	Colones	8.75%	Variable	-	16-Dec-10	16-Dec-25		20,000	20,000
Series A6 bonds	Standardized bonds	Colones	8.70%	Variable	-	11-Aug-11	11-Aug-23		18,756	18,756
Series F3 bonds	Standardized bonds	Colones	9.60%	Variable	-	3-Apr-12	3-Apr-23		5,627	5,627
Premium Series A1 bonds	Standardized bonds	Colones	8.30%	Variable	-	30-Sep-09	30-Sep-21		128	144
Premium Series A2 bonds	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		80	87
Premium Series A2 bonds	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		7	8
Premium Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20		3	4
Premium Series A6 bonds	Standardized bonds	Colones	8.70%	Variable	-	11-Aug-11	11-Aug-23		1	1
Premium Series F3 bonds	Standardized bonds	Colones	9.60%	Variable	-	3-Apr-12	3-Apr-23		3	3
Discount Series A2 bonds	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		(552)	(595)
Discount Series A2 bonds - 2011	Standardized bonds	Colones	8.35%	Variable	-	6-Nov-09	6-Nov-24		(395)	(427)
Discount Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	14-Dec-10	14-Dec-17		(17)	(20)
Discount Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20		(81)	(88)
<b>Bonds in U.S. dollars:</b>										
International bonds - 2012	Standardized bonds	U.S. dollars	6.95%	Fixed	-	10-Nov-11	10-Nov-21		251,235	254,615
International bonds - 2013	Standardized bonds	U.S. dollars	6.38%	Fixed	-	15-May-13	14-May-43		251,235	-
Credit Suisse First Boston	Series B bonds	U.S. dollars	6.45%	Fixed	-	3-Feb-04	3-Feb-14		30,554	30,554
Credit Suisse First Boston	Series A bonds	U.S. dollars	7.10%	Fixed	-	1-Dec-03	10-Dec-13		-	20,369
Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	17-Nov-09	17-Nov-21		37,685	38,192
Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	20-May-10	20-May-16		25,124	25,462
Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	24-Jun-10	24-Jun-22		37,685	38,192
Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	12-Nov-10	12-Nov-20		29,428	29,824
Series E1 bonds - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	12-Nov-10	12-Nov-20		8,258	8,369
Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12-Dec-11	12-Dec-24		62,809	63,654
Series F1 bonds	Standardized bonds	U.S. dollars	5.97%	Fixed	-	13-Feb-12	13-Feb-19		16,630	16,853
Series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27		87,932	89,115
Premium Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	17-Nov-09	17-Nov-21		137	149
Premium Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	20-May-10	20-May-16		217	299
Premium Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	24-Jun-10	24-Jun-22		1,049	1,136
Premium Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	12-Nov-10	12-Nov-20		160	178
Premium Series E1 bonds - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	12-Nov-10	12-Nov-20		3	3
Premium international bond issue - 2012	Standardized bonds	U.S. dollars	6.95%	Fixed	-	10-Nov-11	10-Nov-21		5,673	6,192
Premium series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27		279	291
Discount international bond issue - 2013	Standardized bonds	U.S. dollars	6.38%	Fixed	-	15-May-13	14-May-43		(4,155)	-
Discount Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12-Dec-11	12-Dec-24		(187)	(198)
Discount Series F1 bonds	Standardized bonds	U.S. dollars	5.97%	Fixed	-	13-Feb-12	13-Feb-19		(191)	(221)
Discount Series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27		(180)	(186)
<b>Securities:</b>										
INS	Security No. 1	U.S. dollars	2.64%	Variable	0.75%	11-Nov-08	12-Nov-13		-	12,171
INS	Security No. 2	U.S. dollars	2.63%	Variable	0.75%	11-Nov-08	28-Nov-13		-	1,208
<b>Standardized commercial paper:</b>										
	Commercial paper	Colones	Zero Coupon	-	-	8-Mar-12	8-Dec-12		-	78
<b>Total ICE</b>									<b>1,014,940</b>	<b>809,798</b>
<b>CNFL:</b>										
<b>Bonds in U.S. dollars:</b>										
Series B3 bonds	Standardized bonds	Colones	TBP + 3.21%	Variable	-	25-Jan-12	25-Jan-27		12,000	12,000
Series B2 bonds	Standardized bonds	Colones	TBP + 3.27%	Variable	-	28-Jun-11	28-Jun-23		14,600	14,600
Series B1 bonds	Standardized bonds	Colones	11.45%	Fixed	-	30-Sep-10	30-Sep-17		15,000	15,000
Series B4 bonds	Standardized bonds	Colones	TBP + 3.43%	Variable	-	16-May-13	16-May-33		10,300	-
<b>Subtotal CNFL</b>									<b>51,900</b>	<b>41,600</b>
<b>Total ICE Group</b>								¢	<b>1,066,840</b>	<b>851,398</b>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**ICE's bond issues**

The main features of ICE's bond issues as of December 31, 2013 are as follows:

*Internal debt:*

In millions of colones										
Series	Issue date	Maturity date	Nominal annual interest rate		Authorized and issued	Placed by series	Available balance		Premium bond issue	Discount on bond issue
A1	30-Sep-09	30-Sep-21	8.30% variable	¢	50,000	50,000	-	¢	128	-
A2	6-Nov-09	6-Nov-24	8.35% variable		50,000	50,000	-		87	948
A3	3-Nov-10	3-Nov-20	11.41% fixed		20,000	20,000	-		3	80
A4	14-Dec-10	14-Dec-17	10.30% fixed		10,000	10,000	-		-	17
A5	16-Dec-10	16-Dec-25	8.75% variable		20,000	20,000	-		-	-
A6	11-Aug-11	11-Aug-23	8.70% variable		50,000	18,756	31,244		1	-
F3	3-Apr-12	3-Apr-23	9.60% variable		50,000	5,627	44,373		3	-
				¢	<b>250,000</b>	<b>174,383</b>	<b>75,617</b>	¢	<b>222</b>	<b>1,045</b>

In millions of U.S. dollars										
Series	Issue date	Maturity date	Nominal annual interest rate		Authorized and issued	Placed by series	Available balance		Premium bond issue	Discount on bond issue
B1	17/11/2009	17-Nov-21	7.65% fixed	US	75	75	-	US\$	137	-
B2	20-May-10	20-May-16	5.71% fixed		50	50	-		217	-
B3	24-Jun-10	24-Jun-22	7.18% fixed		75	75	-		1,049	-
E1	14-Feb-11	12-Nov-20	5.98% fixed		75	75	-		163	-
E2	12-Dec-11	12-Dec-24	7.61% fixed		125	125	-		-	187
F1	13-Feb-12	13-Feb-19	5.97% fixed		100	33	67		-	191
F4	7-Sep-12	7-Sep-27	7.61% fixed		175	175	-		279	180
				US\$	<b>675</b>	<b>608</b>	<b>67</b>	US\$	<b>1,845</b>	<b>557</b>

1) Securities – Instituto Nacional de Seguros [National Insurance Institute] (INS)

In November 2013, INS Security No. 1 and No. 2 were fully amortized. The issue was conducted in U.S. dollars for a total of US\$26.3 million (equivalent to ¢13,379), bearing interest at 6-month LIBOR rate + 2%. The purpose of the security is the purchase of certain thermal power projects.

2) Series A Bonds - Credit Suisse First Boston

In December 2013, Series A Bonds of Credit Suisse First Boston were fully amortized. The issue was conducted in U.S. dollars for a total of US\$40 million (equivalent to ¢20,369), bearing interest at the fixed rate of 7.10% per annum. The purpose of the issue is financing works.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)3) ICE's international bond issues

In May 2013, ICE placed the third auction for bonds in the international market for US\$500 million. The bonds were placed at a discount for a term of 30 years, bearing interest at the fixed rate of 6.375% per annum. The purpose of the issue is the prepayment of debt.

*CNFL*4) Issue of Series B4 bonds:

Series B4 standardized bonds were placed in May 2013 for ¢10,300. The term of the global bond issue is 20 years, bearing half-yearly interest at the base deposit rate + 3.43%. This bond issue is aimed at obtaining funds to build the Balsa Inferior Hydroelectric Power Project.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 22. Loans payable**

As of December 31, 2013, movement in loans payable is as follows:

	As of December 31,							2013 (in U.S. dollars)
	2012	Amortization	Foreign exchange differences	Disbursements	2013	Long-term	Short-term	
<b>ICE</b>								
<b>Internal debt:</b>								
Purchase of non-restructured debt - Tranche V	¢ 563	225	(5)	-	333	111	222	0.7
<b>Subtotal Tranche V</b>	<b>563</b>	<b>225</b>	<b>(5)</b>	<b>-</b>	<b>333</b>	<b>111</b>	<b>222</b>	<b>US\$ 0.7</b>
Banco Nacional de Costa Rica	33,226	1,284	-	-	31,942	29,309	2,633	63.6
Parallel cooperation	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>33,226</b>	<b>1,284</b>	<b>-</b>	<b>-</b>	<b>31,942</b>	<b>29,309</b>	<b>2,633</b>	<b>63.6</b>
<b>Scotiabank</b>								
Scotiabank - Tranche A	12,731	637	(160)	-	11,934	9,422	2,512	23.8
Scotiabank - Tranche B	7,275	3,613	(73)	-	3,589	-	3,589	7.1
<b>Subtotal Scotiabank</b>	<b>20,005</b>	<b>4,250</b>	<b>(233)</b>	<b>-</b>	<b>15,523</b>	<b>9,422</b>	<b>6,101</b>	<b>US\$ 30.9</b>
BCR Trust - Telecom building	24,588	1,572	-	-	23,016	21,229	1,787	45.8
Supplier credit (1)	28,128	7,245	(415)	10,034	30,502	22,424	8,078	60.7
<b>Subtotal internal debt</b>	<b>106,510</b>	<b>14,576</b>	<b>(653)</b>	<b>10,034</b>	<b>101,316</b>	<b>82,495</b>	<b>18,821</b>	<b>US\$ 201.7</b>
<b>External debt</b>								
<b>CABEI:</b>								
CABEI No. 1599	54,005	54,005	-	-	-	-	-	-
CABEI No. 1856	43,710	43,710	-	-	-	-	-	-
CABEI No. 1962	31,721	31,721	-	-	-	-	-	-
CABEI Restructuring	13,367	4,074	(123)	-	9,170	4,773	4,397	18.2
CABEI No. 1516 - Moín III Thermal Plant	4,451	4,451	-	-	-	-	-	-
CABEI No. 2109 - Tranche A	-	-	(27)	2,037	2,010	2,010	-	4.0
CABEI No. 2109 - Tranche B	-	-	-	7,954	7,954	7,954	-	15.8
CABEI No. 2076 (3)	26,145	-	(610)	19,779	45,314	45,314	-	90.2
<b>Subtotal CABEI</b>	<b>¢ 173,399</b>	<b>137,961</b>	<b>(760)</b>	<b>29,770</b>	<b>64,448</b>	<b>60,051</b>	<b>4,397</b>	<b>US\$ 128.3</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	As of December 31,							2013 (in U.S. dollars)
	2012	Amortization	Foreign exchange differences	Disbursements	2013	Long-term	Short-term	
<b>European Investment Bank (BEI)</b>	€ 2,485	2,485	-	-	-	-	-	-
<b>IDB:</b>								
IDB No. 598	1,665	555	(30)	-	1,080	528	552	2.1
IDB No. 1931 A/OC-CR Conversion - Tranche B	84,023	15,277	(913)	-	67,833	52,759	15,074	135.0
IDB No. 1931 A/OC-CR Conversion - Tranche A	76,194	7,257	(915)	-	68,022	60,862	7,160	135.4
IDB No. 1908/OC-CR (2)	66,993	-	(1,072)	24,000	89,921	88,067	1,854	179.0
IDB No. 2747 - CCLIP	-	-	(30)	7,570	7,540	7,540	-	15.0
<b>Subtotal IDB</b>	<b>228,874</b>	<b>23,089</b>	<b>(2,960)</b>	<b>31,570</b>	<b>234,396</b>	<b>209,756</b>	<b>24,640</b>	<b>US\$ 466.5</b>
<b>BNP Paribas:</b>								
BNP Paribas loan B	3,632	1,443	(39)	-	2,150	716	1,434	4.3
<b>Subtotal BNP Paribas</b>	<b>3,632</b>	<b>1,443</b>	<b>(39)</b>	<b>-</b>	<b>2,150</b>	<b>716</b>	<b>1,434</b>	<b>US\$ 4.3</b>
<b>Nordea:</b>								
Nordea Export & Project Finance	5,868	3,912	(26)	-	1,930	-	1,930	3.8
Nordea Export & Project Finance	2,867	950	(32)	-	1,885	941	944	3.8
<b>Subtotal Nordea</b>	<b>8,735</b>	<b>4,862</b>	<b>(58)</b>	<b>-</b>	<b>3,815</b>	<b>941</b>	<b>2,874</b>	<b>US\$ 7.6</b>
<b>M&amp;T Bank:</b>								
M&T Bank	2,526	631	(26)	-	1,869	1,246	623	3.7
M&T No. 2	1,654	548	(18)	-	1,088	544	544	2.2
<b>Subtotal M&amp;T Bank</b>	<b>4,179</b>	<b>1,179</b>	<b>(44)</b>	<b>-</b>	<b>2,957</b>	<b>1,790</b>	<b>1,167</b>	<b>US\$ 5.9</b>
<b>Other creditors:</b>								
Andean Development Corporation (CAF)	44,558	4,244	(535)	-	39,779	35,592	4,187	79.2
Citibank	12,061	3,994	(133)	-	7,934	3,967	3,967	15.8
Japan Bank for International Cooperation	78,665	5,827	(14,004)	-	58,834	53,241	5,593	117.1
Natexis Banque	24	24	-	-	-	-	-	-
Cisco Systems Capital Corporation	222	222	-	-	-	-	-	-
Cisco Systems	21,204	3,229	(284)	3,088	20,779	17,399	3,380	41.4
Multibank INC.	1,617	805	(14)	-	798	266	532	1.6
Banitsmo S.A. (formerly HSBC Bank Panamá, S.A.)	6,111	2,037	(54)	-	4,020	2,010	2,010	8.0
Banitsmo No. 2 (4)	-	-	-	26,631	26,631	21,305	5,326	53.0
Banitsmo No. 3 (5)	-	-	-	30,902	30,902	26,487	4,415	61.5
<b>Subtotal other creditors</b>	<b>164,461</b>	<b>20,382</b>	<b>(15,024)</b>	<b>60,621</b>	<b>189,677</b>	<b>160,267</b>	<b>29,410</b>	<b>US\$ 0.8</b>
<b>Subtotal external debt</b>	<b>585,766</b>	<b>191,401</b>	<b>(18,885)</b>	<b>121,961</b>	<b>497,443</b>	<b>433,521</b>	<b>63,922</b>	<b>US\$ 990.0</b>
<b>Total ICE - Long-term loans payable</b>	<b>€ 692,276</b>	<b>205,977</b>	<b>(19,538)</b>	<b>131,995</b>	<b>598,759</b>	<b>516,016</b>	<b>82,743</b>	<b>US\$ 1,191.6</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	As of December 31,							
	<u>2012</u>	Amortization	Foreign exchange differences	Disbursements	<u>2013</u>	Long-term	Short-term	<u>2013 (in U.S. dollars)</u>
<b>Short-term loans payable - ICE:</b>								
<b>Internal debt:</b>								
Scotiabank (6)	17,685	51,162	(210)	51,776	18,089	-	18,089	36.0
<b>Subtotal internal debt</b>	<b>€ 17,685</b>	<b>51,162</b>	<b>(210)</b>	<b>51,776</b>	<b>18,089</b>	<b>-</b>	<b>18,089</b>	<b>US\$ 36.0</b>
<b>External debt:</b>								
Citibank No.1 (7)	-	7,638	-	14,673	7,035	-	7,035	14.0
Bladex (8)	-	79,440	(413)	130,099	50,246	-	50,246	100.0
Global Bank Corporation	-	-	-	5,025	5,025	-	5,025	10.0
Mercantil Commercebank (9)	6,620	39,686	(68)	45,696	12,562	-	12,562	25.0
<b>Subtotal external debt</b>	<b>6,620</b>	<b>126,764</b>	<b>(481)</b>	<b>195,493</b>	<b>74,868</b>	<b>-</b>	<b>74,868</b>	<b>US\$ 149.0</b>
<b>Total short-term loans payable - ICE</b>	<b>24,306</b>	<b>177,926</b>	<b>(691)</b>	<b>247,269</b>	<b>92,958</b>	<b>-</b>	<b>92,958</b>	<b>185.0</b>
<b>Total internal debt - ICE</b>	<b>124,195</b>	<b>65,738</b>	<b>(863)</b>	<b>61,810</b>	<b>119,405</b>	<b>82,495</b>	<b>36,910</b>	<b>237.6</b>
<b>Total external debt - ICE</b>	<b>592,386</b>	<b>318,165</b>	<b>(19,366)</b>	<b>317,454</b>	<b>572,311</b>	<b>433,521</b>	<b>138,790</b>	<b>1,139.0</b>
<b>Total debt - ICE</b>	<b>€ 716,581</b>	<b>383,903</b>	<b>(20,229)</b>	<b>379,264</b>	<b>691,716</b>	<b>516,016</b>	<b>175,700</b>	<b>US\$ 1,376.6</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	As of December 31,							
	2012	Amortization	Foreign exchange differences	Disbursements	2013	Long-term	Short-term	2013 (in U.S. dollars)
<b>CNFL:</b>								
<b>External debt:</b>								
Instituto Crédito Oficial (Spain)	€ 13,034	640	(176)	-	12,218	11,575	643	24.3
Deutsche Bank, Sociedad Anónima Española	3,259	1,281	(48)	-	1,930	645	1,286	3.8
Kreditanstalt für Wiederaufbau loan 1	8,096	1,329	(110)	-	6,657	5,325	1,331	13.2
Kreditanstalt für Wiederaufbau loan 2	3,628	477	(49)	-	3,102	2,625	477	6.2
BICSA - Line of credit - Disbursement No. 1	1,528	-	(20)	-	1,508	1,306	203	3.0
BICSA - Line of credit - Disbursement No. 2	-	-	2	1,503	1,505	1,345	160	3
BCR Balsa Inferior (10)	31,550	-	-	8,878	40,428	40,428	-	80.5
BICSA Balsa Inferior	6,111	1,503	(83)	-	4,525	4,043	482	9.0
Banco Nacional de Desarrollo Económico y Social (BNDES) (11)	-	-	22	11,501	11,523	11,523	-	22.9
BNCR - BCR Balsa Inferior (12)	-	-	13	4,818	4,831	4,612	219	9.6
BNCR - BCR Eólico Valle Central (12)	-	-	41	22,222	22,263	21,886	377	44.3
BNCR - Reconstruction of Coronado Lines (13)	-	-	2	695	697	697	-	1.4
<b>Subtotal external debt - CNFL</b>	<b>€ 67,205</b>	<b>5,230</b>	<b>(406)</b>	<b>49,617</b>	<b>111,187</b>	<b>106,010</b>	<b>5,177</b>	<b>US\$ 219.9</b>
<b>RACSA:</b>								
<b>External debt:</b>								
Control Electrónico, S.A. (CESA)	5	5	-	-	-	-	-	0.0
BICSA	1,029	-	(13)	-	1,016	-	1,016	2.0
Secured financing agreement	-	-	170	-	170	-	170	0.3
Liability restructuring	148	-	7	-	155	155	-	0.3
ICE - Secured financing agreement (CONAVI - BNCR)	-	-	18	-	18	18	-	0.0
<b>Subtotal deuda externa - RACSA</b>	<b>€ 1,182</b>	<b>5</b>	<b>182</b>	<b>-</b>	<b>1,359</b>	<b>173</b>	<b>1,186</b>	<b>US\$ 2.7</b>
<b>CABLE VISION:</b>								
<b>Internal debt:</b>								
Scotia Leasing loan No. 10074	-	-	-	2	2	-	2	0.0
Scotia Leasing loan No. 10541	-	-	-	3	3	-	3	0.0
BAC Leasing loan No. 450016955	-	-	-	12	12	-	12	0.0
BAC Leasing loan No. 450016956	-	-	-	12	12	-	12	0.0
BAC Leasing loan No. 450016957	-	-	-	12	12	-	12	0.0
BAC Leasing loan No. 450016958	-	-	-	12	12	-	12	0.0
<b>Subtotal internal debt - CABLE VISION</b>	<b>€ -</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>53</b>	<b>-</b>	<b>53</b>	<b>US\$ 0.1</b>
<b>Total internal debt - ICE Group</b>	<b>124,195</b>	<b>65,738</b>	<b>(863)</b>	<b>61,863</b>	<b>119,458</b>	<b>82,495</b>	<b>36,963</b>	<b>247.2</b>
<b>Total external debt - ICE Group</b>	<b>660,772</b>	<b>323,399</b>	<b>(19,590)</b>	<b>367,071</b>	<b>572,311</b>	<b>433,521</b>	<b>138,790</b>	<b>1,315.0</b>
<b>Total debt - ICE Group</b>	<b>€ 784,967</b>	<b>389,137</b>	<b>(20,453)</b>	<b>428,934</b>	<b>804,315</b>	<b>622,199</b>	<b>182,116</b>	<b>US\$ 1,562.2</b>

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

As of December 31, 2012, movement in long-term loans payable is as follows:

	As of December 31,								2012 (in U.S. dollars)	
	<u>2011</u>	Amortization	Foreign exchange differences	Disbursements	<u>2012</u>	Long-term	Short-term			
<b>ICE</b>										
<b>Internal debt:</b>										
<b>Tranche V</b>										
Purchase of non-restructured debt - Tranche V	¢	802	229	( 10)	-	563	338	225		1.1
<b>Subtotal Tranche V</b>		<b>802</b>	<b>229</b>	<b>(10)</b>	<b>-</b>	<b>563</b>	<b>338</b>	<b>225</b>	US\$	<b>1.1</b>
Banco Nacional de Costa Rica		34,275	1,050	-	-	33,226	30,650	2,575		65.2
Parallel cooperation		13	13	-	-	-	-	-		-
<b>Subtotal</b>		<b>34,288</b>	<b>1,063</b>	<b>-</b>	<b>-</b>	<b>33,226</b>	<b>30,650</b>	<b>2,575</b>	US\$	<b>65.2</b>
<b>Scotiabank</b>										
Scotiabank - Tranche A		12,958	-	( 228)	-	12,731	12 731	-		25.0
Scotiabank - Tranche B		11,107	3,670	( 163)	-	7,275	3 637	3 637		14.3
<b>Subtotal Scotiabank</b>		<b>24,065</b>	<b>3,670</b>	<b>(391)</b>	<b>-</b>	<b>20,006</b>	<b>16,368</b>	<b>3,637</b>	US\$	<b>39.3</b>
BCR Trust - Telecom building		25,787	1,199	-	-	24,588	23 179	1,409		48.3
Supplier credit (1)		5,345	6,278	(509)	29,571	28,128	22 134	5,994		55.2
<b>Subtotal internal debt</b>		<b>90,287</b>	<b>12,439</b>	<b>(911)</b>	<b>29,571</b>	<b>106,510</b>	<b>92,670</b>	<b>13,840</b>	US\$	<b>209.2</b>
<b>External debt</b>										
<b>CABEI:</b>										
CABEI No. 1599		64,964	9,995	(965)	-	54,005	44,186	9 819		106.1
CABEI No. 1856		49,174	4,683	(781)	-	43,710	39,109	4 601		85.8
CABEI No. 1962		33,692	1,379	(592)	-	31,721	28,963	2 758		62.3
CABEI Restructuring		17,364	3,758	(239)	-	13,367	9,293	4 074		26.2
CABEI No. 1516 - Moín III Thermal Plant		6,797	2,266	(80)	-	4,451	2,225	2 226		8.7
CABEI No. 2076 (4)		-	-	(268)	26 412	26,145	26,145	-		51.3
<b>Subtotal CABEI</b>	¢	<b>171,990</b>	<b>22,081</b>	<b>(2,925)</b>	<b>26,412</b>	<b>173,398</b>	<b>149,920</b>	<b>23,478</b>	US\$	<b>340.5</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

		Loans payable								2012 (in U.S. dollars)
		2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term		
<b>European Investment Bank (BEI)</b>	€	<b>4,910</b>	<b>2,381</b>	<b>(44)</b>	-	<b>2,485</b>	-	2,485	US\$	<b>4.9</b>
<b>IDB:</b>										
IDB No. 598		2,277	569	(43)	-	1,665	1,105	559		3.3
IDB No. 1931 A/OC-CR Conversion - Tranche B		101,074	15,550	(1,502)	-	84,023	68,746	15,277		165.0
IDB No. 1931 A/OC-CR Conversion - Tranche A		84,941	7,386	(1,362)	-	76,194	68,937	7,257		149.6
IDB No. 1908/OC-CR (2)		34,211	(240)	(1,197)	33,739	66,993	66,993	-		131.6
<b>Subtotal IDB</b>		<b>222,503</b>	<b>23,265</b>	<b>(4,104)</b>	<b>33,739</b>	<b>228,874</b>	<b>205,781</b>	<b>23,093</b>	US\$	<b>449.5</b>
<b>BNP Paribas:</b>										
BNP Paribas loan A (3)		1,921	274	( 29)	(1,617)	-	-	-		-
BNP Paribas loan B		5,176	1,466	( 78)	-	3,632	2,179	1,453		7.1
<b>Subtotal BNP Paribas</b>		<b>7,097</b>	<b>1,740</b>	<b>(107)</b>	<b>(1,617)</b>	<b>3,632</b>	<b>2,179</b>	<b>1,453</b>	US\$	<b>7.1</b>
<b>Nordea:</b>										
Nordea Export & Project Finance		9,955	3 982	( 105)	-	5,868	1,956	3,912		11.5
Nordea Export & Project Finance		3,892	965	( 60)	-	2,867	1,910	957		5.6
<b>Subtotal Nordea</b>		<b>13,847</b>	<b>4,947</b>	<b>(165)</b>	-	<b>8,735</b>	<b>3,867</b>	<b>4,869</b>	US\$	<b>17.2</b>
<b>M&amp;T Bank</b>										
M&T Bank		3,214	643	( 45)	-	2,526	1,894	631		5.0
M&T No. 2		2,245	557	( 35)	-	1,654	1,102	552		3.2
<b>Subtotal M&amp;T Bank</b>		<b>5,459</b>	<b>1,199</b>	<b>(80)</b>	-	<b>4,179</b>	<b>2,997</b>	<b>1,183</b>	US\$	<b>8.2</b>
<b>Other creditors:</b>										
Andean Development Corporation (CAF)		49,673	4,319	(796)	-	44,558	40,314	4,244		87.5
Citibank		16,368	4,056	(251)	-	12,061	8,040	4,020		23.7
Japan Bank for International Cooperation		96,234	6,637	(10,932)	-	78,665	72,145	6,520		154.5
Natexis Banque		200	177	-	-	24	1	23		0.0
HSBC Panama		8,293	2,073	(109)	-	6,111	4,074	2,037		12.0
Cisco Systems Capital Corporation		667	441	(4)	-	222	-	222		0.4
Cisco Systems		20,096	307	(380)	1 796	21,204	18,039	3,165		41.6
Multibank INC.		-	-	-	1 617	1,617	1,078	539		3.2
<b>Subtotal other creditors</b>		<b>191,531</b>	<b>18,010</b>	<b>(12,473)</b>	<b>3,413</b>	<b>164,461</b>	<b>143,692</b>	<b>20,770</b>	US\$	<b>323</b>
<b>Subtotal external debt</b>		<b>617,338</b>	<b>73,624</b>	<b>(19,896)</b>	<b>61,947</b>	<b>585,766</b>	<b>508,435</b>	<b>77,331</b>	US\$	<b>1,150.3</b>
<b>Total ICE - Long-term loans payable</b>	€	<b>707,626</b>	<b>86,062</b>	<b>(20,805)</b>	<b>91,518</b>	<b>692,276</b>	<b>601,105</b>	<b>91,171</b>	US\$	<b>1,359.5</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	Loans payable							2012 (in U.S. dollars)
	As of December 31,							
	2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term	
<b>Short-term loans payable - ICE:</b>								
<b>Internal debt:</b>								
Scotiabank (5)	15,959	54,846	3	56,570	17,685	-	17,685	34.7
<b>Subtotal internal debt</b>	<b>15,959</b>	<b>54,846</b>	<b>3</b>	<b>56,570</b>	<b>17,685</b>	<b>-</b>	<b>17,685</b>	<b>34.7</b>
<b>External debt:</b>								
BNP Paribas	-	5,183	-	5,183	-	-	-	-
Citibank No.1	10,367	20,733	-	10,367	-	-	-	-
HSBC	15,032	26,953	-	11,922	-	-	-	-
Bladex (6)	8,293	65,310	-	57,016	-	-	-	-
Global Bank Corporation	5,183	20,733	-	15,550	-	-	-	-
Mercantil Commercebank (7)	15,550	46,650	-	37,720	6,620	-	6,620	13.0
Banco Aliado de Panamá	-	18,142	-	18,142	-	-	-	-
Banco de San José (BAC)	3,300	6,600	-	3,300	-	-	-	-
<b>Subtotal external debt</b>	<b>57,725</b>	<b>210,304</b>	<b>-</b>	<b>159,200</b>	<b>6,620</b>	<b>-</b>	<b>6,620</b>	<b>13.0</b>
<b>Total short-term loans payable - ICE</b>	<b>73,684</b>	<b>265,150</b>	<b>3</b>	<b>215,769</b>	<b>24,306</b>	<b>-</b>	<b>24,305</b>	<b>47.7</b>
<b>Total internal debt - ICE</b>	<b>106,246</b>	<b>67,285</b>	<b>(909)</b>	<b>86,140</b>	<b>124,195</b>	<b>92,670</b>	<b>31,525</b>	<b>243.9</b>
<b>Total external debt - ICE</b>	<b>675,063</b>	<b>283,927</b>	<b>(19,896)</b>	<b>221,147</b>	<b>592,386</b>	<b>508,435</b>	<b>83,951</b>	<b>1,163.3</b>
<b>Total debt - ICE</b>	<b>781,309</b>	<b>351,212</b>	<b>(20,802)</b>	<b>307,287</b>	<b>716,581</b>	<b>601,105</b>	<b>115,476</b>	<b>1,407.2</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	Loans payable - Subsidiaries								
	As of December 31,								
	<u>2011</u>	Amortization	Foreign exchange differences	Disbursements	<u>2012</u>	Long-term	Short-term	2012 (in U.S. dollars)	
<b>CNFL:</b>									
<b>External debt:</b>									
Instituto Crédito Oficial (Spain)	¢	13,266	-	(233)	-	13,034	12,382	651	25.6
Deutsche Bank, Sociedad Anónima Española		4,643	1,290	(94)	-	3,259	1,956	1,303	6.4
Kreditanstal für Wiederaufbau loan 1		9,615	1,348	(171)	-	8,096	6,747	1,349	15.9
Kreditanstal für Wiederaufbau loan 2		4,186	483	(75)	-	3,628	3,144	484	7.1
BICSA - Line of credit		7,775	6,046	(201)	-	1,528	-	1,528	3.0
BCR Balsa Inferior		-	-	-	31,550	31,550	31,550	-	62.0
BICSA Balsa Inferior		-	-	65	6,046	6,111	6,111	-	12.0
<b>Subtotal external debt - CNFL</b>		<b>39,485</b>	<b>9,167</b>	<b>(709)</b>	<b>37,596</b>	<b>67,205</b>	<b>61,890</b>	<b>5,315</b> US\$	<b>132.0</b>
<b>Subtotal CNFL</b>		<b>39,485</b>	<b>9,167</b>	<b>(709)</b>	<b>37,596</b>	<b>67,205</b>	<b>61,890</b>	<b>5,315</b> US\$	<b>132.0</b>
<b>RACSA:</b>									
<b>External debt:</b>									
CABEI		5,030	4,893	(137)	-	-	-	-	-
Control Electrónico, S.A. (CESA)		5,475	5,314	(156)	-	5	-	5	-
BICSA		1,037	-	(8)	-	1,029	-	1,029	2.0
CSI Leasing		4,494	4,453	(41)	-	-	-	-	-
Prival Bank		2,073	2,057	(16)	-	-	-	-	-
ICE-RACSA loan conversion		-	-	148	-	148	148	-	0.3
<b>Subtotal external debt - RACSA</b>		<b>18,109</b>	<b>16,717</b>	<b>(210)</b>	<b>-</b>	<b>1,182</b>	<b>148</b>	<b>1,034</b> US\$	<b>2.3</b>
<b>Total internal debt - ICE Group</b>		<b>106,246</b>	<b>67,285</b>	<b>(907)</b>	<b>86,140</b>	<b>124,195</b>	<b>92,670</b>	<b>31,525</b>	<b>243.9</b>
<b>Total external debt - ICE Group</b>		<b>675,063</b>	<b>283,927</b>	<b>(19,896)</b>	<b>221,147</b>	<b>660,772</b>	<b>570,472</b>	<b>90,300</b> -	<b>1,297.6</b>
<b>Total debt - ICE Group</b>	¢	<b>838,903</b>	<b>377,096</b>	<b>(21,722)</b>	<b>344,883</b>	<b>784,967</b>	<b>663,142</b>	<b>121,825</b> US\$	<b>1,541.5</b>

(Continued)



INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In 2013, the general features of loans payable classified as internal and external debt are as follows:

General features of debt (in millions of U.S. dollars and colones, as indicated)																
	Contract date	Maturity date	Term (in years)	Grace period (in years)	Amortization (in years)	Payment period	Interest rate	Type of interest rate	Arrears interest	Load	Contract amount	Accumulated disbursed amount (December 2013)	Accumulated disbursed amount 2012	Currency	Guarantee	Financing
<b>Loans payable - ICE:</b>																
<b>ICE Electricity</b>																
<b>Internal debt:</b>																
Restructured debt - Tranche V	21-May-89	21-May-15	25	15	10	Half-yearly	6.75%	Fixed	6.75%	-	4	4	4	US\$	Government	Restructuring of debt with commercial banks
Parallel cooperation	01-Jul-09	01-Jun-12	3	-	3	Monthly	0.69%	Fixed	-	-	-	-	-	€	ICE	Recognition of investment in telecom equipment (DIURSA)
Series F3 bonds	03-Apr-12	03-Apr-23	11	-	-	Quarterly	9.60%	Var.	-	-	50,000	5,627	5,627	€	ICE	New power generation projects
Banco Nacional de Costa Rica	04-Apr-12	31-Aug-25	15	-	15	Quarterly	10.50%	Var.	2%	-	35,000	35,000	35,000	€	ICE	Investment in transmission projects
<b>Commercial banks:</b>																
Scotiabank - Tranche A	06-Apr-12	22-Dec-17	8	3	5	Quarterly	4.76%	Var.	-	-	25	25	25	US\$	ICE	Expansion of and improvements to transmission and distribution networks
Scotiabank - Tranche B	07-Apr-12	22-Dec-14	5	2	3	Half-yearly	6.00%	Var.	-	-	25	25	25	US\$	ICE	Expansion of and improvements to transmission and distribution networks
<b>External debt:</b>																
European Investment Bank (BEI)	10-Apr-12	25-Nov-13	20	5	14.5	Half-yearly	6.32%	Fixed	2%	-	50	-	50	US\$	Government	Execution of Electrical Development Project III
<b>Multilateral organizations:</b>																
<b>CABEI:</b>																
CABEI No. 1599	14-Apr-12	25-Apr-18	15	5.5	9.5	Half-yearly	6.40% - Bank policy	Var.	3%	0.75%	172	-	172	US\$	ICE	Construction of and equipment for Pirris Hydroelectric Power Plant
CABEI 2005 Prepayment	15-Apr-12	21-Oct-15	10	2	8	Quarterly	8.50%	Fixed	2%	-	55	55	55	US\$	ICE	Loan prepayment IDB No. 200, 535, and 572 (partial)
CABEI No. 1856	16-Apr-12	11-May-22	15	3	12	Half-yearly	7.68% - Bank policy	Var.	3%	-	110	-	108	US\$	ICE	Expansion of and maintenance to national electricity system 2007
CABEI No. 1516 - Moín III Thermal Plant	17-Apr-12	14-Oct-14	7	-	7	Half-yearly	7.68% - Bank policy	Var.	-	-	12	-	12	US\$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1516 - Moín III Thermal Plant	18-Apr-12	14-Oct-14	7	-	7	Half-yearly	6.35% - Bank policy	Var.	-	-	21	-	21	US\$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1962	19-Apr-12	19-Jun-24	15	3	12	Half-yearly	6.40% - Bank policy	Var.	-	0.75%	65	-	65	US\$	ICE	Electricity Work Program 2008 - 2009
CABEI No. 2076	20-Apr-12	27-Nov-28	16	4	12	Half-yearly	6.40%	Fixed	30%	0.25%	140	51	-	US\$	ICE	Expansion of Cachi Hydroelectric Power Plant to increase capacity from 100 MW to 160 MW
CABEI No. 2109	21-Apr-12	22-May-33	20	4	16	Half-yearly	6.40%	Var.	-	0.25%	225	4	-	US\$	ICE	Moín Power Plant
<b>IDB:</b>																
IDB No. 463/SF-CR	23-Apr-12	13-Apr-11	35	8	27	Half-yearly	2.00%	Fixed	2%	0.50%	-	-	-	US\$	Government	Rural electrification with cooperatives (various currencies)
IDB No. 598	24-Apr-12	09-Sep-15	35	8	27	Half-yearly	2.00%	Fixed	2%	0.50%	26	-	26	\$-JPY-EURO	Government	National Rural Electrification Project (various currencies)
Conversion IDB No. 1931 A/OC-CR - Tranche A	25-Apr-12	15-Feb-23	15	3	12	Half-yearly	4.84%	Var.	2%	0.50%	159	159	159	US\$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
Conversion IDB No. 1931 A/OC-CR - Tranche B	26-Apr-12	15-Feb-18	9.7	3	6.6	Half-yearly	4.21%	Var.	2%	0.50%	196	196	196	US\$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
IDB No. 1908/OC-CR CLIPP	27-Apr-12	25-May-34	25	5	20	Half-yearly	1.17%	Var.	-	-	250	158	80	US\$	Government	Electricity Development Program 2008-2011
IDB No. 2747	28-Apr-12	15-Oct-37	25	5	20	Half-yearly	1.17%	Var.	-	-	250	-	-	US\$	Government	Growth of electricity demand
<b>Bilateral organizations:</b>																
Andean Development Corporation (CAF)	01-May-12	09-Apr-23	15	3	12	Half-yearly	2.14%	Var.	2%	-	100	100	100	US\$	ICE	Studies for or construction of Toro III, Diquís, Pacuare, and Pirris Projects
Japan Bank for International Cooperation	02-May-12	20-Apr-26	25	7	18	Half-yearly	2.20%	Fixed	2%	-	206	164	164	JPY	Government	Pirris Hydroelectric Project
<b>Commercial banks:</b>																
Citibank	04-May-12	19-Dec-15	10	1	9	Half-yearly	8.25%	Var.	-	-	75	75	75	US\$	ICE	Loan prepayment 572
M&T Bank No. 1	06-May-12	30-Sep-16	7	-	7	Half-yearly	2.65%	Var.	-	-	9	9	9	US\$	ICE	Cost of equipment (steel sheeting, tunnel, and surge tank - Toro III Hydroelectric Power Plant)
M&T Bank No. 2	07-May-12	11-Dec-15	5	-	5	Half-yearly	2.29%	Var.	-	-	10	5	5	US\$	ICE	Projects executed by UEN PySA
BNP Paribas - loan A	08-May-12	20-Jun-15	5	-	5	Half-yearly	6M LIBOR + 4.50%	Var.	1%	-	-	-	-	US\$	ICE	Sundry projects
Multibank INC	09-May-12	20-Jun-15	3	-	3	Half-yearly	4.90%	Var.	1%	-	3	3	-	US\$	ICE	Sundry projects
BNP Paribas - loan B	10-May-12	20-Jun-15	5	-	5	Half-yearly	1.56%	Var.	1%	-	16	14	14	US\$	ICE	Sundry projects

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

General features of debt (in millions of U.S. dollars and colones, as indicated)																	
	Contract date	Maturity date	Term (in years)	Grace period (in years)	Amortization (in years)	Payment period	Interest rate	Type of interest rate	Arrears interest	Load	Contract amount	Accumulated disbursed amount (December 2013)	Accumulated disbursed amount 2012	Currency	Guarantee	Financing	
<b>ICE Telecom</b>																	
<b>Internal debt:</b>																	
Restructured debt - Tranche V	21-May-89	21-May-15	25	-	25	Half-yearly	6.75%	Fixed	7%	-	1	1	1	US\$	Government	Restructuring of debt with commercial banks	
Series B2 bonds	20-May-10	20-May-16	6	6	1	Quarterly	5.71%	Fixed	-	-	50	50	50	US\$	ICE	Telecom sector needs	
Series F1 bonds	13-Feb-12	13-Feb-19	7	7	-	Quarterly	5.97%	Fixed	-	-	100	33	33	US\$	ICE	Telecom sector needs	
Series A4 bonds	14-Dec-10	14-Dec-17	7	7	-	Quarterly	10.30%	Fixed	-	-	10	10	10	€	ICE	Operation support system	
BCR Trust - Telecom building	22-Apr-10	22-Jul-22	12	-	12	Monthly	10.30%	Var.	-	-	28	28	24	€	ICE	Securitization of property - ICE	
<b>External debt:</b>																	
<b>Multilateral organizations:</b>																	
Conversion IDB No. 1931 A.O.C.-CR - Tranche A	10-Jul-08	15-Feb-23	15	3	12	Half-yearly	4.38%	Var.	2%	-	12	12	12	US\$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse	
Conversion IDB No. 1931 A.O.C.-CR - Tranche B	10-Jul-08	15-Feb-18	10	3	7	Half-yearly	4.21%	Var.	2%	-	14	14	12	US\$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse	
<b>Bilateral organizations:</b>																	
Natevis Banque	09-Sep-82	30-Jun-13	31	16	15	Half-yearly	3.50%	Fixed	3%	-	4	-	4	Euros	Government	Restructuring of debt with Alcatel CIT	
<b>Commercial banks:</b>																	
Nordea Export & Project Finance No. 1	29-Jan-09	28-Feb-14	5	-	5	Half-yearly	2.51%	Fixed	-	-	37	37	37	US\$	ICE	Purchase of equipment and services from Ericsson	
Nordea Export & Project Finance No. 2	04-Nov-10	08-Dec-15	5	-	5	Half-yearly	2.51%	Fixed	-	-	10	9	9	US\$	ICE	Purchase of equipment and services from Ericsson	
Cisco Systems No. 1	15-Apr-10	06-Apr-13	3	-	3	Quarterly	3.25%	Fixed	18%	-	50	-	2	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No. 2 - No. 3	25-May-11	13-Sep-18	7	1	6	Quarterly	3.00%	Fixed	13%	-	56	9	3	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No. 4	25-May-11	13-Sep-18	7	1	6	Quarterly	3.39%	Fixed	13%	-	56	7	7	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No. 5 - No. 6	25-May-11	08-Oct-18	7	1	6	Quarterly	3.01%	Fixed	13%	-	56	15	11	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No. 7 - No. 8	25-May-11	29-Nov-18	7	1	6	Quarterly	3.04%	Fixed	13%	-	56	11	8	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No. 9	13-Sep-12	08-Aug-19	7	1	7	Quarterly	3.00%	Fixed	13%	-	1	1	-	US\$	ICE	Purchase of equipment and services from CISCO	
Cisco Systems No.10	18-Apr-13	12-Mar-20	7	1	6	Quarterly	3.00%	Fixed	0%	-	13	2	-	US\$	ICE	Interoperability training	
Cisco Systems No.11	05-Apr-13	24-Aug-20	7	1	6	Quarterly	3.00%	Fixed	13%	-	2	-	-	US\$	ICE	Expansion and modernization of IP network	
Cisco Systems No.12	14-Nov-13	08-Oct-20	7	1	6	Quarterly	3.00%	Fixed	13%	-	56	6	-	US\$	ICE	Expansion and modernization of IP network	
ECI Telecom (provider credit)	16-Mar-11	01-Jun-16	5	-	5	Quarterly	4.95%	Fixed	-	-	11	11	-	US\$	ICE	Expansion and modernization of DWDM network	
ECI Telecom 2 (provider credit)	08-Dec-11	11-Nov-16	5	-	5	Quarterly	4.95%	Fixed	-	-	4	4	4	US\$	ICE	Installation of network equipment and training	
ECI Telecom 3 (provider credit)	26-Feb-13	31-Jan-18	5	-	5	Quarterly	4.95%	Fixed	-	-	12	12	-	US\$	ICE	Expansion and modernization of DWDM network	
Huawei Technologies Co. LTD. (provider credit)	25-May-11	15-Jan-17	5.5	-	5.5	Half-yearly	5.45%	Fixed	-	-	60	53	41	US\$	ICE	Equipment and services for expansion of 3G advanced mobile system	
Huawei Technologies Co. LTD. - Phase I and II (provider credit)	10-Apr-12	30-Jan-18	5	-	5	Half-yearly	5.45%	Fixed	-	-	-	-	-	US\$	ICE	Equipment and services for expansion of 3G advanced mobile system	
M&T Bank No. 2	15-Dec-10	11-Dec-15	5	-	5	Half-yearly	6M LIBOR + 1.85%	Var.	-	-	10	1	9	US\$	ICE	Expansion of mobile telephony	
BANISTMO	01-Nov-10	08-Nov-15	5	0	5	Quarterly	5.22%	Var.	-	-	20	20	-	US\$	ICE	Anticipated execution of purchase option for equipment leased to Huawei under 3G platform	
BANISTMO 2	27-Nov-13	06-Dec-13	5	0	5	Quarterly	4.15%	Fixed	-	-	55	53	-	US\$	ICE	Anticipated execution of purchase option for equipment leased to Huawei under 3G platform.	
BANISTMO 3	12-Dec-13	12-Dec-20	7	0	7	Quarterly	4.95%	Fixed	-	-	62	62	-	US\$	ICE	Investment projects in the telecom sector for 2014.	
HSBC Panama	01-Nov-10	08-Nov-15	5	-	5	Quarterly	6M LIBOR + 4.95%	Var.	-	-	20	-	20	US\$	ICE	Internet services	
<b>Loans payable - Subsidiaries</b>																	
<b>CNPL</b>																	
<b>External debt</b>																	
Instituto Crédito Oficial (Spain)	15-Jul-02	25-Sep-32	30	10	20	Half-yearly	0.70%	Fixed	6M LIBOR + 1	0.15% management	26	26	26	US\$	Government	Underground network - San José	
Deutsche Bank, Sociedad Anónima Española	15-Jul-02	20-Apr-15	13	3	10	Half-yearly	5.86%	Fixed	8%	0.15% management	26	26	26	US\$	Government	Underground network - San José	
Kreditanstalt für Wiederaufbau (KfW) - loan 1	16-Dec-05	30-Sep-18	10	2 years and 9 months	12 years and 9 months	Half-yearly	3.80%	Var.	6M LIBOR + 2	1.25%	26.5	26	26	US\$	ICE	El Encanto Hydroelectric Project	
Kreditanstalt für Wiederaufbau (KfW) - loan 2	25-Sep-08	30-Mar-20	10	2	12	Half-yearly	3.80%	Var.	6M LIBOR + 3	1.25%	9.5	9.5	9.5	US\$	ICE	El Encanto Hydroelectric Project	
BICSA - Line of credit, disbursement No. 1	27-May-10	27-May-13	3	-	3	Half-yearly	5.00%	Fixed	5.00% + 30% = 6.50%	0.25% superv.	3	3	3	US\$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project	
BICSA - Line of credit, disbursement No. 2	08-Dec-11	08-Dec-14	3	-	3	Half-yearly	4.50%	Fixed	-	0.125% superv.	12	12	12	US\$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project	
Banco de Costa Rica	04-Jun-12	06-Jul-32	20	2	18	Monthly	BDR + 2% + BDR + 3%	Var.	Current rate + 2.00%	0.50% formalization & 10% appraisal	40	40	40	€	Promissory note	Balsa Inferior Hydroelectric Project	
Banco Nacional de Desarrollo Económico y Social (BNDES)	19-Mar-13	19-Mar-23	10	2	8	Half-yearly	3.84%	Fixed	-	1% administration	44	12	44	US\$	Promissory note	Balsa Inferior Hydroelectric Project	
BNCR-BCR syndicated loan	13-Sep-13	13-Mar-19	5	0.5	5	Monthly	LIBOR + 5.75%	Var.	-	1% formalization	7	9	27	US\$	Promissory note	Balsa Inferior Hydroelectric Project	
BNCR-BCR syndicated loan	13-Sep-13	13-Mar-19	5	0.5	5	Monthly	LIBOR + 5.75%	Var.	-	1% formalization	44	22	44	US\$	Promissory note	Valle Central Water Project	
Banco Nacional de Costa Rica	01-Oct-13	01-Oct-33	20	2	20	Quarterly	LIBOR + 5.25%	Var.	-	0.5% formalization	6	1	6	US\$	Promissory note	Coronado distribution network	
<b>RACSA</b>																	
<b>External debt</b>																	
BICSA	30-Mar-11	30-Sep-14	3	-	3	Half-yearly	4.00%	Var.	-	-	2	2	2	US\$	Draft	Working capital	
<b>CABLE VISIÓN</b>																	
<b>Internal debt:</b>																	
Loan No. 450016955	27-Aug-13	26-Aug-19	6	-	-	Monthly	8.50%	Fixed	-	-	12	-	-	US\$	Asset	Vehicle rental	
Loan No. 450016956	27-Aug-13	26-Aug-19	6	-	-	Monthly	8.50%	Fixed	-	-	12	-	-	US\$	Asset	Vehicle rental	
Loan No. 450016957	27-Aug-13	26-Aug-19	6	-	-	Monthly	8.50%	Fixed	-	-	12	-	-	US\$	Asset	Vehicle rental	
Loan No. 450016958	27-Aug-13	26-Aug-19	6	-	-	Monthly	8.50%	Fixed	-	-	12	-	-	US\$	Asset	Vehicle rental	
Loan No. 10074	08-Dec-09	08-Nov-14	5	-	-	Monthly	LIBOR	Var.	-	-	15	9	-	US\$	Asset	Vehicle rental	
Loan No. 10541	07-May-10	06-May-15	5	-	-	Monthly	6.25% above prime rate	Var.	-	-	11	8	-	US\$	Asset	Vehicle rental	

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In 2013, the general features of short-term loans payable classified as external or internal debt are as follows:

General features	Original currency	Interest rate	Type of interest rate	Contract date	Maturity date	Term (in days)	As of December 31, 2012	Amount disbursed (2013)	As of December 31, 2013	Financing
<b>ICE Electricity</b>										
<b>External debt</b>										
Citibank	U.S. dollars	1M LIBOR + 2,10% = 2,2674%	Variable	30-Dec-13	13-Feb-14	45 days	-	7,035	7,035	Bridge for the Reventazón Hydroelectric Project
Bladex	U.S. dollars	1,1185% fixed	Variable	27-Dec-13	10-Feb-14	45 days	-	11,557	11,557	Bridge for the Reventazón Hydroelectric Project
Bladex	U.S. dollars	1,1675% fixed	Variable	30-Dec-13	13-Feb-14	45 days	-	38,690	38,690	Bridge for the Reventazón Hydroelectric Project
Global Bank	U.S. dollars	1,75% fixed	Fixed	30-Dec-13	13-Feb-14	45 days	-	5,025	5,025	Bridge for the Reventazón Hydroelectric Project
Mercantil Commercebank	U.S. dollars	1,14% fixed	Fixed	27-Dec-13	10-Feb-14	45 days	-	2,512	2,512	Bridge for the Reventazón Hydroelectric Project
Mercantil Commercebank	U.S. dollars	1,14% fixed	Fixed	30-Dec-13	13-Feb-14	46 days	-	10,049	10,049	Bridge for the Reventazón Hydroelectric Project
<b>Internal debt</b>										
Scotiabank	U.S. dollars	1M LIBOR + 1,13% = 1,2950%	Variable	30-Dec-13	13-Feb-14	45 days	-	2,513	2,513	Bridge for the Reventazón Hydroelectric Project
Scotiabank	U.S. dollars	1M LIBOR + 1,13% = 1,2973%	Variable	27-Dec-13	10-Feb-14	45 days	-	15,577	15,577	Bridge for the Reventazón Hydroelectric Project
<b>Total ICE</b>							-	<b>92,958</b>	<b>92,958</b>	

As of December 31, 2013, significant disbursements are as follows:

*Loan operations*

- (1) **Supplier credit:** Corresponds to a type of financing called “Supplier credit” whereby the contractor or supplier of goods and/or services grants financing, offered as such in its proposal for the tender in which it is participating.

The Telecom segment entered into two loans, as follows:

- i. **ECI Telecom No. 3:** In February 2013, a disbursement was made for US\$12.4 million, equivalent to ¢6,356, for the acquisition of equipment. This financing is for a 5-year term and bears interest at 4.95% per annum.
  - ii. **HUAWEI:** In March 2013, a disbursement was made in the amount of US\$7.2 million, equivalent to ¢3,678, for the SMA-3G network installation. This financing is for a 5-year term and bears interest at 5.45% per annum.
- (2) **Inter-American Development Bank (IDB No. 1908):** In November 2008, the Legislature approved the “Cooperation Agreement to Finance Investment Projects” between the Republic of Costa Rica, the Inter-American Development Bank (IDB), and ICE, granting ICE financing of up to US\$500 (in millions). Pursuant to this agreement, the IDB opened a line of credit in 2009 for the aforementioned amount with the purpose of strengthening the National Electricity System.

On May 25, 2009, ICE and the IDB subscribed loan No. 1908/OC-CR, which corresponds to the first tranche of the ICE-IDB Conditional Credit Line for Investment Projects (CCLIP Agreement) for US\$250 (in millions).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In May, June, September, November, and December 2013, disbursements were made associated to loan IDB No. 1908/OC-CR in the amounts of ¢372, ¢8,148, ¢4,843, ¢445, and ¢10,192, respectively, bearing interest at variable rates over a term of 20 years for a total disbursed amount as of December 2013 of ¢24,000.

- (3) **CABEI No. 2076:** In March, April, May, June, August, October, and November 2013, disbursements were made associated to loan CABEI No. 2076 in the amounts of ¢2,546, ¢5,584, ¢1,939, ¢1,863, ¢3,336, ¢2,546, and ¢1,965, respectively, for a total disbursed amount as of December 2013 of ¢19,779. The loan bears interest at 6.4% and matures in November 2028.
- (4) **Banistmo No. 2:** In December 2013, a disbursement was made in the amount of ¢26,631. This financing is for a 5-year term and bears interest at 4.15% per annum.
- (5) **Banistmo No. 3:** In December 2013, a disbursement was made in the amount of ¢30,902. This financing is for a 7-year term and bears interest at 4.95% per annum.

*Lines of credit:*

The main movements in lines of credit as of December 31, 2013 are as follows:

- (6) **Scotiabank:** In December 2013, lines of credit were formalized in the amounts of ¢2,512 and ¢15,577, bearing interest at 1.2985% and 1.2973%, and for terms of 17 and 45 days, respectively.
- (7) **Citibank:** In December 2013, one line of credit was formalized in the amount of ¢7,035, bearing interest at the 1-month LIBOR rate + 2.10%, and for a 17-day term.
- (8) **Bladex:** Lines of credit were formalized in the amounts of ¢6,532, ¢5,024, ¢19,094, ¢3,517, and ¢16,079 for a total disbursed amount as of December 2013 of ¢130,099, bearing interest at the 1-month LIBOR rate (0.1685%) + 0.95% p.a. = 1.1185%, 1-month Libor rate (0.1670%) + 1.00% p.a. = 1.1670%, and 1-month LIBOR rate (0.1675%) + 1.00% p.a. = 1.1675% , and for terms of 49, 44, 35, 17, and 24 days, respectively.
- (9) **Mercantil Commercebank:** In October and December 2013, lines of credit were formalized in the amounts of ¢2,513 and ¢10,049, bearing interest at 1.10% and 1.1250%, respectively, and for terms of 49 and 21 days, respectively.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

## CNFL

- (10) **BCR - Balsa Inferior:** Disbursements were made as of December 2013 in the amount of ¢8,878 corresponding to the Direct Loan Agreement with BCR to finance construction works of the Balsa Inferior Hydroelectric Power Project.

The loan is for a term of 20 years with a 24-month grace period. The loan bears interest at the 6-month base deposit rate + 3%, with a floor of 9.75%. An amount equivalent to 0.50% of the loan is paid for supervision of works upon each disbursement.

- (11) **National Bank for Economic and Social Development of Brazil (BNDES):** CNFL formalized a loan in March 2013 with BNDES in the amount of US\$44 million to finance the construction of the Balsa Inferior Hydroelectric Power Project. The loan is for a term of 12 years with a 24-month grace period and bears interest at the fixed rate of 4.07%.

Disbursements made in 2013 amount to approximately ¢11,501.

- (12) **Banco Nacional de Costa Rica (BNCR) - Valle Central Wind Power Plant:** CNFL formalized a loan in September 2013 with BNCR in the amount of US\$35 million to complete the construction of the Balsa Inferior Hydroelectric Power Project, purchase CABEI's ownership interest in the Valle Central Wind Power Plant, and the early repayment of the debt with CABEI. The loan is for a term of 30 years with a 6-month grace period. The loan bears interest at the LIBOR rate + 5.75%, adjustable monthly, with a floor of 6.40%.

Disbursements made in 2013 amount to approximately ¢27,040.

- (13) **Banco Nacional de Costa Rica (BNCR) – Commercial Loan Agreement:** CNFL formalized a loan in September 2013 with BNCR in the amount of US\$6 million to finance the refitting of the distribution network related to the future Coronado substation. The loan is for a term of 20 years with a 24-month grace period. The loan bears interest at the LIBOR rate + 5.25%, adjustable monthly, with a floor of 6.00% per annum.

Disbursements made in 2013 amount to approximately ¢695.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Financial covenants:

Generally, loan agreements establish a number of commitments in respect of environmental, legal, financial, operational, and business matters, among other, with which the debtor must comply. Those commitments are typically known as “covenants”. In the case of ICE, several of the agreements subscribed to date include “Positive covenants” and “Negative covenants” which establish, respectively, commitments that ICE Group must meet and restrict and limit certain actions, usually requiring prior approval from the creditor.

Summary of most significant financial covenants

The main financial covenants that ICE must comply with in relation to the loan agreements in effect as of December 31, 2013 are as follows:

Loan	As of December 31, 2013	Segment	Financial covenants	Complies with the limit established at 31-Dec-13	Waivers or amendments obtained
<b>ICE</b>					
CABEI, Loan No. 2076	₡ 45,314	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.3 times Maintain a financial ratio of: ((EBITDA + lease payments)/(finance expenses + lease payments)) > 2 times Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes Yes Yes	- - -
CABEI, Loan No. 2109	₡ 9,964	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.3 times Maintain a financial ratio of: ((EBITDA + lease payments)/(finance expenses + lease payments)) > 2 times Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes Yes Yes	- - -
Citibank N 1, N.A.	₡ 7,934	Electricity	Maintain a debt/EBITDA ratio of not greater than 5.5 times Maintain an interest coverage ratio of not less than 2:1 Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes Yes Yes	- - -
Nordea Bank AB, Loan SE10571	₡ 1,930	Telecom	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.25 times Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times Maintain an interest coverage ratio of not less than 2:1 Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes Yes Yes Yes	Yes Yes - -
Nordea Bank AB 2	₡ 1,885	Telecom	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.25 times Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times Maintain an interest coverage ratio of not less than 2:1 Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes Yes Yes Yes	Yes Yes - -
IDB, Loan No. 1931 A/OC-CR	₡ 135,855	Electricity and telecom	Maintain a financial ratio of: (Consolidated net debt per IFRSs)/(adjusted EBITDA per IFRSs) < 5.0 times Maintain a financial ratio of: (Consolidated net debt per GAAP)/(adjusted EBITDA per GAAP) < 5.0 times Maintain a financial ratio of: (Adjusted consolidated net debt)/(consolidated adjusted EBITDA) < 5.3 times Maintain a financial ratio of: (Consolidated adjusted EBITDA/consolidated adjusted finance expenses) > 2 times Maintain a financial ratio of: (Adjusted net debt/adjusted total assets) < 0.42 times	Yes Yes Yes Yes Yes	- - - - -

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Loan	As of December 31, 2013	Segment	Financial covenants	Complies with the limit established at 31-Dec-13	Waivers or amendments obtained	
IDB, Loan No. 1908/OC-CR	€	89,921	Electricity	Maintain a financial ratio of: New installments (capital commitments, power purchases, leases) < 2% of net average fixed assets	Yes	-
				Maintain a percentage of investment program financing with local funds of 15%	Yes	-
				Maintain a financial ratio of: Long-term debt/total assets < 0.5 times	Yes	-
				Maintain a financial ratio of: Debt service/internal cash generation > 1.15 times	Yes	-
IDB, Loan No. 2747-CCLIP		7,540	Electricity	Maintain a financial ratio of: New installments (capital commitments, power purchases, leases) < 2% of net average fixed assets	Yes	-
				Maintain a percentage of investment program financing with local funds of 15%	Yes	-
				Maintain a financial ratio of: Long-term debt/total assets < 0.5 times	Yes	-
				Maintain a financial ratio of: Debt service/internal cash generation > 1.15 times	Yes	-
Andean Development Corporation (CAF)	€	39,779	Electricity	Maintain a financial ratio of: (Liabilities/equity) < 0.8 times	Yes	-
				Maintain a financial ratio of: (EBITDA/debt service) > 1.6 times	No	Yes
				Maintain a financial ratio of: (Financial debt/EBITDA) < 5 times	Yes	-
Scotiabank de Costa Rica	€	15,523	Electricity	Maintain an interest coverage ratio of not less than 2:1	Yes	-
				Maintain a financial ratio of: (Total debt/EBITDA) < 6 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes	-
Kreditanstalt für Wiederaufbau (KfW, Frankfurt) (in millions)	€	32,197	Electricity	Maintain a financial ratio of: (Consolidated net debt per IFRSs)/(adjusted EBITDA per IFRSs) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Consolidated net debt per GAAP)/(adjusted EBITDA per GAAP) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Adjusted consolidated net debt)/(consolidated adjusted EBITDA) < 5.3 times	Yes	-
				Maintain a financial ratio of: (Consolidated adjusted EBITDA/consolidated adjusted finance expenses) > 2 times	Yes	-
				Maintain a financial ratio of: (Adjusted net debt/adjusted total assets) < 0.40 times	Yes	-
Banistmo, S.A.	€	61,553	Telecom	Maintain a debt to EBITDA ration of not more than 5.5 times	Yes	-
				Maintain an interest coverage ratio of not less than 2:0	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US\$3,300 (in millions)	Yes	-
The Bank of New York Mellon	€	-	Electricity	Maintain a financial ratio of: (Consolidated net debt per IFRSs)/(adjusted EBITDA per IFRSs) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Consolidated net debt per GAAP)/(adjusted EBITDA per GAAP) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Adjusted consolidated net debt)/(consolidated adjusted EBITDA) < 5.3 times	Yes	-
				Maintain a financial ratio of: (Consolidated adjusted EBITDA/consolidated adjusted finance expenses) > 2 times	Yes	-
				Maintain a financial ratio of: (Adjusted net debt/adjusted total assets) < 0.42 times	Yes	-
<b>CNFL</b>						
Kreditanstalt für Wiederaufbau (KfW, Frankfurt) (in millions)	€	9,759	Electricity	Maintain an equity/asset ratio of not less than 50%	Yes	-
				Maintain a debt service coverage ratio of not less than 1.5 times	Yes	-

Some of the loan agreements include the following clauses:

- a) *Cross Default*: these clauses establish that upon execution of a loan agreement, ICE expressly and irrevocably accepts that noncompliance with obligations, payments, and/or other terms and conditions of the loan agreement and/or loan agreements subscribed by ICE and other creditors will result in early termination of the corresponding loan and all other loan agreements in effect with the same creditor.
- b) *Pari Passu*: according to this clause, ICE commits that the obligations and guarantees under the corresponding agreements will have equal claim on payment rights (*pari passu*) with respect to other present or future obligations derived from ICE's debt (except for debt commitments given preference by law).

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In addition to the above, ICE Group must comply with the following general clauses, among other conditions, which are included in several loan agreements:

- a. ICE will not, and will not permit any of its subsidiaries to, merge or consolidate with another private entity, except that: (a) any subsidiary of the Borrower (ICE) may merge or consolidate with any other subsidiary of the Borrower; (b) any subsidiary of the Borrower may merge with the Borrower, and (c) the Creditor (Bank) may approve a merger or consolidation provided that, in each case, no instances of noncompliance have occurred or continue to occur at the time of the proposed transaction, and the merger or consolidation is not the result of such noncompliance.
- b. ICE will not, and will not permit any of its subsidiaries to, sell, lease, transfer, or otherwise dispose of assets, grant any option or other rights to purchase, lease, or otherwise acquire assets, except for (1) sales of inventory in the normal course of business, (2) in a transaction authorized by the Bank, and (3) sales of assets at fair value for an amount not exceeding US\$20 (in millions) (or its equivalent in other currencies) in any year.
- c. ICE will not subscribe any agreement whereby ICE agrees or commits to share with a third party the income earned, either directly or indirectly, from the works built using the financing provided by the entities shown in the above table.
- d. ICE will not, and will not permit any of its subsidiaries to, create or allow encumbrances on any of its assets, either those owned now or acquired in the future, and will not, and will not permit any of its subsidiaries to, assign any rights to obtain income from works financed by the Bank.
- e. ICE will, and will cause each of its subsidiaries to, obtain insurance policies from responsible and reputable insurance associations or companies, in such amounts and covering such risks as are generally carried by companies engaged in similar businesses and that own similar properties in the same general areas where the Borrower or its subsidiaries operate.
- f. ICE will, and will cause each of its subsidiaries to, substantially comply with the applicable Laws, Statutes, Regulations, and Orders, and such compliance shall include, among other, compliance with Environmental Laws, except to the extent that noncompliance is not reasonably expected to have a Substantial Negative Impact.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Amendments to the terms of loan agreements in 2013NORDEA

On September 19, 2013, as per the request submitted by ICE in December 2011, NORDEA Bank AB (NORDEA) approved and signed an amendment to clause 12.03 “Financial undertakings” of the loan agreements subscribed in June 2009 and November 2010. According to the terms and conditions of such amendment, ICE must maintain a “Total consolidated debt/consolidated EBITDA ratio, in accordance with International Financial Reporting Standards (IFRSs) and ICE’s Accounting Policy Manual” of not greater than 5.25 times. The amended clause reads as follows:

*“Clause 12.03 is therefore amended as follows:*

*Provided that the amounts of money are in line with the Agreement, the Borrower commits to maintain:*

- a) Total consolidated debt/consolidated EBITDA ratio, in accordance with IFRSs, of not greater than 5.25:1.0;*
- b) Total consolidated debt/consolidated EBITDA ratio, in accordance with the Costa Rican GAAP, of not greater than 5.25:1.0;*
- c) Consolidated EBITDA/consolidated interest expense ratio, in accordance with IFRSs, of not less than 2.0:1.0;*
- d) Consolidated net equity equal to or greater than US\$3,300,000,000 at all times.”*

The financial ratios are determined on a consolidated basis for the Borrower over a period of twelve consecutive months running from the end of each financial quarter provided that, for purposes of Clause 13.02, there is no assumption of noncompliance unless the Borrower fails to meet the financial commitments under Clause 12.03 at the end of two consecutive financial quarters.

The new loan operations subscribed in 2013 include financial covenants with which the Borrower must comply.

BANISTMO, S.A.

ICE subscribed two loan agreements with BANISTMO, S.A. on November 27 and December 12, 2013 for US\$55.2 million and US\$61.5 million, respectively. The financial ratios applicable to ICE under these new credits are as follows:

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*“Clause 7.2. - Financial obligations*

*The Debtor commits and agrees with the Creditor to maintain the following financial ratios at all times over the term of the Loan and until principal, interest, fees and commissions, or any outstanding balance are fully repaid. The financial ratios will be revised on a quarterly basis, calculated over twelve-month periods, and measured using the Debtor’s most recent financial statements:*

- a) Minimum tangible net equity of not less than US\$3,300,000,000.*
- b) Interest coverage ratio equal to or greater than 2 times (2x).*
- c) Maximum financed debt/EBITDA ratio equal to 5.5 times (5.5x).”*

*The Bank of New York Mellon (Reventazón)*

ICE subscribed the “ICE Side Letter Agreement” on December 20, 2013 with the UNO P.H. Reventazón/ICE/Scotiabank/2013 trust, whereby Scotiabank de Costa Rica, S.A. acts as the Onshore Beneficiary, ICE as Borrower and Debtor, Bank of New York Mellon as the Financial Intermediary Agent, and Scotiabank de Costa Rica, S.A. as the Onshore Guarantee Beneficiary. Section 6.01 “Affirmative Covenants” of the agreement establishes the following financial indicators:

*(o) “Financial ratios*

- (i) Consolidated ratios for Total net debt/consolidated EBITDA. On a consolidated basis, ICE and its subsidiaries must maintain, at all times, a Total net debt/consolidated EBITDA ratio equal to or less than the limits set below. The ratio is calculated at the end of each tax quarter of the years listed below and for the four (4) tax quarters ended as of the aforementioned dates. When the applicable accounting policy is different from IFRSs, the financial ratios must be reported and complied with under the applicable accounting policies and IFRSs.*

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 and thereafter</b>
5.0	5.3	5.3	5.3	5.3	5.3	5.3	5.0	5.0	5.0	4.5

- (ii) Adjusted total net consolidated debt/adjusted consolidated EBITDA ratio, in accordance with IFRSs. On a consolidated basis, ICE and its subsidiaries must maintain, at all times, an adjusted total net consolidated debt/adjusted consolidated EBITDA ratio equal to or less than the limits set below. The ratio is calculated at the end of each tax quarter of the years listed below and for the four (4) tax quarters ended as of the aforementioned dates.*

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 and thereafter
5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.2	5.2	5.2	4.5

(iii) *Adjusted consolidated EBITDA/adjusted consolidated interest expense ratio, in accordance with IFRSs. On a consolidated basis, ICE and its subsidiaries must maintain, at all times, an adjusted consolidated EBITDA/adjusted consolidated interest expense ratio equal to or greater than 2.0:1.0. The ratio is calculated at the end of each tax quarter of the years listed below and for the four (4) tax quarters ended as of the aforementioned dates.*

(iv) *Adjusted total consolidated debt/adjusted total asset ratio, in accordance with IFRSs. On a consolidated basis, ICE and its subsidiaries must maintain, at all times, an adjusted total consolidated debt/adjusted total asset ratio equal to or less than the limits set below. The ratio is calculated at the end of each tax quarter of the years listed below and for the four (4) tax quarters ended as of the aforementioned dates.”*

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 and thereafter
0.40	0.42	0.42	0.42	0.42	0.45	0.45	0.42	0.40	0.40	0.40	0.40

CABEI No. 2076 and CABEI No. 2109

The Board of Directors of CABEI approved, through Decision DI-146/2012 dated November 28, 2012, a modification to section c) of item XII “General Conditions” of Decision DI-89/2011 (related to loan No. 2076) and to section d), paragraph a), of item XI “General Conditions” of Decision DI-126/2008 (related to loan No. 1962).

Accordingly, the ratios established in article 10 “Special affirmative covenants” of loan agreement CABEI No. 2076 dated February 13, 2012 will have no further effect and are replaced by the ratios presented below.

Covenant	Ratio for 2012-2019	2020 - Thereafter
(Debt + lease balances)	<5.3 times	<5.0 times
(EBITDA + lease payments)		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The resources derived from loan agreement CABEI No. 2109 will be exclusively used to partially finance the execution of the Reventazón Hydroelectric Power Project, in accordance with the global investment plan approved by the bank.

The ratios established in paragraph e) “Comply with the following specific financial covenants set by CABEI” of article 10 “Special affirmative covenants” of loan agreement CABEI No. 2109 are as follows:

1. *The total debt plus lease balances/EBITDA plus lease payments ratio must be equal to or less than 5.3 times until 2019 and equal to or less than 5 times from 2020.*
2. *The EBITDA plus lease payments/finance expenses plus lease payments ratio must be greater than 2 times.*
3. *ICE’s equity must be greater than US\$3,300,000,000.*

The above covenants were also established for loan agreement CABEI No. 2076.

Noncompliance with the terms and conditions of loan agreements

The loan agreements listed below establish financial covenants, including debt ratios, finance expenses coverage ratios and/or debt service coverage ratios, percentage of investment financed with own resources, etc., with which ICE must comply. In the event that ICE fails to comply with such covenants (“instance of noncompliance”), the creditors reserve the right to demand the settlement of the loan.

According to the figures presented in the audited consolidated financial statements as of December 31, 2013 and the calculations performed by ICE based thereon, ICE failed to comply with a number of the financial covenants related to leverage ratios and debt service coverage ratios. However, as of December 31, 2013, ICE Group obtained the corresponding waivers in respect of the events of noncompliance from each financial entity; therefore, the creditors’ option to demanded early repayment of the corresponding loans as of that date and as of the date of the Independent Auditors’ Report was not exercised.

In 2013, noncompliance with leverage ratios and debt service coverage ratios is a result of the following factors:

- (1) Bullet repayments caused a mismatch in the normal trend of the periodic amortization profile that characterizes most of ICE’s debt.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)Andean Development Corporation (CAF)

As a result of the steps taken by ICE in September 2013 and through a letter dated October 18, 2013 responding to the request for authorization to acquire a company dedicated to providing cable television services, CAF also notified the waiver of noncompliance as of June 30, 2013 with clause 6.01 “Affirmative covenant” established in the loan agreement subscribed in April 2008 for a total of US\$100 (in millions), requiring a EBITDA/debt service ratio equal to 1.6 times (ICE’s ratio located at 1.0 times).

The waiver of noncompliance as of June 30, 2013 with the aforementioned financial ratio established in Clause 6.01 “Affirmative covenants” of the loan agreement for US\$100 (in millions), subscribed by ICE and CAF in 2008 was authorized by CAF for a 90-day term from October 18, 2013 to January 16, 2014, thereby also waiving noncompliance as of December 31, 2013.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 23. Accounts payable**

Accounts payable are as follows:

<b>Accounts payable</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>		
Materials suppliers	¢ 106,853	107,655
Other creditors	26,450	25,694
Taxes	13,982	14,936
Service providers	6,612	12,630
Payroll and employee withholdings	6,290	7,724
Additional guarantees	129	129
<b>Subtotal ICE</b>	<b>160,316</b>	<b>168,768</b>
<b><u>CNFL:</u></b>		
Purchase of energy	-	12,909
Taxes	1,643	1,674
Employee withholdings	1,292	1,212
Other creditors	1,408	1,553
Accrued non-financial expenses	1,023	1,019
<b>Subtotal CNFL</b>	<b>5,366</b>	<b>18,367</b>
<b><u>RACSA:</u></b>		
Foreign lines	176	488
Other creditors	255	85
Suppliers and local institutions	1,902	2,594
<b>Subtotal RACSA</b>	<b>2,333</b>	<b>3,167</b>
<b><u>CABLE VISIÓN:</u></b>		
Materials suppliers	24	-
Other creditors	967	-
Taxes	46	-
Service providers	223	-
Payroll and employee withholdings	29	-
<b>Subtotal CABLE VISIÓN</b>	<b>1,289</b>	<b>-</b>
<b>Total ICE Group</b>	<b>169,304</b>	<b>190,302</b>
<b>Minus reclassification of long-term portion</b>	<b>(27,168)</b>	<b>(44,896)</b>
<b>Total ICE Group - Short-term</b>	<b>¢ 142,136</b>	<b>145,406</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

As of December 31, 2013 and 2012, purchase orders reclassified to long-term accounts are as follows:

<b>Purchase order No.</b>	<b>Supplier</b>		<b>As of December 31, 2013</b>
<b>Electricity</b>			
362644	Andritz Hydro S.R.L. Unipersonale	¢	11,213
362646	Andritz Hydro GMBH		12,359
363890	Sumec Complete Equipment and Engineering Co. LTD		543
368089	Andritz Hydro GMBH		411
368085	Andritz Hydro S.R.L. Unipersonale		446
371111	Consortio Huawei Technologies Co. Ltd.		265
Other	Préstamo Mogote		1,931
<b>Total ICE Group</b>			<b>¢ 27,168</b>

<b>Purchase order No.</b>	<b>Supplier</b>		<b>As of December 31, 2012</b>
<b>Electricity</b>			
362646	Andritz Hydro GMBH	¢	15,430
362644	Andritz Hydro S.R.L. Unipersonale		13,997
363890	Sumec Complete Equipment and Engineering Co. LTD		3,873
Other	Préstamo Mogote		2,034
364940	Andritz Hydro GMBH		1,758
362646	Andritz Hydro GMBH		1,669
356609	Andritz Hydro GMBH		380
<b>Telecom</b>			
367279	Consortio Eci Telecom		5,755
<b>Total ICE Group</b>			<b>¢ 44,896</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 24. Accrued expenses for employer obligations**

Accrued expenses for employer obligations are as follows:

<b>Accrued expenses - employer obligations</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>		
Back-to-school bonus      ¢	16,130	15,525
Vacation	11,475	14,159
Statutory Christmas bonus	1,652	1,494
<b>Subtotal ICE</b>	<b>29,257</b>	<b>31,178</b>
<b><u>CNFL:</u></b>		
Back-to-school bonus	4,904	4,633
Vacation	2,764	3,177
Statutory Christmas bonus	77	344
<b>Subtotal CNFL</b>	<b>7,745</b>	<b>8,154</b>
<b><u>RACSA:</u></b>		
Statutory Christmas bonus	47	43
Vacation	420	662
<b>Subtotal RACSA</b>	<b>467</b>	<b>705</b>
<b><u>CABLE VISION:</u></b>		
Statutory Christmas bonus	4	-
Vacation	2	-
<b>Subtotal CABLE VISION</b>	<b>6</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 37,475</b>	<b>40,037</b>

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Movement of accrued expenses for employer obligations is as follows:

Accrued expenses - employer obligations	Statutory Christmas bonus	Back-to-school bonus	Vacation	Third biweekly and fifth	Total
<b>2013</b>					
Opening balance	¢ 1,927	20,158	18,015	-	40,100
Expensed - investments	8,851	3,567	7,478	7,880	27,776
Expensed - operations	17,896	18,433	16,506	-	52,835
Used	(26,894)	(21,124)	(27,338)	(7,880)	(83,236)
<b>Total ICE Group</b>	<b>¢ 1,780</b>	<b>21,034</b>	<b>14,661</b>	<b>-</b>	<b>37,475</b>

Accrued expenses - employer obligations	Statutory Christmas bonus	Back-to-school bonus	Vacation	Third biweekly and fifth	Total
<b>2012</b>					
Opening balance	¢ 1,868	18,677	15,938	1,042	37,525
Expensed - investments	8,039	3,850	7,463	8,005	27,357
Expensed - operations	18,134	16,942	16,037	-	51,113
Used	(26,160)	(19,311)	(21,441)	(9,047)	(75,959)
<b>Total ICE Group</b>	<b>¢ 1,881</b>	<b>20,158</b>	<b>17,997</b>	<b>-</b>	<b>40,037</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 25. Legal provisions**

Legal provisions are as follows:

Legal provisions	As of December 31,	
	2013	2012
<b><u>ICE:</u></b>		
Severance benefits	¢ 12,713	12,252
Occupational hazards	5,756	5,841
Provision for contingent liabilities	5,038	6,168
<b>Subtotal ICE</b>	<b>23,507</b>	<b>24,261</b>
<b><u>CNFL:</u></b>		
Severance benefits - short-term	1,000	1,000
Severance benefits - long-term	17,818	16,895
Employee Protection Law	197	184
Cash shortages and cash accounts	6	7
Provision for contingent liabilities	296	477
<b>Subtotal CNFL</b>	<b>19,317</b>	<b>18,563</b>
<b><u>RACSA:</u></b>		
Severance benefits	-	2
Other provisions	101	-
<b>Subtotal RACSA</b>	<b>101</b>	<b>2</b>
<b><u>CABLE VISIÓN:</u></b>		
Severance benefits	6	-
Provision for contingent liabilities	100	-
<b>Subtotal CABLE VISIÓN</b>	<b>106</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 43,031</b>	<b>42,826</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Movement in legal provisions is as follows:

Legal provisions	Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Other provisions	Total
<b>2013</b>							
Opening balance	¢ 30,149	5,841	6,645	184	7	-	42,826
Amount at the time of acquisition - CABLE VISIÓN	56	-	85	-	-	-	141
Expensed - investment	9,076	4,314	2,617	1,910	13	-	17,930
Expensed - operations	15,094	-	-	-	-	101	15,094
Used	(22,838)	(4,399)	(3,812)	(1,897)	(14)	-	(32,960)
<b>Total ICE Group</b>	<b>¢ 31,537</b>	<b>5,756</b>	<b>5,535</b>	<b>197</b>	<b>6</b>	<b>101</b>	<b>43,031</b>

Legal provisions	Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Total
<b>2012</b>						
Opening balance	¢ 25,713	5,733	10,526	117	6	42,095
Expensed - investment	8,870	3,861	1,873	-	-	14,604
Expensed - operations	17,438	-	1,138	1,837	14	20,427
Used	(21,872)	(3,753)	(6,891)	(1,770)	(13)	(34,300)
<b>Total ICE Group</b>	<b>¢ 30,149</b>	<b>5,841</b>	<b>6,645</b>	<b>184</b>	<b>7</b>	<b>42,826</b>

*Increase in ICE's provision for severance benefits:*

According to the minutes of Board of Directors' Meeting No. 6012 held on November 21, 2012, an increase of 1% was approved in the provision for severance benefits. Accordingly, ICE's new contribution is equivalent to 3.50% of total salaries paid to ICE employees (as opposed to 2.50%). This increase is in effect from January 2013. As a result, such minutes authorize management to gradually increase such percentage up to a maximum of 4.56% of total salaries, in order to comply with the obligations established in the Personnel Regulations in effect.

*CNFL*

In accordance with the Collective Bargaining Agreement subscribed by CNFL and its employees on August 30, 1995, CNFL recognizes a provision for severance benefits calculated as a percentage of the employee's years of service, up to a maximum of 20 years.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

CNFL determines the present value of severance benefits as follows:

- 1 Estimate the present value of severance benefits earned by entitled employees:
  - Identify the current total payroll.
  - Estimate the payroll over one year, adjusted for inflation, for the next 40 years.
  - Determine each employee's year of retirement.
  - Calculate the amount of severance benefits earned by each employee as of December 31, 2013.
  - Calculate the present value of severance benefits earned by each employee as of December 31, 2013.
  - Sum the present value of severance benefits earned by all employees as of December 31, 2013.
- 2 Identify the amount of severance benefits transferred to and in custody of ASEFYL (5.33% of salaries):
  - Identify contributions made to ASEFYL as of December 31, 2013.
- 3 Estimate the provision for severance benefits:
  - Subtract the estimated present value of severance benefits earned by entitled employees (item 1) from contributions and transfers made to ASEFYL (item 2).

Key assumptions used in CNFL's model:

The main assumptions used in determining the estimates and present value are as follows:

- Maximum retirement age: 65 years;
- Annual discount rate: 8.5%;
- Projected annual inflation: 3.68%; and
- Employer contribution to ASEFYL: 5.33% of salaries.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 26. Retrospective adjustments**

For the year ended December 31, 2013, the figures as of December 31, 2012 and for the year then ended were restated due to a number of adjustments with retroactive effect and changes in the accounting policies (see note 2(e)). Retrospective adjustments applied to ICE Group figures as a result of the above are as follows:

	Operating assets - cost (note 4)	Accumulated depreciation of operating assets - cost (note 4)	Operating assets - revalued (note 4)	Accumulated depreciation of operating assets - revalued (note 4)	Construction work in progress (note 7)	Inventory for investment (note 7)	Banks (note 9)	Receivables for services rendered (note 10)	Non-trade receivables (note 10)	Institutional receivables	Non-operating assets - cost (note 17)	Non-operating assets - revalued (note 17)	Accumulated depreciation of non-operating assets - revalued (note 17)
<i>Balances as of December 31, 2012, previously reported</i>	2,773,555	(916,244)	2,662,496	(1,544,963)	693,515	161,243	8,262	109,619	90,768	-	54,034	15,941	(6,260)
<b>Accumulated effect of changes in accounting policies and adjustments prior to 2012:</b>													
Change in accounting policy, rights of way and easements on land (1)	(2,111)	148	(53)	5	-	-	-	-	-	-	(19,167)	(634)	-
Change in accounting policy, asset revaluation - fiber optic network and copper network (2)	-	-	(179,682)	133,512	-	-	-	-	-	-	-	-	-
Adjustment of GICE balances (3)	-	-	-	-	-	-	-	(392)	-	392	-	-	-
Change in accounting policy, spare parts not physically included in assets (4)	(9,022)	1,674	(295)	217	-	9,022	-	-	-	-	-	-	-
Adjustments for errors in subsidiaries (5)	-	-	-	-	-	-	-	(652)	-	-	-	-	-
<i>Total effect of changes in accounting policies and adjustments prior to 2012</i>	(11,133)	1,822	(180,030)	133,734	-	9,022	-	(1,044)	-	392	(19,167)	(634)	-
<b>Accumulated effect of changes in accounting policies and adjustments in 2012:</b>													
Change in accounting policy, rights of way and easements (1)	(187)	73	(70)	7	-	-	-	-	-	-	(2,486)	(6)	7
Change in accounting policy, asset revaluation - fiber optic network and copper network (2)	-	-	-	8,010	-	-	-	-	-	-	-	-	-
Adjustment of GICE balances (3)	-	-	-	-	-	-	135	(7,849)	-	155	-	-	-
Change in accounting policy, spare parts not physically included in assets (4)	(3,016)	554	(109)	85	-	3,016	-	-	-	-	-	-	-
Capitalization of prior-period works (6)	14,117	-	-	-	(14,116)	-	-	-	-	-	-	-	-
Adjustments for errors in subsidiaries (5)	-	-	-	-	-	-	-	(765)	-	-	-	-	-
<i>Total effect of changes in accounting policies and adjustments in 2012</i>	10,914	627	(179)	8,102	(14,116)	3,016	135	(8,614)	-	155	(2,486)	(6)	7
<i>Subtotal adjustments</i>	(219)	2,449	(180,209)	141,836	(14,116)	12,038	135	(9,658)	-	547	(21,653)	(640)	7
<i>Balances as of December 31, 2012, restated</i>	2,773,336	(913,795)	2,482,287	(1,403,127)	679,399	173,281	8,397	99,961	90,768	547	32,381	15,301	(6,253)
<b>Accumulated effect of reclassifications in 2012:</b>													
Reclassification of Digital Government costs (7)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of accounts in administrative and legal collections (8)	-	-	-	-	-	-	-	38,291	(38,291)	-	-	-	-
<i>Subtotal reclassifications</i>	-	-	-	-	-	-	-	38,291	(38,291)	-	-	-	-
<i>Balances as of December 31, 2012, restated</i>	2,773,336	(913,795)	2,482,287	(1,403,127)	679,399	173,281	8,397	138,252	52,477	547	32,381	15,301	(6,253)

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

	Intangible assets (note 18)	Amortization of intangible assets (note 18)	Accounts payable - other liabilities	Development reserves	Asset revaluation reserves	Retained earnings	Depreciation expense - operating assets	Production management	Trading (note 33)	Operating income - electricity services	Other income	Net surplus
<i>Balances as of December 31, 2012, previously reported</i>	€ 72,103	(40,367)	4,114	1,589,376	1,160,942	91,337	229,705	87,471	205,147	645,315	80,394	17,389
<b><u>Accumulated effect of changes in accounting policies and adjustments prior to 2012:</u></b>												
Change in accounting policy, rights of way and easements on land (1)	21,278	-	-	148	(746)	-	-	-	-	-	-	-
Change in accounting policy, asset revaluation - fiber optic network and copper network (2)	-	-	-	-	(46,171)	-	-	-	-	-	-	-
Adjustment of GICE balances (3)	-	-	-	(6,962)	-	-	-	-	-	-	-	-
Change in accounting policy, spare parts not physically included in assets (4)	-	-	-	1,674	(188)	-	-	-	-	-	-	-
Adjustments for errors in subsidiaries (5)	-	315	(1,582)	-	-	480	-	-	-	-	-	-
<i>Total effect of changes in accounting policies and adjustments prior to 2012</i>	21,278	315	(1,582)	(5,140)	(47,105)	480	-	-	-	-	-	-
<b><u>Accumulated effect of changes in accounting policies and adjustments in 2012:</u></b>												
Change in accounting policy, rights of way and easements on land (1)	2,673	-	-	73	2	-	(74)	-	-	-	-	74
Change in accounting policy, asset revaluation - fiber optic network and copper network (2)	-	-	-	-	8,010	-	(8,010)	-	-	-	-	8,010
Adjustment of GICE balances (3)	-	-	-	(596)	-	-	-	-	-	-	-	-
Change in accounting policy, spare parts not physically included in assets (4)	-	-	-	554	87	-	(640)	-	-	-	-	640
Capitalization of prior-period works (6)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors in subsidiaries (5)	-	-	-	-	-	-	-	-	-	979	(765)	214
<i>Total effect of changes in accounting policies and adjustments in 2012</i>	2,673	-	-	31	8,099	-	(8,724)	-	-	979	(765)	8,938
<i>Subtotal adjustments</i>	23,951	315	(1,582)	(5,109)	(39,006)	480	(8,724)	-	-	979	(765)	8,938
<i>Balances as of December 31, 2012, restated</i>	96,054	(40,052)	2,532	1,584,267	1,121,936	91,817	220,981	87,471	205,147	646,294	79,629	26,327
<b><u>Accumulated effect of reclassifications in 2012:</u></b>												
Reclassification of Digital Government costs (7)	-	-	-	-	-	-	-	(136)	136	-	-	-
Reclassification of accounts in administrative and legal collections (8)	-	-	-	-	-	-	-	-	-	-	-	-
<i>Subtotal reclassifications</i>	-	-	-	-	-	-	-	(136)	136	-	-	-
<i>Balances as of December 31, 2012, restated</i>	96,054	(40,052)	2,532	1,584,267	1,121,936	91,817	220,981	87,335	205,283	646,294	79,629	26,327

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(1) Rights of way and easements on land**

Due to the change to the accounting policy, rights of way and easements on land were reclassified to “Intangible assets”. The modification was performed in accordance with the criteria of ICE Group’s Legal Department that is based on the special rights granted to ICE under Law No. 6313 of January 4, 1979, which mentions the concept of administrative easements (required in light of public use and considering the operations and form in which agreements are subscribed as well as the permanent nature of transmission and distribution works). Therefore, it was concluded that ICE acquires real property rights for easements on property owned by private individuals or companies to perpetuity; accordingly, compensation for the fair price of the easements is paid to the property owner. Consequently, rights of way and easements on land are not amortized or revalued and the revaluation and depreciation related to those assets were retrospectively adjusted and the cost of the assets was reclassified to balance sheet accounts (see note 2(e)(ii)).

**(2) Revaluation of fiber optic and copper elements**

The change to the accounting policy related to the fiber optic and copper elements owned by the Telecom segment replaces the current method (historical cost plus adjustments using a price index until December 31, 2008) with the historical cost method and reverses the value of previously booked revaluations. This change was implemented as a result of changes in the current conditions of such network elements and based on expert criteria of the technical area, which concluded that cost and the corresponding accumulated depreciation better reflect the value of such assets in ICE’s figures, since no evidence supports the fact that network elements must be revalued, in light of the current conditions on the telecom business (see note 2(e)(i)).

**(3) Alignment process for balances of Standard Comprehensive Accounting Management System (GICE) and transaction systems**

These adjustments correspond to the correction of misstatements derived from the alignment process (correction of balances in the GICE-receivables subledger) performed by ICE’s management in November 2013 as a result of the comparison of the carrying amounts included in GICE and the balances in the transaction systems. The adjustments are derived from the process performed to align client balances, which involved substituting the information included in GICE with the balances in the transaction system validated as of November 30, 2013 by the Telecom segment business areas. The differences between the information in both systems resulted from IT failures, specifically interfaces or information loading processes, required to transfer data from the transaction system to GICE. Management is currently analyzing this situation.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(4) Security spare parts not installed or physically included in the asset**

These adjustments correspond to the change to the accounting policy related to the booking of security spare parts not installed or physically included in the asset which, as a result, are not in the condition necessary for its intended use. As a result of the prior accounting policy, these items were capitalized and depreciated as part of operating assets. The cost of these items is reclassified to “Inventory for investment” and the previously-recognized revaluation and depreciation of cost and revaluation are reversed. This change was implemented in order to align ICE Group’s accounting policies with international best practices and improve the presentation of the consolidated financial statements (see note 2(e)(iii)).

**(5) Alignment process for accounting policies of subsidiaries**

These adjustments correspond to the correction of misstatements in CNFL’s figures as a result of the incorrect booking of invoices. In addition, these adjustments also correspond to the correction of an error in RACSA’s figures for the booking of Back Haul use.

**(6) Capitalization of prior-period works**

These adjustments correspond to the capitalization of the Filadelfia Transmission System and Toro-San Miguel Deviation as of December 31, 2012, which was not performed in the corresponding accounting period.

**(7) Reclassification of Digital Government costs**

These adjustments correspond to the reclassification to expense accounts of costs related to the Digital Government project derived from the use of Merlink services. Those costs were not booked in 2012.

**(8) Reclassification of accounts in administrative and legal collections**

These adjustments correspond to the reclassification of items in administrative and legal collection to present such balances under “Accounts receivable for services rendered” rather than under “Non-trade receivables”. The corresponding allowance is created by each segment upon billing; accordingly, allowances are presented under “Allowance for accounts receivable for services rendered”.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 27. Memoranda accounts**

Memoranda accounts	As of December 31,	
	2013	2012
<b>ICE:</b>		
<b>Guarantees received:</b>		
Performance bonds (1)	¢ 259,104	280,511
Collection agents (2)	3,181	3,427
Bid bonds (3)	4,882	1,649
Tenders	8	9
<b>Subtotal</b>	<b>267,175</b>	<b>285,596</b>
<b>Other guarantees received:</b>		
Sundry services	773	656
<b>Subtotal</b>	<b>773</b>	<b>656</b>
<b>Guarantees issued to third parties:</b>		
Surety	815	5,894
<b>Subtotal</b>	<b>815</b>	<b>5,894</b>
<b>Subtotal ICE</b>	<b>¢ 268,763</b>	<b>292,146</b>
<b>CNFL:</b>		
<b>Contingent assets:</b>		
Savings and loan fund	¢ 32,422	28,584
CNFL Employees Association (ASEFYL)	12,502	11,103
Performance bonds - procurement	10,592	10,578
Materials in transit	694	1,813
Bid bonds	350	1,194
Collection of electricity services	868	764
Materials in transit - local	-	420
Materials loan	592	248
Employee guarantees	227	194
Rental of posts	117	86
Performance bonds - labor	83	77
Guaranty deposits (electricity consumption)	123	75
ICE easement - Cote Plant	7	7
<b>Subtotal CNFL</b>	<b>58,577</b>	<b>55,143</b>
<b>Contingent liabilities:</b>		
Payment arrangements - financing of appliances	22	21
<b>Subtotal</b>	<b>22</b>	<b>21</b>
<b>Subtotal CNFL</b>	<b>58,599</b>	<b>55,164</b>
<b>RACSA:</b>		
Guaranty deposits	393	424
<b>Subtotal RACSA</b>	<b>393</b>	<b>424</b>
<b>Total ICE Group</b>	<b>¢ 327,755</b>	<b>347,734</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(1) *Performance bonds*

Performance bonds correspond to bonds issued to guarantee that the goods and services offered by a supplier will be delivered or rendered to ICE in accordance with the agreed terms and that, in the event of noncompliance, ICE will be compensated. The main bonds are as follows:

- *ICE-CNFL surety*

On May 4, 2006, ICE and KfW subscribed a security agreement whereby ICE acts as joint surety for the obligations contracted by CNFL as debtor under the aforementioned loan agreement.

On September 25, 2008, CNFL and KfW entered into a supplemental loan agreement in the amount of US\$9.5 (in millions) to finance unforeseen expenses. The surety required for this loan agreement was posted by ICE, increasing the total amount of the surety to US\$36 (in millions) (approximately ₡18,940). This surety is for a maximum term of 3 years.

- *ICE-JASEC surety*

ICE and JASEC subscribed a business partnership agreement for the construction of the Toro 3 Hydroelectric Power Project. For such purposes, in a meeting held on April 26, 2010, the Board of Directors of ICE authorized the provision of a joint and several surety bond to JASEC for a maximum amount of US\$30 (in millions), plus interest derived from the investment's principal until maturity.

JASEC and BCR are designing and structuring financing to obtain resources through a private issue of securities. Guarantees for that issue include a joint and several surety bond issued by ICE. On February 22, 2012, the Board of Directors of ICE unanimously authorized the provision of the joint and several surety bond to the Toro 3 Hydroelectric Power Project Trust for a maximum amount of US\$180 (in millions), plus finance charges derived therefrom until settlement (maximum term of 3 years).

On October 28, 2013, the principal and interest related to the loan granted for the Toro 3 trust were paid-off, releasing ICE's surety related thereto.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(2) *Collection agents*

“Collection agents” corresponds to guarantees that ICE received from external collection agents to ensure the recovery of public funds held in the custody of those agents for a specified period.

*Bid bonds*

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

**Note 28. Income from services**

Income from services is as follows:

Income from services	For the year ended December	
	2013	2012 (Restated)*
<b>ICE:</b>		
Electricity services	¢ 453,025	375,462
Telecom services	517,242	513,307
Government services	371	2,436
<b>Subtotal ICE</b>	<b>970,638</b>	<b>891,205</b>
<b>CNFL:</b>		
Electricity services	327,445	270,832
<b>Subtotal CNFL</b>	<b>327,445</b>	<b>270,832</b>
<b>RACSA:</b>		
Telecom services	24,314	23,892
<b>Subtotal RACSA</b>	<b>24,314</b>	<b>23,892</b>
<b>CABLE VISIÓN:</b>		
Telecom services	383	-
Government services	20	-
<b>Subtotal CABLE VISIÓN</b>	<b>403</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 1,322,800</b>	<b>1,185,929</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Regulation on Electricity Services**

Law No. 7593 “Law on the Costa Rican Public Service Regulatory Authority (ARESEP)” of August 9, 1996 establishes that “the Regulatory Authority will set prices and rates, and enforce compliance with standards of quality, quantity, reliability, continuity, timeliness, and optimum rendering of public services”, specifically with respect to the generation, transmission, distribution, and sale of electric power.

**2013 Rate adjustments**

On December 21, 2012 and through Decision No. 1031-RCR-2012 published in Official Gazette No. 248, Alcance No. 211, dated December 24, 2012 (corrected and clarified through Decision No. 1031- RCR-2012 of January 10, 2012), the Regulatory Committee of ARESEP published the factors related to the cost of fuels in accordance with the Variable Fuel Cost (CVC) Methodology and the rate schedules to be applied in the four quarters of 2013, in effect as of January 1, 2013.

As a result, since January 1, 2013, ICE has systematically recovered the cost incurred in fuel purchases to generate power in thermal power plants through the approved quarterly rates.

**Regulation on Telecom Services**

Article 50, “Prices and rates”, of Law No. 8642 “General Telecommunications Law” dated May 14, 2008 states that “rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations.”

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

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 29. Operation and maintenance costs**

Operation and maintenance costs include costs related to fuel consumption to generate power by thermal power plants, as follows:

Fuel consumption	For the year ended	
	2013	2012
<b><u>Thermal power plant:</u></b>		
Garabito	¢ 89,332	46,770
Moín II	16,592	2,364
Moín III	11,173	3,116
Moín I	4,187	3,568
Pujol - Orotina	3,106	1,167
Pujol - Pococí	2,604	1,579
Colima	1,691	1,155
San Antonio	516	232
Barranca	238	245
<b>Total ICE Group</b>	<b>¢ 129,439</b>	<b>60,196</b>

In late 2012, through Decision No. 977-RCR-2012 dated November 2, 2012, ARESEP approved the recognition through rate adjustments of fuel expenses incurred by ICE in the first half of 2012, for a total of ¢19,225. Of that amount, ICE recovered the total of ¢3,765 through a rate adjustment approved by ARESEP in November and December 2012. The remaining balance of ¢15,460 corresponding to the first half of 2012 will be recovered by ICE within a four-quarter period from July 1, 2013. In compliance with the aforementioned Decision, ICE booked the balance pending recovery through rate adjustments as an asset under "Prepaid expenses".

In the second half of 2013, ICE booked fuel expenses corresponding to the remaining balance for 2012 in the amount of ¢7,583. As of December 31, 2013, the amount of ¢7,877 is pending recovery and recognition as an expense.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In respect of the balance pending recognition through rate adjustments, Decision No. 07-84-2013 communicates the agreement reached by ARESEP in ordinary meeting No. 84-2013 held on November 28, 2013 accepting ICE's request to transfer the lags in the recognition of fuel expenses corresponding to 2012 and approved to be recognized (through Decision No. 04-14-2013, subsequently resulting in Decision RJD-003-2013 dated February 25, 2013) in the first and second quarters of 2014 to the third and fourth quarters of that year (see note 14). The purpose of ICE's request is to prevent a significant impact on electricity rates and, therefore, on users.

**Note 30. Operation and maintenance costs of leased equipment**

Operation and maintenance costs of equipment under operating leases are as follows:

Operation and maintenance costs of leased equipment	For the year ended	
	2013	December 31, 2012
<b>ICE:</b>		
Thermal generation	¢ 123,016	80,624
Hydraulic generation	23,424	20,647
Wind generation	9,329	8,640
Civil and electromechanical	9,139	9,783
Access	8,747	8,879
Transport	6,375	6,615
Substations	6,784	6,705
Platforms	5,060	5,397
Transmission lines	3,243	3,526
<b>Subtotal</b>	<b>195,117</b>	<b>150,816</b>
Eliminations of Government services*	2,306	2,701
<b>Total ICE Group</b>	<b>¢ 192,811</b>	<b>148,115</b>

\* Government services are eliminated from the income statement for presentation purposes.

In 2013, costs for the operating leases of the plants mentioned above amounts to ¢93,403 (2012: ¢93,232), as follows:

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

As discussed in note 3(1), ICE Group follows the policy of booking and classifying lease agreements for telecommunications and transmission equipment and power plants as operating leases. As of December 31, 2012, operating lease agreements are as follows:

General features of the agreement						In millions of U.S. dollars										
Service order No.	Lessor	Date of agreement	Starting date	Approximate expiration date	Amount of agreement	Total paid	Service order balance at December 31, 2013	Paid in 2013	No. of installments	Amount of installment	Purchase option	Expenses in 2013	Frequency	Subject of the agreement		
<b>ICE</b>																
323411	ECI Telecom Consortium	29-Sep-05	25-May-09	28-Feb-14	US \$	32	31	2	6	20	2	3	€	3,303	Quarterly	Lease for fiber optic transport systems and equipment
343012	Huawei Technologies Consortium (1)	10-Feb-09	25-Feb-10	26-Mar-15		233	225	8	47	20	First phase: US\$8; second phase: US\$4 (in thousands)	23		22,755	Quarterly	3G wireless system
1691	Peñas Blancas Securitization Trust (2)	16-Aug-00	31-Jan-08	16-Jul-15		119	105	14	8	155	Between US\$875 and US\$725 (in thousands)	19		4,225	Monthly	Electricity infrastructure
N/A	Cariblanco Securitization Trust (2)	3-Jul-03	29-Feb-08	31-Dec-19		304	155	149	25	147	2	8		12,621	Monthly	Lease for Cariblanco Hydroelectric Power Plant
N/A	Garabito Thermal Project Trust (2)	5-Nov-07	1-Jul-10	31-Mar-22		743	220	523	63	142	5	213		32,197	Monthly	Lease for Garabito Thermal Power Plant
333059	Las Pailas Geothermal Power Plant (3)	7-Mar-07	28-Mar-12	31-Dec-23		240	33	207	18	24	8	-		8,291	Half-yearly	Lease for Las Pailas Geothermal Power Plant
351643	Administrative Board of Cartago's Electricity Service (JASEC) (4)	14-Apr-10	4-Dec-13	14-Apr-22		25	3	22	2	20	Between US\$1,637 and US\$854 (in thousands)	-		947	Half-yearly	Infrastructure for Tejar Step-Down Substation/Easements and expansion tower sites for Río Macho - Transmission Line Project
N/A	Toro III Power Plant Trust (2) and (5)	1-Jun-13	30-Jun-13	30-Nov-24		131	6	125	6	137	\$1	-		3,234	Monthly	Lease for Toro III Power Plant
<b>Subtotal - Operating leases ICE -US\$</b>					<b>US\$</b>	<b>1,828</b>	<b>779</b>	<b>1,049</b>	<b>176</b>			<b>€</b>		<b>87,574</b>		
General features of the agreement						In millions of colones										
<b>ICE</b>																
350702	Cooperativa de Electrificación Rural Guanacaste (6)	16-Feb-10	6-Apr-10	6-Sep-21	€	87,848	23,472	64,375	5,829	138	Between €617 and €473	Approximately €3,541	€	5,829	Monthly	Infrastructure for electricity transmission Liberia - Papagayo - Nuevo Colón
<b>Subtotal - Operating leases - colones</b>					<b>€</b>	<b>87,848</b>	<b>23,472</b>	<b>64,375</b>	<b>5,829</b>			<b>€</b>		<b>5,829</b>		
<b>Total - Operating leases - ICE Group</b>												<b>€</b>		<b>93,403</b>		

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**(1) Huawei Technologies Consortium**

This agreement corresponds to the lease of a third-generation wireless system. The first phase of the lease includes installation of a mobile wireless network system called third-generation advanced mobile phone system (3G) with an initial capacity of 950,000 lines for voice and data services. The second phase of the lease consists of adding new sites (installation of antennae for the 3G mobile phone system) and upgrading existing sites so as to complete the coverage of the design proposed in the first phase.

On December 9, 2013, ICE partially exercised the purchase option provided for in the lease agreement subscribed by ICE and the CABEI-Huawei Consortium for the third-generation wireless network called “Advanced Mobile System Project” for a total of US\$52.4 million (equivalent to ¢26,347). The total paid for the project’s first and second phases amounts to US\$30.6 million and US\$21.8 million, respectively (equivalent to ¢15,395 and ¢10,952, respectively). The balance outstanding after exercising the purchase option amounts to US\$8 million (equivalent to approximately ¢4,020).

**(2) Securitization Trusts**

ICE, BCR, and Banco Nacional de Costa Rica subscribed Securitization Trust agreements whereby ICE acts as the trustor and beneficiary and the corresponding Banks are named as the trustees. The purpose of the agreements is the independent generation and management of the necessary financial resources to build the Peñas Blancas, Cariblanco, and Toro 3 Hydroelectric Power Plants, and the Garabito Thermal Power Project.

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization. Currently, the trusts are authorized to issue public debt and have liabilities booked therefor in their financial statements as of December 31, 2013 and 2012.

The trusts contract ICE to build the aforementioned plants given its experience in the development of this type of projects. In their capacity as the owners, the trusts lease the plants to ICE for terms ranging between 11 and 13 years. At the end of the lease terms, ICE may exercise the purchase option established in each lease agreement.

The main clauses of the trust agreements are summarized below:

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*(In millions of colones)*

- The purpose of the agreements is to create trusts to generate and manage the necessary resources for development of the projects, serve as vehicles to create autonomous equity that will be used in a securitization process, and obtain the necessary resources to finance the project.
- Trust assets will be comprised of the following:
  - a) The liquid assets generated by the trusts from the issue and placement of debt securities.
  - b) The trustor's movable property and tangible and intangibles assets (deemed essential to the agreement's purposes) transferred in trust; civil works; equipment; facilities; repair shops; vehicles; equipment and materials; office and computer equipment (including software, licenses, and other assets acquired with trust funds to develop the projects and operate and provide maintenance to the plants); rights to use the land owned by the trustor required to develop the projects; and all written information and studies conducted for and during the development of works managed by the trusts.
  - c) The agreed-upon income from the lease of power plants.
  - d) Any other income obtained by the trusts in the normal course of business.
- Trust assets may only be used by the trustee as expressly stipulated in the trust agreements and according to the instructions of the trustor. The trustee's power to dispose of the trust assets and the trustor's power to issue instructions concerning such assets is limited to actions that are strictly necessary to comply with the trust agreement's purpose.
- The trust's financial policy will be to allocate the resources obtained from the securitization process and temporary investments to construction of the projects, debt servicing, and covering the trust's operating costs. Upon compliance with such obligations, all of the trust assets will become the property of the trustor ipso jure.
- The trustor will appoint the Manager of the Executing Unit, who must be accepted by the trustee (the Manager's hierarchical superior), with all the corresponding rights and responsibilities.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- The trustor and trustee agree that ICE will be contracted by the trust through a construction and engineering agreement to undertake construction of the projects.
- Upon expiration of the trust agreements, all of the trust assets, without exception, delay, or condition, will be automatically transferred ipso jure to the trustor, who will become the legitimate owner.
- The Peñas Blancas trust is for a term of 20 years and the Cariblanco, Garabito, and Toro 3 trusts are for terms of 30 years.

**(3) Las Pailas Geothermal Power Plant**

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

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

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

- The lease will be for a term of 12 years with an option to purchase the Las Pailas Geothermal Power Plant, starting from the date of satisfactory receipt of the plant by ICE.
- The total amount of the lease is US\$240 (in millions), including lease installments and maintenance fees.
- At the end of the lease term, the amount of the purchase option will be equivalent to 15% of the total cumulative investment made at the end of the construction phase.
- Cabei will make an investment of up to US\$130 (in millions) in construction of the plant.
- Cabei agrees that ICE will carry out construction of the entire plant and its interconnection to the National Interconnected System. The total cumulative investment at the end of the construction phase will have been made in U.S. dollars, comprised of the following:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- a) Actual cumulative direct investments made by CABEL for construction of the plant;
  - b) 0.75% (one time only) of CABEL's direct investment at the time CABEL makes the first disbursement of the direct investment;
  - c) 0.75% of the estimated direct investment that has not yet been used for construction of the plant;
  - d) Return calculated at the 6-month LIBOR rate + 2.25% on the partial cumulative investment made during construction of the plant;
  - e) Administrative expenses derived from creation and operation of the Project Management Unit to be set up by CABEL in accordance with the agreement.
- ICE agrees to lease the plant and act as the "lessee". CABEL will be the "lessor".
  - The term of the lease will start 48 months after the beginning of construction of the plant.
  - Should ICE elect not to exercise the purchase option, the parties may agree to extend the lease agreement for up to 6 years, which will require an extension to the agreement. ICE may exercise the purchase option prior to expiration of the agreement for an amount equivalent to CABEL's investment not yet recovered.

**(4) Tejar Step-down Substation - JASEC**

In April 2010, ICE and JASEC subscribed a lease agreement with an option to purchase the Tejar Step-down Substation as well as easements and sites for towers for the expansion of the Rio Macho-Este transmission line to 230 kW. ICE acts as the lessee and JASEC as the lessor. The works are located in the district of San Isidro, El Guarco Canton, Cartago.

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

**(5) Toro 3 Hydroelectric Power Project**

ICE and JASEC subscribed a partnership agreement for the joint development of the Toro 3 Hydroelectric Power Project, whereby BCR acts as the trustee and ICE and JASEC as trustors.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The partnership agreement involved the subscription of a 137-month lease agreement with a purchase option, whereby ICE and JASEC act as lessees and the Toro 3 Hydroelectric Power Project Securitization Trust as the lessor (see note 8).

The partnership agreement subscribed by those entities involves equal participation in respect of rights and obligations and benefits derived from the construction and commercial exploitation of the Toro 3 Hydroelectric Power Project over its useful life. Both entities will participate in the development of the Project, with an ownership interest of fifty percent (50%).

**(6) Cooperativa de Electrificación Rural Guanacaste, R.L. (Coopeguanacaste):**

On February 16, 2010, ICE and Cooperativa de Electrificación Rural de Guanacaste, R.L. (Coopeguanacaste) subscribed a lease agreement with an option to purchase the infrastructure of the power transmission Liberia-Papagayo-Nuevo Colón. ICE acts as lessee and Coopeguanacaste as lessor. The term of the agreement is 137 months and monthly lease payments are as follows:

- Monthly payments in colones that the lessor must make to its creditors (BCR and Banco Popular y de Desarrollo Comunal as a result of the loans granted to Coopeguanacaste), and
- Amounts payable by the lessor for monthly infrastructure maintenance costs.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 31. Supplemental services and purchases**

Supplemental services and purchases are as follows:

Supplemental services and purchases	For the year ended	
	2013	December 31, 2012
<b>ICE Telecom:</b>		
Phone-in	¢ 13,736	17,953
Traffic from local operators	16,491	8,574
Circuit leases	1,014	1,100
Television	1,085	1,565
Comprehensive solutions	357	116
<b>Total ICE Telecom</b>	<b>32,683</b>	<b>29,308</b>
<b>ICE Electricity:</b>		
<b>Import:</b>		
Ente Operador Regional (EOR)	2,294	5,264
Cenergica, S.A. de C.V.	1,179	-
Excelergy, S.A. de C.V.	1,028	1,327
Mercado Eléctrico de El Salvador	915	2,920
Enel Fortuna, S.A. (Panama)	615	-
Poliwatt	605	-
Other	145	312
<b>Subtotal import</b>	<b>6,781</b>	<b>9,823</b>
<b>Independent power generators:</b>		
Unión Fenosa Generadora La Joya (BOT Agreement)	9,452	10,291
Planta Eólica Guanacaste, S.A. (BOT Agreement)	7,339	7,638
Hidroenergía del General (HDG), S.R.L. (BOT Agreement)	7,609	7,735
Geoenergía de Guanacaste Ltda. (BOT Agreement)	7,710	8,718
Hidroeléctrica Doña Julia	3,245	3,129
Hidroeléctrica Platanar, S.A.	2,711	2,382
Molinos de Viento del Arenal, S.A.	2,468	2,345
Plantas Eólicas, S.A.	2,489	2,733
Hidroeléctrica Zarcas, S.A.	2,105	1,971
Hidroeléctrica Río Lajas, S.A.	2,345	1,888
Proyecto Hidroeléctrico Río Volcán, S.A.	1,877	2,042
Proyecto Hidroeléctrico Pedro, S.A.	1,691	1,833
Ingenio Taboga, S.A.	1,827	1,912
Azúcares el Viejo, S.A.	1,527	1,969
Other	5,298	4,670
<b>Subtotal independent power generators</b>	<b>59,693</b>	<b>61,256</b>
<b>Export:</b>		
Ente Operador Regional (EOR)	10,252	6,290
<b>Total ICE Electricity</b>	<b>76,726</b>	<b>77,369</b>
<b>Total ICE Group</b>	<b>¢ 109,409</b>	<b>106,677</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Independent power producers**

ICE executed agreements with several independent power producers for the purchase of electric power pursuant to Law No. 7200 “Law Authorizing the Autonomous or Parallel Generation of Electricity”, which declares the purchase of electricity by ICE from private companies that meet the conditions established in that Law to be a matter of public interest. This Law provides for two systems or chapters: Chapter I, “Autonomous or Parallel Generation” and Chapter II, “Purchase of Power under the Competition System”.

As of December 31, 2013, ICE has subscribed power purchase agreements under Chapter II that correspond to BOT agreements (Built, Operate, and Transfer) with the following independent power producers: Geoenergía de Guanacaste, S.R.L.; Unión Fenosa Generadora La Joya; Hidroenergía del General (HdG), S.R.L.; and Planta Eólica Guanacaste, S.A. As a result, the following projects are in the construction phase: PH Chucás, S.A.; Unión Fenosa Generadora Torito, S.A.; Hidrotárcoles; S.A.; Acciona- Ecoenergía Consortium and Inversiones Eólicas de Orosi Dos, S.A; Consorcio Eólico Chiripa; P.H. Capulin San Pablo; and Miravalles III Geothermal Power Plant. During the life of the agreements, those independent power producers must build, operate, and provide maintenance to the corresponding plants. The power generated will be sold exclusively to ICE. At the end of the term of those agreements, the ownership, management, and operation of the plants will be automatically transferred to ICE, free of any liens and encumbrances. The corresponding independent power producers or ICE may request the early transfer of the power plants.

Some of the most significant terms and conditions established in the aforementioned agreements are as follows:

- The independent power producers will be responsible for the financing, design, purchase of supplies, construction, tests, start-up of operations, and maintenance of the plants. The independent power producers also agree to deliver all the power generated during the term of the agreement subscribed with ICE.
- The independent power producers will generate electric power in accordance with the operating quality and standards established in each agreement and will deliver all the power generated to ICE, except for the power required to feed the auxiliary equipment and operate the plants, in accordance with the agreements.
- The independent power producers assume the risks of damages to, loss, or destruction of equipment and facilities during the term of the agreements due to any reason or cause that is directly attributable to the independent power producer, its contractors, subcontractors, or suppliers, excluding force majeure.
- The purchase price for electricity generated is established in each agreement based on the bid price and the price awarded in the corresponding tender processes.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Once the plants launch commercial operations, the independent power producers must obtain and maintain, at their own expense, a minimum of the following insurance policies, based on market availability: occupational hazard and all-risk insurance for physical loss.

ICE may suspend the delivery of energy from the independent power producers and shall be released from payment for such power during the suspension period for the following reasons:

- Alteration of meters;
- Noncompliance in relation to a condition at the point of delivery that is the responsibility of the independent power producer;
- The inability of the independent power producer to supply power in accordance with the stipulated operating parameters;
- Failure to renew performance bonds;
- Failure to renew insurance policies.

The agreements are in effect for terms that range between 15 and 20 years and expire between March 2015 and October 2033.

For independent power producers who have subscribed agreements under Chapter I of Law No. 7200, the following three types of agreements are in effect:

- Class A: Applicable to hydroelectric power plants with a power output of less than 5 MW;
- Class B: Applicable to hydroelectric power plants with a power output greater than 5 MW; and
- Class C: applicable to wind power generation plants.

The general terms of these agreements establish that, during the life of the agreement, ICE will purchase any surplus electric power that the independent power producer may supply once its own energy needs are met, up to the maximum power output agreed. The independent power producer commits to operate the plant so that the power output delivered to ICE at the point of measurement does not exceed the power output agreed. ICE will not make any payments for the power delivered by the independent power producer exceeding of the maximum power output agreed. Electricity received in light of these agreements is paid at the rates in effect set by ARESEP upon delivery.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 32. Administrative expenses**

Administrative expenses are as follows:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>		
Salaries	¢ 33,508	33,355
Service centers	6,879	6,865
Services	3,624	4,861
Depreciation of other operating assets	1,422	1,448
Current transfers	1,436	1,972
Materials and supplies	465	671
Other	2,228	2,318
<b>Subtotal</b>	<b>49,562</b>	<b>51,490</b>
Elimination of Government services	374	346
<b>Subtotal ICE</b>	<b>49,188</b>	<b>51,144</b>
<b><u>CNFL:</u></b>		
Salaries	12,953	10,412
Rentals and services	1,011	803
Materials and supplies	262	179
Transport	56	40
Other	1,391	1,534
<b>Subtotal CNFL</b>	<b>15,673</b>	<b>12,968</b>
<b><u>RACSA:</u></b>		
Salaries	9,324	9,378
Services	6,089	6,441
Depreciation of other operating assets	4,717	2,136
Materials and supplies	186	183
Other	5,561	3,800
<b>Subtotal RACSA</b>	<b>25,877</b>	<b>21,938</b>
<b><u>Cable Visión:</u></b>		
Administrative expenses	215	-
<b>Subtotal Cable Visión</b>	<b>215</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 90,952</b>	<b>86,050</b>

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 33. Marketing expenses**

Marketing expenses are as follows:

	<b>For the year ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>		
Services	55,646	52,879
Salaries	48,655	46,848
Materials and supplies	46,828	33,875
Service centers	42,674	30,125
Current transfers	12,968	10,754
Depreciation of other operating assets	4,089	3,805
Other	10,174	7,907
<b>Subtotal ICE</b>	<b>221,034</b>	<b>186,193</b>
* Elimination of Government services	1,581	2,091
<b>Subtotal ICE</b>	<b>219,453</b>	<b>184,102</b>
<b><u>CNFL:</u></b>		
Consumer expenses	21,700	21,181
<b>Subtotal CNFL</b>	<b>21,700</b>	<b>21,181</b>
<b><u>Cable Visión:</u></b>		
Services	11	-
Salaries	32	-
Other	1	-
<b>Subtotal Cable Visión:</b>	<b>44</b>	<b>-</b>
<b>Total ICE Group</b>	<b>241,197</b>	<b>205,283</b>

\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 34. Preinvestment studies**

Costs incurred for preinvestment studies are as follows:

		<b>For the year ended</b>	
		<b>December 31,</b>	
		<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>			
Savegre (1)	¢	3,293	4,366
Ayil Hydroelectric Project (2)		1,599	1,561
RC 500		116	215
Pocosol - Arenal		18	196
Mundo Nuevo		-	4
Other		677	435
<b>Total ICE Group</b>	<b>¢</b>	<b>5,703</b>	<b>6,777</b>

- (1) In 2013, the SAVEGRE Project incurred expenses for ¢3,293 (2012: ¢4,366) for engineering and site feasibility studies and ancillary works related to the headrace tunnel and water intakes. Based on the current timeline, the feasibility studies are expected to be completed in late 2013. At period-end, the completion of the studies is estimated at 97%.
- (2) An agreement was subscribed with the indigenous communities in respect of the Ayil Hydroelectric Power Project, which will be located in the Cabécar indigenous territory in Bajo Chirrió, Matina, Limón, whereby a term of 3 years (from May 27, 2011 to May 27, 2014) is granted to perform project studies related to pioneer roads that require the construction of several bridges. In 2013, expenses therefor amount to ¢1,599 (2012: ¢1,561).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 35. Preliminary studies**

Preliminary studies are as follows:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>ICE:</b>		
Salaries	¢ 12,780	13,441
Service centers	9,910	8,705
Services	867	1,709
Current transfers	466	758
Depreciation	456	455
Materials and supplies	289	259
Other	647	316
<b>Subtotal ICE</b>	<b>25,415</b>	<b>25,643</b>
* Elimination of Government services	192	197
<b>Total ICE Group</b>	<b>¢ 25,223</b>	<b>25,446</b>

\* Internal consumption for electricity and telephone services incurred by the different areas of ICE.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 36. Other operating expenses**

Other expenses incurred by ICE to ensure the quality of the construction and operation of works owned by third parties are recognized as “Other operating expenses”. Additionally, this item includes subsequent mitigation and social compensation costs that exceed the amounts established in the Environmental Management Plan and were not included in the “Baseline” planned and controlled by ICE Group. Other operating expenses are as follows:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b><u>ICE:</u></b>		
Project Support Center (CAP) (1)	¢ 4,953	-
Management of service agreements (2)	3,147	-
Advanced mobile services	720	395
Torito Hydroelectric Project	451	376
Chuscas Hydroelectric Project	412	391
Chiripa Wind Project	273	-
Pirris Hydroelectric Project	195	1,527
Reventazón Hydroelectric Project (3)	172	5,390
Balsa Inferior Hydroelectric Project	122	155
Improvements to transport network	89	385
Tejar Transmission Line	3	8
Expansion of mobile telephony	1	103
Diquis Hydroelectric Project (4)	-	1,573
Multiboya Pacífico	-	1,350
Cachí Hydroelectric Project	-	197
Toro III Hydroelectric Project	-	177
Advanced fiber optic connectivity	-	111
National Multi-Service Access Project	-	22
Garabito Thermal Project	-	2
Other	47	23
<b>Total ICE Group</b>	<b>¢ 10,585</b>	<b>12,185</b>

**(1) Project Support Center (CAP)**

In 2013, an adjustment was booked to create an allowance for the Electricity segment’s inventory that is located in the warehouses of that segment’s projects under construction, which gave rise to an increase in “Other operating expenses” for the period and in the “Allowance for valuation of inventory”.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)(2) **Management of Service Agreements**

In 2013, a depreciation expense was booked in respect of the assets managed by MET (Machinery, Equipment, and Transport) for ¢3,147 as a result of a decrease in the execution of works pending development due to the nonparticipation of projects, i.e. for expenses not recoverable through rates.

(3) **Reventazón Hydroelectric Power Project**

In July 2012, a low pressure system caused intense rainfall that affected the basin of the Reventazón River, significantly increasing the river's water level in the area where the project's dam is constructed, and affecting the deviation works in the dam site that were either completed or under construction.

In 2012, related expenses incurred to repair such damage amount to ¢5,390.

(4) **El Diquís Hydroelectric Power Project (PHED)**

In 2012, ICE implemented mitigation and social compensation actions as a strategic rapprochement with the groups that could be affected during the construction of the works.

Accordingly, ICE disbursed the amounts of ¢1,209 and ¢364 to execute works related to community roads and infrastructure and for other community commitments, respectively. These works mainly involved improving the community infrastructure of populations located within the project's area of influence.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 37. Other expenses and other income**

Other expenses and other income are as follows:

Other income	For the year ended	
	2013	2012
<b>ICE:</b>		
Construction services (1)	¢ 33,713	48,758
Foreign exchange differences (2)	38,293	40,762
Interest and other finance income (3)	20,074	23,499
Other income (4)	13,185	20,662
<b>Subtotal ICE</b>	<b>105,265</b>	<b>133,681</b>
<b>CNFL:</b>		
Foreign exchange differences (2)	3,080	1,732
Finance income	237	286
Other income (4)	5,448	9,491
<b>Subtotal CNFL</b>	<b>8,765</b>	<b>11,509</b>
<b>RACSA:</b>		
Foreign exchange differences (2)	219	304
Interest and other finance income (3)	153	236
Other income (4)	642	718
<b>Subtotal RACSA</b>	<b>1,014</b>	<b>1,258</b>
<b>CRICRSA:</b>		
Interest and other finance income (3)	1	1
<b>Subtotal CRICRSA</b>	<b>1</b>	<b>1</b>
<b>Cable Visión:</b>		
Foreign exchange differences (2)	4	-
Interest and other finance income (3)	1	-
<b>Subtotal Cable Visión</b>	<b>5</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 115,050</b>	<b>146,449</b>
Other expenses	For the year ended	
	2013	2012
<b>ICE:</b>		
Interest and other finance expenses (5)	¢ 97,745	109,507
Agreements for civil and electromechanical works (1)	36,079	49,268
Foreign exchange differences (2)	4,679	7,492
Other expenses	349	2,330
<b>Subtotal ICE</b>	<b>138,852</b>	<b>168,597</b>
<b>CNFL:</b>		
Interest and other finance expenses	3,112	1,310
Foreign exchange differences (2)	2,713	911
Other expenses	3,045	2,431
<b>Subtotal CNFL</b>	<b>8,870</b>	<b>4,652</b>
<b>RACSA:</b>		
Interest and other finance expenses	7	1,261
Other expenses	86	86
<b>Subtotal RACSA</b>	<b>93</b>	<b>1,347</b>
<b>Cable Visión:</b>		
Interest and other finance expenses	14	-
Foreign exchange differences (2)	(2)	-
<b>Subtotal Cable Visión:</b>	<b>12</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 147,827</b>	<b>174,596</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*(In millions of colones)*

- (1) This item includes invoices for percentage of completion or completed works related to agreements subscribed for engineering, design, construction, or other specialized services provided to ICE by third parties for projects under construction, such as the Reventazón Hydroelectric Power Project and the Balsa Inferior Hydroelectric Power Project. The costs related to these construction agreements are booked under “Agreements for civil and electromechanical works”.
- (2) As of December 31, 2013, the exchange rate of ¢502.47 (2012: ¢509.23) to US\$1.00 was used to value monetary assets and liabilities in foreign currency.
- (3) Interest includes income on external sector securities and ICE-RACSA agreements.
- (4) In 2013, this item mainly includes the collection of compensation for noncompliance with agreements, fines for late payment of electricity services, leases and maintenance to power generation plants, administrative penalties, etc.
- (5) This item mainly presents expenses for fees and commissions derived from management of derivative financial instruments and the corresponding interest thereon as well as interest on debt.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 38. Tax regulations****Tax obligations**

ICE Group is subject to tax obligations governed by the Income Tax Law (Law No. 7092) and regulations thereto, the Regulations to the Income Tax Law and amendments thereto, the General Sales Tax Law (Law No. 6826) and amendments thereto, the Regulations to the General Sales Tax Law and amendments thereto, the General Customs Law and regulations and amendments thereto, the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8642), and the General Telecommunications Law (Law No. 8642).

**Income Tax**

As a for-profit entity that obtains income from its activities, ICE is subject to payment of income tax. Article 17 of Executive Order No. 449 to create ICE states that “ICE’s financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry.”

In addition, Law No. 7722 entitled “Government Institutions Subject to Payment of Income Tax” stipulates that “excess of income over expenses constitute taxable income and shall be calculated as gross income less costs, productive expenditures, and investment reserves or development funds that are necessary and relevant to production of that income.”

Given that ICE must reinvest the total net profit it obtains, no taxable income is produced and, therefore, it has no income tax liability. However, the Costa Rican Internal Revenue Service normally imposes income tax withholdings that are subsequently applied as a credit to the sales tax liability.

According to the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8660), ICE and its subsidiaries will be subject to payment of income and sales tax, excluding income tax on the delivery of traditional basic telephone services, when they begin to act as operators or providers of telecom and electricity services and products in competitive local markets. The other exemptions granted through Executive Order No. 449 of April 8, 1949 and any other exemptions granted by the legal system will remain in effect (see note 42).

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

ICE Group's subsidiaries are subject to payment of income tax pursuant to Law No. 7722, which specifically lists State-owned institutions subject to such tax. In accordance with an executive decree published in Official Gazette No. 185 dated September 23, 1999 and Law No. 7722, income or benefits generated by entities from services provided and their economic and financial activities are to be included, whether exempt or not, under the provisions of prior laws.

Only the costs, expenses, investment reserves, and development funds that are necessary and relevant to production of that income are deductible.

For the subsidiaries, income tax includes current tax. Income tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rate in effect at the cut-off date. As of December 31, 2013 and 2012, deferred tax in respect of temporary differences is adjusted in ICE Group's consolidated financial statements due to the alignment of the subsidiaries' accounting policies with those of ICE Group.

**General sales tax**

ICE Group also pays general sales tax pursuant to the General Sales Tax Law (Law No. 6826). This is a value-added tax on the sale of merchandise and certain services. For the sale of energy for residential electricity consumption, the tax rate is 5% on amounts consumed in excess of 250 kW per month versus 13% for commercial consumption and the provision of telecom services.

Because it is a value-added tax, ICE pays sales tax on the merchandise and services required to develop its economic activity. Pursuant to article 14 of the General Sales Tax Law, sales tax paid on merchandise and inputs that are used to produce energy and telecom services can be applied as a credit to the sales tax liability for the period.

As of December 31, 2013, two administrative proceedings are open related to notices of deficiency No. 27520000028443 and No. 2752000033081 issued against RACSA by the Large Taxpayer Division of the Finance Ministry in relation to the general sales tax on telecom services for the 2008 and 2009 tax periods, respectively. As of the date of this report, RACSA challenged the notices of deficiency with the Tax Administration. According to the opinion of the Legal Department, there is uncertainty as to whether a favorable ruling will be handed down (see note 41).

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Special quasi-fiscal tax paid by telecom operators and providers to FONATEL (General Telecommunications Law No. 8642)**

Article 39 of the General Telecommunications Law (Law No. 8642) creates a quasi-fiscal tax to finance the Fondo Nacional de Telecomunicaciones [National Telecommunications Fund] (FONATEL) to ensure compliance with the principles of universal access, universal service, and cooperation. Such quasi-fiscal tax is to be levied on gross income directly earned by operators of public telecom networks and providers of public telecom services who generate the taxable event by performing the aforementioned activities and receiving the specific benefit from State activities.

This tax is defined in an affidavit issued for periods of one calendar year. The affidavit must be filed by March 15 of each year and the tax is paid in four equal installments on the 15th day of March, June, September, and December of each year following the corresponding tax year-end.

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3% and the definition of the final rate will be based on SUTEL's estimates of the income and costs of the projects to be executed in the following budget year. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period will be used.

**Red Tax on Mobile and Conventional Telephony Services to Finance the Costa Rican Red Cross (Law No. 8690)**

This tax was created by Law No. 8690. The Red Tax corresponds to 1% of billings for telephone services starting at ¢5,000 in colones, not to exceed ¢500 in colones per telephone line. The tax will be adjusted in January of each year based on the national inflation rate determined by BCCR.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Tax in favor of the Firefighter Department of Costa Rica**

Law No. 8228, “Law of the Meritorious Firefighter Department of Costa Rica”, dated March 19, 2002 was amended through Law No. 8992, “Law for the Economic Strengthening of the Meritorious Firefighter Department of Costa Rica”, published in the Official Gazette on September 22, 2011. The latter Law amends articles 28 and 33 as well as article 40 of Law No. 8228 - “Financing of the Firefighter Department” and creates, as a additional source of revenue for the operations and sustained growth of the Costa Rican Firefighter Department, a tax equivalent to 1.75% (one point seventy-five per cent) of the monthly billings for electricity consumption of subscribers.

**Customs taxes**

According to customs legislation, the customs tax obligation consists of customs duties and internal charges, and must be paid in full in order for goods to clear customs. The tariff on imports (known by the Spanish acronym “DAI”) constitutes an ad valorem tax, which is set based on the established customs classification and coding system. Internal charges include the excise tax (rate based on the merchandise), the tax corresponding to Tax Law No. 6946 (1%), general sales tax (13%), and other specific taxes for the Agrarian Development Institute (IDA), the Institute for Municipal Development and Technical Assistance (IFAM), and the Golfito Duty Free Zone, among others. ICE must pay customs duties on imports based on the type of merchandise and specific exemptions in order for them to clear customs.

**Other obligations**

ICE Group is also an income tax withholding agent in accordance with the Income Tax Law. In this role, taxes are withheld from the taxpayer and ICE holds joint and several liability. Among its responsibilities as a withholding agent, ICE must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

- Wages, non-salary payments, compensation for personal services, and per diem allowances.
- Remittances or credits paid to non-domiciled individuals or entities for services such as transportation, communications, technical-financial advisory services, personal services, and other services, based on the rates and categories defined in articles 55 and 59 of the Income Tax Law.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Note 39. Financial risk management**

ICE Group is exposed to the following risks from financial instruments: credit risk (noncompliance by customers or counterparties), liquidity risk (inability to meet obligations due to lack of liquidity), and market risk (currency, interest rate, and commodity risks). All these risks have an impact on the management of ICE Group; however, each risk is handled individually. For example, in the case of ICE, credit risk is regulated through the investment committee and in each segment; liquidity risk is managed by controlling treasury's cash flows; and liquidity risk is hedged with financial derivatives. As a result, risk exposure is controlled through the committees described below.

ICE's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE's Electricity and Telecom segments. This is the body to which Financial Management delegates responsibility for defining investment policies and procedures. Therefore, this committee establishes the guidelines (restrictions) in respect of investment decisions, which include investment limits, currency, and risk levels for the portfolio composition.

The Investment Committee approves the Investment Strategy document (which is reviewed on a yearly basis) and the Management Limits document for ICE's investment portfolios (which is reviewed as determined by the Committee). It also has the Financial Investment Policy Manual and the procedure for making international investments, which seeks greater and better diversification of temporary investments.

The Institutional Risk Committee was created on August 26, 2011 with the support of General Management. The main purpose of such committee is to "enforce compliance at the Institutional level with the regulations in effect and continuously improve risk management." This committee started operations on October 4, 2011 and ICE's General Manager was appointed as the President thereof in December 2012. All ICE departments and risk-managing areas are represented in this committee, which currently holds an Institutional-level global risk map.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Also, the Institutional Policy for Financial Risk and Financial Hedging Management entered into force on April 12, 2011. The purpose of the policy is to “standardize the management of institutional financial risks by minimizing the exposure to system or market risks in respect of financial operations, through effective management of financial risks using market opportunities and available financial instruments, in accordance with the Financial Risk Hedging Strategy.”

Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and ICE’s activities.

ICE follows the policy of mitigating exposures to the extent possible by leveraging market opportunities, purchasing hedges that are aligned with its strategic objectives.

Each year, Financial Management develops a financial risk map for ICE together with other ICE departments and management of the subsidiaries and follows-up on action plans. ICE Group’s subsidiaries have designed and implemented a set of risk policies with the purpose of minimizing potential adverse effects on their financial performance.

**Credit risk:**

Credit risk represents the potential loss due to failure of a customer or counterparty to comply with the contractual terms of operations, mainly cash, cash equivalents, receivables, and investments.

In order to mitigate this risk, the risk ratings assigned to investments by rating agencies are monitored and tracked. Also, investment limits have been established for the portfolio by market (local and international), sector (public, other public sector, and private), instrument, issuer, and issue. ICE does not receive collateral guarantees for this risk.

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In the case of RACSA, credit risk involves the failure to apply control policies and measures to manage the level of credit granted to its customers, which may jeopardize income and generate high financial losses as a result of bad debt. Accordingly, RACSA applies customer quality controls through credit protectors and filters the portfolio of customers in arrears, developing customer profiles.

*Receivables*

Accounts receivable are controlled directly by the Electricity and Telecom segments. The procedure followed by each segment for recovering receivables is summarized below:

- In the Telecom segment, issue of the bill and collections procedure via messaging to remind the customer of the outstanding payment.
- Immediate suspension of electricity and telephone services after the bill's due date. The average collection periods for the Telecom and Electricity segments are 29 days and 31 days, respectively. Collection periods are determined by each segment (Collections Management Policy).
- Online collection process through contracts with external collection agents and banks, or internal collection through ICE's cashier windows.
- In the event that the balance outstanding is not recovered, the administrative collection process begins 35 days after the services have been suspended. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protector thereof so that the situation is included in the customer's credit history. For such purposes, ICE uses companies dedicated to collection or coordinating payment arrangements with customers to mitigate arrears.
- As a last resort, any residual past due accounts are processed by ICE's Legal Division and collection is pursued by legal action.

Section (d) "Current assets", item "Allowance for doubtful accounts" of note 3 "Significant accounting policies" explains in detail the accounting policy for booking the allowance and the administrative and legal collection processes.

*Investments*

In the case of credit or counterparty risk, the ratings given to ICE Group's investments are monitored and tracked based on the Investment Strategy and risk profile determined by the Investment Committee.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Financial risks are identified for all financial operations related to financial instruments, such as: short-, medium-, and long-term financing and all aspects of treasury management, including lines of credit, bank letters of credit, buying and selling of currency, investments, issue of securities, raw material purchases, etc.

Investment guidelines are approved by the Board of Directors and the Financial Investment Policy Manual is approved by General Management. That manual contains all regulations concerning issuers, instruments, and permitted sectors, as well as rules to be observed in respect of brokerage firms and custodians.

Currently, no limit has been established to operate financial derivatives in respect of credits.

Impairment losses

“Trade receivables” are aged as follows:

		<b>As of December 31,</b>	
		<b>2013</b>	<b>2012</b>
			<i>(Restated)*</i>
Current	¢	92,019	100,413
Administrative and legal collections		35,055	38,291
<b>Total ICE Group</b>	¢	<b>127,074</b>	<b>138,704</b>

\*See note 26.

Movement in the allowance for accounts receivable is as follows:

		<b>As of December 31,</b>	
		<b>2013</b>	<b>2012</b>
Opening balance	¢	35,616	37,066
Allowance booked during the period		(12,525)	(6,089)
Allowance used during the period		7,997	4,639
Adjustments		1,829	-
<b>Closing balance</b>	¢	<b>32,917</b>	<b>35,616</b>

**Liquidity risk:**

Liquidity risk refers to potential losses as a result of an early or forced sale of assets at unusual discounts that prevent ICE from meeting its obligations, or because a position cannot be sold, bought, or hedged by purchasing an equal but opposite position.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

*(In millions of colones)*

Actions have been taken in the Electricity and Telecom segments to obtain greater assurance with respect to projected payment of liabilities and more precise projections of income in order to control treasury cash flows. Such measures in the projection of liabilities and expenses, as well as in the income of both segments, permit monitoring and tracking cash flows or liquidity risk exposure, as well as an improved management of treasury operations related to the buying and selling of currency and access to short- and medium-term lines of credit, among others.

Financial Management prepares the medium- and long-term cash flow projections that are provided to banks and other external entities at their request.

Treasury Management involves making payments and managing debt and preparation of an annual cash flow projection with budget information. It also involves preparing a schedule of daily cash inflows and outflows to permit planning of resources needed for large expenditures. In addition to the budget, the Liquidity Management Process uses information generated by ICE's payment system and the divisions that manage large contracts.

Projections are made for external entities and Treasury management. External entities generally request 5- or 10-year projections. In the case of Treasury management, cash flows are prepared monthly and cash inflows and outflows are scheduled daily. Those projections are mainly used by banks and regulators and, at the internal level, by the Liquidity Management Process.

Liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Terms of payment for providers are approximately 30 days from the event generating the payment and submittal of the invoice. Also, in accordance with ICE's policy, payments are made weekly and all payments are made by bank transfer and payment orders are processed through ICE's Payment System.

Lines of credit are used to meet working capital needs, open letters of credit, or issue performance bonds. Limits are the amounts offered by the bank.

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Since the income from the sale of other services of the Reventazón Hydroelectric Power Project was not received in 2013, such income was decreased and, as an alternative solution, the income from financing through direct loans with financial public entities and private banks was increased. As result, in order to comply with this requirement and cover the shortfall in income, the Financial Operations Department decided to use disbursements from lines of credit for working capital as a bridge loan while the transaction that would provide the funds to correct the shortfall is completed.

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

**Market risk:**

Market risk is the risk that changes in market prices, e.g. foreign exchange rates, interest rates, or share prices, will affect ICE Group's income or the value of the financial instruments it holds. The objective of risk management is to manage and control exposures to keep this risk within reasonable parameters while simultaneously optimizing return.

ICE acquires derivative financial instruments to manage part of its existing market risks. All hedging operations are valued according to the price provided by the issuer of the instrument. Hedge accounting is used for qualifying instruments to mitigate volatility in the market prices of the financial instruments that have an effect on profit or loss.

Derivative financial instruments are traded with first tier banks with which confidentiality agreements and other documentation to trade derivatives have been subscribed. Based on the Risk Strategy, ICE has elected to specifically manage derivatives for existing liabilities.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
*(In millions of colones)*

The following risks have been identified in financial operations: variations in local and foreign interest rates and foreign exchange rates, which affect cash flows, the value of instruments, etc. The entity currently holds 8 derivative financial instruments: 3 to hedge interest rate risk, namely swaps; 1 to hedge against the yen/U.S. dollar fluctuations, known as a Cross Currency Swap; and 4 to hedge against the U.S. dollar/colon fluctuations, called Non-Deliverable Currency Swap.

In June 2012, as part of the cost and expense optimization process, ICE restructured the yen/U.S. dollar cross currency swap and entered into a credit-linked cross currency swap (yen/U.S. dollar), which contains a credit derivative linked to the Costa Rican sovereign risk. As a result, the interest rate agreed for the payment of the derivative decreased from 5.33% to 5.11%. Accordingly, in the case of a credit event (e.g. default) on the sovereign bonds of the Government of Costa Rica, the credit-linked cross currency swap (yen/U.S. dollar) is liquidated (Extinguisher agreement).

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The general features of positions exposed to market risk that are being hedged with derivatives are presented in the following table:

Detail	PR002 Tranche B	PR003 Tranche A	PR005 HSBC	PR004 Yen <sup>1/</sup>	PR015 U.S. dollar/Colon - 3	PR012 U.S. dollar/colon - 3	PR013 U.S. dollar/colon 7 years	PR014 U.S. dollar/colon - 3
Hedged debt	IDB-1931 B/OC-CR	IDB-1931 A/OC-CR	Project to Expand Submarine Communication Cable Capacity	JIBC-CR-P3	2043 bonds	IDB-1908	IDB-1908	2043 bonds
Principal amount	\$210	\$171	\$8	¥6,096	\$50	\$40	\$40	\$20
Amount hedged	\$210	\$171	\$8	\$67	¢25,000	¢20,132	¢20,132	¢10,005
Exchange rate	N/A	N/A	N/A	\$91	¢500	¢503.30	¢503.30	¢500.259
Contract date	8-May-08	27-Jan-09	4-Nov-10	18-Jun-12	14-Nov-13	29-Mar-11	29-Mar-11	22-Jul-13
Hedge inception date or first payment	15-Aug-08	14-Jan-10	8-Nov-11	20-Oct-10	14-Nov-13	28-Jul-11	2-May-11	15-Nov-13
Hedge maturity date	15-Feb-18	14-Jul-23	8-Nov-15	20-Apr-26	14-Nov-16	28-Jan-14	2-Nov-17	16-May-16
Term	10 years	15 years	5 years	14 years	3 years	3 years	7 years	3 years
Base rate	6M LIBOR	6M LIBOR	3M LIBOR	2.20%	6.38%	6M LIBOR	6M LIBOR	6M LIBOR
Spread over/under base rate	3.00%	3.23%	4.95%	5.11%	13.89%	2.85 bp	2.95 bp	-
Variable rate	-	-	0.24%	-	-	Base rate	Base rate	8.11%
Total fixed rate	4.37%	3.23%	5.90%	5.11%	13.89%	Base rate + 2.85 bp	Base rate +2.95 bp	8.11%
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Risk hedged	Interest rate Interest rate	Interest rate Interest rate	Interest rate	Yen/U.S. dollar exchange rate Cross currency	U.S. dollar/colon exchange rate Non-deliverable currency swap	U.S. dollar/colon exchange rate Non-deliverable currency swap	U.S. dollar/colon exchange rate Non-deliverable currency swap	U.S. dollar/colon exchange rate Non-delivery currency swap
Instrument	swap	swap	Interest rate swap	swap	currency swap	swap	swap	swap

1/ Extinguisher agreement applies.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

In the case of cash flow hedges, expected cash flows for the primary instrument and hedging derivative are presented below:

In millions of colones	Expected cash flows - derivatives	Less than 12	More than 12
		months	months
Forward Staring Swap	¢	3,162	1,138
Plain Vanilla Swap		5,425	2,815
Swap		25	12
Non-Deliverable Currency Swap - 3 years		5,819	3,883

  

In millions of colones	Expected cash flows - liabilities	Less than 12	More than 12
		months	months
IDB-1931A/OC-CR	¢	15,167	12,166
IDB-1931B/OC-CR		6,713	4,164
Banistmo S.A.		237	65
2043 bonds		472,479	456,463

**Capital management**

Article 17 of Executive Order No. 449 to create ICE states that “ICE’s financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry.”

The Government shall not receive any portion of that profit since ICE is not to be considered a productive source of revenue for the Costa Rican Internal Revenue Service. Instead, it is to use all means at its disposal to increase the production of electric energy as a basic industry of Costa Rica.

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

Capital management aims at ensuring that capital and financial investments have the highest returns by adequately balancing the debt level and the capital invested, reducing risk.

In 2013, ICE’s capital management remained unchanged and ICE was not subject to external capital requirements.

ICE’s adjusted debt/equity ratio at the consolidated balance sheet date is as follows:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Debt-equity ratio	As of December 31,	
	2013	2012 (Restated)*
<b>ICE Group</b>		
Total liabilities	¢ 2,424,550	2,209,811
(-) Cash and cash equivalents	(91,343)	(112,188)
Debt, net	2,333,207	2,097,623
Total equity	2,935,956	2,857,662
Less:		
Amounts accumulated in equity in respect of cash flow hedges	(10,944)	(17,481)
Adjusted equity	2,946,900	2,875,143
<b>ICE Group</b>	<b>0.793</b>	<b>0.730</b>

\* See note 26.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

Carrying amount of financial assets	As of December 31,	
	2013	2012 (Restated)*
Banks	¢ 10,126	8,397
Temporary investments	133,782	138,671
Valuation of investments	20	906
Long-term investments	47,727	36,626
Restricted funds	5,406	10,053
Notes and accounts receivable	195,681	201,348
<b>Total ICE Group</b>	<b>¢ 392,742</b>	<b>396,002</b>

\* See note 26.

The maximum exposure to credit risk in respect of notes and accounts receivable at the date of the consolidated balance sheet by geographic region is as follows:

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Geographic region	As of December 31,	
	2013	2012 (Restated)*
Costa Rica	¢ 189,345	190,747
Other countries	6,336	10,601
<b>Total ICE Group</b>	<b>¢ 195,681</b>	<b>201,348</b>

\* See note 26.

The maximum exposure to credit risk in respect of notes and accounts receivable at the date of the consolidated balance sheet by type of counterparty is as follows:

Type of counterparty	As of December 31,	
	2013	2012 (Restated)*
Private individuals or companies	¢ 98,896	122,080
Toro 3 Hydroelectric Project	179	3,214
Wind Power Project - Central Valley	-	1,788
High-, medium-, and low-voltage customers	19,901	23,315
Telephone administrations	2,108	10,234
Distribution companies	8,448	9,845
Government	10,999	13,208
Sale of terminals	269	243
National Insurance Institute (INS) compensation - Cote Plant	-	2,036
Operators and service providers	5,790	9,807
Street lighting system	904	473
Other	46,871	5,557
<b>Total ICE Group</b>	<b>¢ 194,365</b>	<b>201,800</b>

\* See note 26.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Risk ratings for ICE reported as of December 31, 2013 are as follows:

Issuer	Entry No./ISIN	Instrument	Risk rating
<b>ICE</b>			
Banco BAC San José, S.A.	00BSJ00C26U5	Term certificate of deposit (global bond)	SCR1
Banco BAC San José, S.A.	00BSJ00C36U4	Term certificate of deposit (global bond)	SCR1
Banco BAC San José, S.A.	00BSJ00C38U0	Term certificate of deposit (global bond)	SCR1
Banco BAC San José, S.A.	00BSJ00C80U2	Term certificate of deposit (global bond)	SCR1
Banco BAC San José, S.A.	CRBSJ00B1608	BSJ bond	SCR AAA
Banco BAC San José, S.A.	CRBSJ00B1640	BSJ bond	SCR AAA
Banco BANSOL Banco de Soluciones	00BASOLC27V6	Term certificate of deposit (global bond)	SCR2
Banco BCT	CRBCT00B0143	Bond	SCR AAA
Central Bank of Costa Rica	CRBCCR0B3371	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B3553	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B3827	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B4080	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B4353	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B4361	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0C3990	Zero-coupon Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0C4006	Zero-coupon Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0C4162	Zero-coupon Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0C4170	Zero-coupon Monetary Stabilization Bond	BB
Banco CITIBANK (CMB COSTA RICA)	00CITIBC40C1	Term certificate of deposit (over the counter)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBC41C9	Term certificate of deposit (over the counter)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C1718	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C22H0	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C70H9	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C72H5	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C80H8	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1181	Bond	AA(cri)+
Banco Crédito Agrícola de Cartago	CRBCAC0C1222	Bond	F1+ (cri)
Banco de Costa Rica	00BCR00CHH34	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CHK96	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CHL12	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CIA48	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CIA89	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00378	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00379	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00380	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00381	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00382	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00383	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	0NR0ICE00384	Term certificate of deposit	F1+ (cri)
Banco de Costa Rica	CRBCR00C3288	Commercial paper	F1+ (cri)
Banco Hipotecario de la Vivienda (BANHVI)	0NR0ICE00292	Term certificate of deposit (over the counter)	F1+ (cri)
Banco Hipotecario de la Vivienda (BANHVI)	CRBANVIB0037	BANHVI bond	F1+ (cri)
Banco Improsa	00BIMPRC7309	Term certificate of deposit (global bond)	SCR1
BICSA - Miami branch	0NR0ICE00046	Overnight deposit	AA -
BICSA - Miami branch	0NR0ICE00049	Term certificate of deposit (over the counter)	AA -
BICSA - Miami branch	0NR0ICE00051	Overnight deposit	AA -
BICSA - Miami branch	0NR0ICE00052	Overnight deposit (CLIPP)	AA -
BICSA - Miami branch	0NR0ICE00280	Overnight deposit Cachí	AA -
BICSA - Miami branch	0NR0ICE00358	Overnight deposit IDB 2747	AA -
BICSA - Miami branch	0NR0ICE00375	Overnight deposit CABEI 2109 - Reventazón Hydroelectric Power Plant	AA-

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Banco Nacional de Costa Rica	00BNCR0C20N0	Term certificate of deposit (global bond)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCR0C21N8	Term certificate of deposit (global bond)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCR0C40M0	Term certificate of deposit (global bond)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCR0C69M9	Term certificate of deposit (global bond)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCR0C97K4	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0491	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0855	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0954	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0P19	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0P175	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0P233	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0P332	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0P571	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0Q124	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0Q223	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0Q496	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0Q793	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0Q850	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0R049	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C0R148	Term certificate of deposit (global bond)	F1+ (cri)
Banco Popular y de Desarrollo Comunal (BPDC)	CRBPDC0B6806	Repurchase operation	F1+ (cri)
Banco Promérica	CRBPROMB1144	Promérica bond	SCR AA +
Banco Promérica	CRBPROMB1169	Promérica bond	SCR AA +
CNFL	CRCFLUZB0207	CNFL bond	AAA (cri)
Florida ICE & Farm Co., S.A. (FIFCO)	CRFIFCOB0972	FIFCO bond	SCR AAA
Florida ICE & Farm Co., S.A. (FIFCO)	CRFIFCOB0998	FIFCO bond	SCR AAA
Government	CRG0000B14H6	Central bank bond	BB
Government	CRG0000B55G1	Central bank bond	BB
Government	CRG0000B55G1	Central bank bond	BB
Government	CRG0000B59G3	Repurchase operation	BB
Government	CRG0000B59G3	Central bank bond	BB
Government	CRG0000B60G1	Central bank bond	BB
Government	CRG0000B62G7	Central bank bond	BB
Government	CRG0000B63G5	Central bank bond	BB
Government	CRG0000B63G5	Central bank bond	BB
Government	CRG0000B64G3	Central bank bond	BB
Government	CRG0000B72G6	Central bank bond	BB
Government	CRG0000B81G7	Central bank bond	BB
Government	CRG0000B89G0	Central bank bond	BB
Government	CRG0000B92G4	Central bank bond	BB
Government	CRG0000B97G3	Central bank bond	BB
Government	CRG0000C04H5	Zero-coupon Central Bank global bond	BB
Government	CRG0000C04H5	Zero-coupon Central Bank global bond	BB
Government	CRG0000C05H2	Zero-coupon Central Bank global bond	BB
Government	CRG0000C06H0	Zero-coupon Central Bank global bond	BB
Government	CRG0000C98G9	Zero-coupon Central Bank global bond	BB
Government	USP3699PAA59	External debt bond - Costa Rica	BB
Government	USP3699PEM51	External debt bond - Costa Rica	BB
Government	USP3699PEM51	External debt bond - Costa Rica	BB
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo (MADAP)	00MADAPCG466	Mortgage Participation Certificate	F1+ (cri)
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo (MADAP)	00MADAPCI140	Mortgage Participation Certificate	F1+ (cri)
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo (MADAP)	CRMADAPB2277	MADAP bond	SCR AA +
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo (MADAP)	CRMADAPB2368	MADAP bond	F1+ (cri)
HSBC	CRBHSBCB0118	HSBC bond	AAA (cri)+
Industria Nacional de Cemento (INC)	CRINC00B0126	INC (HOLCIM) bond	AAA (cri)
La Nación, S.A.	CRNACIOB0142	La Nación, S.A. bond	SCR AAA

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Mutual Cartago de Ahorro y Préstamo (MUCAP)	00MUCAPC4662	Mortgage Participation Certificate	F1+ (cri)
Mutual Cartago de Ahorro y Préstamo (MUCAP)	00MUCAPC4829	Mortgage Participation Certificate	F1+ (cri)
Costa Rican Oil Refinery (RECOPE)	CRRECOPB0012	RECOPE standardized bonds	AAA (cri)
Costa Rican Oil Refinery (RECOPE)	CRRECOPB0020	RECOPE standardized bonds	AAA (cri)
SAFI BAC San José	SAJCPcFI	BAC San José Liquidez Colones [BAC San José liquidity in colones]; non-diversified	SCR AAF 2
SAFI Banco de Costa Rica	BCRLJcFI	BCR Corto Plazo Colones -No diversificado [BCR short-term mixed in colones]; non-diversified	SCR AAF 2+
SAFI Banco de Costa Rica	BCRMXcFI	BCR MIXTO Corto Plazo Colones -No diversificado [BCR Short-term mixed in colones]; non-diversified	SCR AAF 3
SAFI Banco de Costa Rica	FI-00000022	BCR Liquidez Dólares -No diversificado [BCR short-term mixed in colones]; non-diversified	SCR AAF 2 +
SAFI Banco de Costa Rica	FI-00000022	F.I BCR Liquidez Dólares [BCR liquidity in U.S. dollars]	SCR AAF 2+
SAFI Banco Popular y de Desarrollo Comunal	FI-00000006	Popular Mercado de Dinero Colones -No diversificado [Popular money market in colones]; non-diversified	SCR AAF 2
FGA	0NR0ICE00371	Repurchase operation	F1+ (cri)
Banco Cathay de Costa Rica S.A.	CRCATAYC0026	Commercial paper	SCR2-
Garabito Thermal Plant Trust	CRFPTG0B0021	Repurchase operation	F1+ (cri)
<b>CNFL</b>			
Banco Nacional de Costa Rica		Term certificate of deposit - Dematerialized	F1+ (cri)
<b>CRICSA</b>			
SAFI Banco Nacional de Costa Rica		BN Dinerfondo Colones -No Diversificado [BN Dinerfondo" in colones]; non-diversified	scrAA+f2

Estimation of potential losses:

Pursuant to international standards, a risk rating and write-off percentage is assigned to each investment based on the maturity of the instrument, as follows:

Category	International rating		Local rating	
	Long term	Short term*	Long term**	Short term
1	AAA & AA	F1, A-1 & P-1		
2	A & BBB	F2, A-2 & P-2		
3	BB	F3 & P-3 B, A-3 &	Scr-AAA & AAA(cri) Scr-A & A(cri)	Scr-1 & F1(cri)
4	B	Not prime***	scr-BBB & BBB(cri)	Scr-2 & F2(cri)

\*Fitch Ratings S.A., Standard and Poor's, and Moody's, respectively

\*\*Sociedad calificador de riesgo (SCR) and Fitch Ratings S.A., respectively

\*\*\*N-P or "Not prime": Not rated in any of the aforementioned categories.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Category	Maturity	Sovereign risk*	Corporate and financial institutions**
1	Less than or equal to 360 days	0.00%	0.01%
	Less than or equal to 1800 but more than 360 days	0.00%	0.38%
	More than 1800 days	0.00%	0.81%
2	Less than or equal to 360 days	0.00%	0.17%
	Less than or equal to 1800 but more than 360 days	1.84%	1.56%
	More than 1800 days	2.81%	3.53%
3	Less than or equal to 360 days	0.34%	0.48%
	Less than or equal to 1800 but more than 360 days	2.90%	4.52%
	More than 1800 days	6.14%	8.27%
4	Less than or equal to 360 days	0.95%	2.35%
	Less than or equal to 1800 but more than 360 days	6.09%	10.88%
	More than 1800 days	14.04%	14.97%

\*Sovereign risk percentages are applied to issues by the public sector.

\*\*Corporate and financial institution percentages are applied to issues by the private sector.

In the case of Central Bank, Government, and Finance Ministry investments, a 5% write-off is applied; for investments without risk rating, the issuer's rating is used; in the event that the issuer does not have a rating either, a 150% write-off is applied. The final result corresponds to the "potential loss".

**Exposure to liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Liabilities	Carrying amount	Expected cash flows	12 months or less	1 to 2 years	2 to 5 years	More than 5 years
<b>Long-term liabilities</b>						
Securities payable	¢ 1,036,692	1,036,692	1,050	35,795	452,603	547,244
Loans payable	622,199	622,199	79,322	134,739	218,279	189,859
Accounts payable	27,168	27,168	18,059	6,879	2,230	-
<b>Total long-term liabilities</b>	<b>1,686,059</b>	<b>1,686,059</b>	<b>98,431</b>	<b>177,413</b>	<b>673,112</b>	<b>737,103</b>
<b>Current liabilities</b>						
Securities payable	30,148	30,148	30,148	-	-	-
Loans payable	182,116	182,116	182,116	-	-	-
Accounts payable	142,135	142,135	142,135	-	-	-
<b>Total short-term liabilities</b>	<b>354,399</b>	<b>354,399</b>	<b>354,399</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total ICE Group</b>	<b>¢ 2,040,458</b>	<b>2,040,458</b>	<b>452,830</b>	<b>177,413</b>	<b>673,112</b>	<b>737,103</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

The table below presents the periods in which cash flows related to derivative financial instruments are generated. The calculation of expected cash flows includes the projected estimated cash flows for each derivative instrument.

In millions of colones	Carrying amount	Expected cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Cross currency swap							
Liabilities	¢ (5,545)	11,339	874	830	1,569	3,881	4,184
Swap							
Liabilities	(28)	25	7	6	9	3	-
Forward Staring Swap							
Liabilities	(4,363)	3,162	1,074	951	1,408	707	(978)
Plain Vanilla Swap							
Liabilities	(5,977)	5,425	1,441	1,169	1,684	1,131	-
Non-Deliverable Currency Swap - 3 years							
Liabilities	(871)	915	915	-	-	-	-
Non-Deliverable Currency Swap - 7 years							
Liabilities	(1,049)	7,555	1,067	1,061	2,007	3,420	-
Non-Deliverable Currency Swap - 3 years							
Liabilities	(612)	5,819	954	983	1,936	1,946	-
Non-Deliverable Currency Swap - 3 years							
Liabilities	(314)	1,810	394	385	713	318	-

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

A detail of lines of credit acquired with financial institutions and used for working capital during the year ended December 31, 2013 is presented below:

General features of lines of credit				Disbursement conditions					
Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed (in millions of U.S. dollars, as indicated)
Citibank	Working capital and opening and refinancing of letters of credit	US\$	1M LIBOR + 1,35% = 1,5497%	50	17-Apr-13	17-May-13	17-May-13	-	12
		US\$	1M LIBOR + 1,33% = 1,5292%		24-Apr-13	24-May-13	24-May-13	-	3
		US\$	1M LIBOR + 2,10% = 2,26735%		13-Dec-13	30-Dec-13	-	30-Dec-13	14
		US\$	2M LIBOR + 2,10% = 2,3128%		30-Dec-13**	13-Feb-14	-	-	14
Scotiabank	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	9,35% fixed	60	14-Dec-12*	14-Mar-13*	-	14-Mar-13	7,500
		Colones	7,65% fixed		14-Mar-13*	12-Jun-13 *	12-Jun-13	-	7,500
		US\$	3M LIBOR + 1,48% = 1,789%		19-Dec-12*	19-Mar-13*	-	19-Mar-13	20
		US\$	3M LIBOR + 1,48% = 1,76%		19-Mar-13	17-Jun-13	17-Jun-13	-	20
		US\$	1M LIBOR + 1,29% = 1,4882%		8-May-13	7-Jun-13	7-Jun-13	-	3
		US\$	3M LIBOR + 1,25% = 1,5231%		3-Jul-13	24-Sep-13	24-Sep-13	-	11
		US\$	2M LIBOR + 1,13% = 1,35889%		29-Jul-13	30-Sep-13	30-Sep-13	-	8
		US\$	2M LIBOR + 1,05% = 1,2682%		27-Sep-13	26-Nov-13	26-Sep-13	-	3
		US\$	1M LIBOR + 0,93% = 1,0985%		11-Jul-13	16-Dec-13	-	-	11
		US\$	1M LIBOR + 0,93% = 1,0985%		8-Nov-13	23-Dec-13	-	-	20
		US\$	1M LIBOR + 1,13% = 1,2985%		13-Dec-13	30-Dec-13	-	30-Dec-13	5
		US\$	1,295% fixed		30-Dec-13**	13-Feb-14	-	-	5
		US\$	1,2973% fixed		27-Dec-13**	13-Feb-14	-	-	31
		Bladex	Opening and refinancing of letters of credit and working capital		US\$	6M LIBOR + 1,55% = 2,0156%	100	14-Feb-13	13-Aug-13
US\$	3M LIBOR + 1,48% = 1,76660%			28-Feb-13	29-May-13	29-May-13		-	25
US\$	3M LIBOR + 1,48% = 1,7601%			18-Mar-13	17-Jun-13	17-Jun-13		-	13
US\$	1M LIBOR + 1,30% = 1,4992%			24-Apr-13	24-May-13	24-May-13		-	9
US\$	1M LIBOR + 1,30% = 1,4982%			30-Apr-13	30-May-13	30-May-13		-	16
US\$	1M LIBOR + 1,30% = 1,4982%			8-May-13	7-Jun-13	7-Jun-13		-	7
US\$	1M LIBOR + 1,30% = 1,4982%			10-May-13	10-Jun-13	10-Jun-13		-	12
US\$	3M LIBOR + 1,20% = 1,46760%			18-Jul-13	30-Sep-13	30-Jun-13		-	8
US\$	3M LIBOR + 0,95% = 1,2164%			12-Aug-13	12-Nov-13	12-Nov-13		-	48
US\$	1M LIBOR + 0,95% = 1,1185%			8-Nov-13	27-Dec-13	-		27-Dec-13	13
US\$	1M LIBOR + 0,95% = 1,1185%			13-Nov-13	27-Dec-13	-		27-Dec-13	10
US\$	1,1185% fixed			27-Dec-13**	10-Feb-14	-		-	23
US\$	1M LIBOR + 1,00% = 1,1670%			25-Nov-13	30-Dec-13	-		30-Dec-13	38
US\$	1M LIBOR + 1,00% = 1,1675%			6-Dec-13	30-Dec-13	-		30-Dec-13	32
US\$	1M LIBOR + 1,00% = 1,1675%	13-Dec-13	30-Dec-13	-	30-Dec-13	7			
US\$	1,1675% fixed	30-Dec-13**	13-Feb-14	-	-	77			
Global Bank	Working capital	US\$	1,25% fixed	20	13-Dec-13	30-Dec-13	-	30-Dec-13	10
		US\$	1,75% fixed		30-Dec-13**	13-Feb-14	-	-	10
Mercantil Commercebank	Working capital and opening and financing of letters of credit	US\$	3M LIBOR + 1,50% = 1,8090%	30	19-Dec-12*	19-Mar-13 *	19-Mar-13	-	13
		US\$	6M LIBOR +1,53% = 1,9959%		14-Feb-13	13-Aug-13	13-Aug-13	-	17
		US\$	1M LIBOR + 1,34% = 1,5397%		17-Apr-13	17-May-13	17-May-13	-	13
		US\$	2M LIBOR + 1,05% = 1,27789%		6-Aug-13	30-Sep-13	30-Sep-13	-	10
		US\$	2M LIBOR + 1,00% = 1,2180%		27-Sep-13	26-Nov-13	26-Nov-13	-	20
		US\$	2M LIBOR + 1,00% = 1,2145%		18-Oct-13	16-Dec-13	-	-	5
		US\$	1,10% fixed		8-Nov-13	27-Dec-13	-	27-Dec-13	5
		US\$	1,14% fixed		27-Dec-13**	10-Feb-14	-	-	5
US\$	1,125% fixed	9-Dec-13	30-Dec-13	-	30-Dec-13	20			
US\$	1,14% fixed	30-Dec-13**	13-Feb-14	-	-	20			

**Note 1:** \* Corresponds to disbursements made in 2012, transferred from one budget year to another since they were used as a "bridge loan" while the long-term funds were obtained.

**Note: 2** \*\*Corresponds to disbursements made in 2013, transferred from one budget year to another, since they were used as a "bridge loan" while the long-term loans were obtained.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Lines of credit as of December 31, 2012:

General features of lines of credit				Disbursement conditions					
Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed
Citibank	Working capital and opening and refinancing of letters of credit	US\$	1M LIBOR + 2,25% = 2,60645%	50	27-Dec-11	27-Jan-12	-	27-Jan-12	20
		US\$	3M LIBOR + 2,40% = 3,01360%		28-Jan-12	26-Apr-12	-	26-Apr-12	20
		US\$	2M LIBOR + 2,40% = 2,74675%		26-Apr-12	25-Jun-12	-	25-Jun-12	20
		US\$	1M LIBOR + 2,40% = 2,64525%		25-Jun-12	29-Jun-12	29-Jun-12	-	20
		US\$	1M LIBOR + 2,50% = 2,78675%		05-Jul-12	20-Jul-12	20-Jul-12	-	20
Scotiabank	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate = 7,75% (colones)	50	09-Dec-11	09-Jan-12	09-Jan-12	-	5,000
		Colones	Base deposit rate + 1,75% = 9,75% (colones)		10-Jan-12	09-May-12	09-May-12	-	5,000
		Colones	Base deposit rate + 1,50% = 11,25% (colones)		10-May-12	29-Jun-12	29-Jun-12	-	5,000
		US\$	1M LIBOR + 1,48% = 1,75%		08-Dec-11	09-Jan-12	-	9-Jan-12	10
		US\$	4M LIBOR + 1,8915% = 2,55%		10-Jan-12	09-May-12	-	9-May-12	10
		US\$	2M LIBOR + 3,15428% = 3,50%		09-May-12	29-Jun-12	29-Jun-12	-	10
		US\$	6M LIBOR + 2,5676% = 3,30%		18-Apr-12	18-Oct-12	18-Oct-12	-	3
		US\$	1M LIBOR + 2,4742% = 2,72%		05-Jul-12	20-Jul-12	20-Jul-12	-	6
		US\$	1M LIBOR + 2,4742% = 2,72%		05-Jul-12	20-Jul-12	20-Jul-12	-	7
		Colones	Base deposit rate + 0,25% = 10,00%		05-Jul-12	20-Jul-12	20-Jul-12	-	3,300
		US\$	1M LIBOR + 1,95480% = 2,20%		01-Aug-12	03-Sep-12	-	3-Sep-12	15
		US\$	1M LIBOR + 1,7695% = 2,00%		03-Sep-12	03-Oct-12	03-Oct-12	-	15
		US\$	2M LIBOR + 1,79% = 2,14%		07-Aug-12	08-Oct-12	08-Oct-12	-	5
		US\$	2M LIBOR + 1,77525% = 2,11%		13-Aug-12	27-Sep-12	27-Sep-12	-	5
		Colones	9,35% fixed		14-Dec-12	14-Mar-13	-	-	7,500
US\$	3M LIBOR + 1,48% = 1,789%	19-Dec-12	19-Mar-13	-	-	20			
BNP PARIBAS	Opening and refinancing of letters of credit and working capital	US\$	6M LIBOR + 2,45% = 3,2081%	30	14-Feb-12	14-Aug-12	14-Aug-12	-	10
BLADEX	Opening and refinancing of letters of credit and working capital	US\$	6M LIBOR + 2,65% = 3,2866%	65	9-Nov-11	07-May-12	07-May-12	-	6
		US\$	2M LIBOR + 2,25% = 2,59575%		08-May-12	06-Jul-12	06-Jul-12	-	6
		US\$	1M LIBOR + 2,50% = 2,7741%		12-Aug-11	09-Jan-12	09-Jan-12	-	10
		US\$	4M LIBOR + 2,65% = 3,31%		10-Jan-12	09-May-12	09-May-12	-	15
		US\$	2M LIBOR + 2,25% = 2,59575%		10-May-12	29-Jun-12	29/06/2012	-	15
		US\$	4M LIBOR + 2,65% = 3,31%		10-Jan-12	09-May-12	09-May-12	-	15
		US\$	2M LIBOR + 2,25% = 2,59575%		10-May-12	09-Jul-12	09-Jul-12	-	15
		US\$	6M LIBOR + 2,45% = 3,2081%		14-Feb-12	14-Aug-12	14-Aug-12	-	20
		US\$	6M LIBOR + 2,45% = 3,2081%		27-Feb-12	24-Aug-12	24-Aug-12	-	9
US\$	1M LIBOR + 1,50% = 1,7305%	04-Sep-12	04-Oct-12	04-Oct-12	-	15			

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

General features of lines of credit				Disbursement conditions					
Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed
Banco de San José (BAC)	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate + 0,75% = 8,25% (colones)	10	07-Dec-11	09-Jan-12	-	10-Jan-12	3,300
		Colones	Base deposit rate + 1,70% = 9,70% (colones)		10-Jan-12	09-May-12	09-May-12	-	3,300
		Colones	11,25% fixed (colones)		10-May-12	29-Jun-12	29-Jun-12	-	3,300
Hong Kong Shanghai Bank Corp (HSBC)	Working capital and issue of performance bonds	US\$	3,00% fixed	60	29-Nov-11	25-May-12	-	25-May-12	24
		US\$	3,35% fixed		25-May-12	25-Jun-12	25-Jun-12	-	24
		US\$	3,15% fixed		27-Dec-11	23-Mar-12	23-Mar-12	-	5
		US\$	2,70% fixed		23-Mar-12	22-May-12	22-May-12	-	5
		US\$	3,35% fixed		23-May-12	25-Jun-12	25-Jun-12	-	5
		US\$	3,25% fixed		08-May-12	08-Jun-12	08-Jun-12	-	4
Global Bank	Working capital	US\$	2,65% fixed	20	05-Jul-12	20-Jul-12	20-Jul-12	-	9
		US\$	1M LIBOR + 1,50% = 1,7741%		12-Jul-11	09-Jan-12	09-Jan-12	-	10
		US\$	3M LIBOR + 2,50% = 3,0825%		10-Jan-12	09-Apr-12	09-Apr-12	-	10
		US\$	2M LIBOR + 2,75% = 3,09605%		19-Apr-12	18-Jun-12	18-Jun-12	-	10
Mercantil Commercebanc	Working capital and opening and refinancing of letters of credit	US\$	1M LIBOR + 2,50% = 2,74575%	30	05-Jul-12	20-Jul-12	20-Jul-12	-	10
		US\$	5M LIBOR + 1,20% = 1,81611%		21-Nov-11	19-Apr-12	19-Apr-12	-	10
		US\$	6M LIBOR + 1,25% = 1,9689%		28-Nov-11	25-May-12	25-May-12	-	20
		US\$	1M LIBOR + 1,30% = 1,53875%		29-May-12	28-Jun-12	28-Jun-12	-	20
		US\$	3M LIBOR + 1,25% = 1,71565%		24-Apr-12	29-Jun-12	29-Jun-12	-	10
		US\$	2M LIBOR + 1,77525% = 2,11%		13-Aug-12	10-Dec-12	26-Sep-12	-	30
Banco Aliado (Panama)	Working capital and opening and refinancing of letters of credit	US\$	3M LIBOR + 1,50% = 1,8090%	10	19-Dec-12	19-Mar-13	-	-	13
		US\$	4M LIBOR + 2,50% = 3,16%		10-Jan-12	09-May-12	09-May-12	-	5
		US\$	3,16% fixed		10-May-12	29-Jun-12	29-Jun-12	-	5
		US\$	6M LIBOR + 2,45% = 3,2081%		14-Feb-12	29-Jun-12	29-Jun-12	-	5
		US\$	1M LIBOR + 1,75% = 1,99575%		05-Jul-12	20-Jul-12	20-Jul-12	-	10
US\$	1M LIBOR + 1,75% = 1,9875%	23-Aug-12	24-Sep-12	24-Sep-12	-	10			

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Market risk****Exposure to currency risk**

As of December 31, 2013, ICE Group's exposure to foreign currency risk is as follows:

Assets	Balances in foreign currency as of December 31,					
	U.S. dollars		Yens		Euros	
	2013	2012	2013	2012	2013	2012
<b>ICE</b>						
Materials in transit for investment	96	150	7	133	83	90
Long-term investments	3	2	-	-	-	-
Notes receivable	37	43	3	-	1	-
Banks and temporary investments	108	108	-	-	-	-
Restricted funds	2	2	-	-	-	-
Receivables for services rendered	13	24	-	-	-	-
Non-trade receivables	2	7	-	-	-	-
Securities received as guaranty deposits	1	1	-	-	-	-
Materials in transit for operations	32	22	-	-	-	-
<b>Total ICE</b>	<b>294</b>	<b>359</b>	<b>10</b>	<b>133</b>	<b>84</b>	<b>90</b>
<b>CNFL</b>						
Banks and temporary investments	33	18	-	-	-	-
Notes and accounts receivable	3	8	-	-	-	-
Guarantees for environmental commitments	-	2	-	-	-	-
<b>Total CNFL</b>	<b>36</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RACSA</b>						
Banks and temporary investments	1	1	-	-	-	-
Accounts receivable	1	2	-	-	-	-
<b>Total RACSA</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cable Visión</b>						
Banks and temporary investments	992	-	-	-	-	-
<b>Total CABLE VISIÓN</b>	<b>992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total ICE Group</b>	<b>1,324</b>	<b>389</b>	<b>10</b>	<b>133</b>	<b>84</b>	<b>90</b>
<b>Liabilities</b>						
<b>ICE</b>						
Securities payable	1,734	1,234	-	-	-	-
Long- and short-term loans payable	885	1,148	12,824	13,328	0	-
Obligations derived from credit	2	8	-	-	-	-
Guaranty deposits	1	1	-	-	-	-
Accounts payable	127	70	5	(11)	60	76
Accrued finance expenses	47	30	-	-	-	-
Prepaid income	-	-	-	-	-	-
Deposits from individuals and private companies	2	2	-	-	-	-
Provisions	1	1	-	-	-	-
Valuation of derivative financial instruments	47	44	-	-	-	-
<b>Total ICE</b>	<b>2,846</b>	<b>2,538</b>	<b>12,829</b>	<b>13,317</b>	<b>60</b>	<b>76</b>
<b>Excess of assets over liabilities</b>					<b>24</b>	<b>14</b>
<b>Excess of liabilities over assets</b>	<b>2,552</b>	<b>2,179</b>	<b>12,819</b>	<b>13,184</b>		
<b>CNFL</b>						
Long- and short-term loans payable	143	76	-	-	-	-
Accrued finance expenses	1	0	-	-	-	-
<b>Total liabilities by currency</b>	<b>144</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of liabilities over assets</b>	<b>108</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RACSA</b>						
Long- and short-term loans payable	39	35	-	-	-	-
Guaranty deposits	1	1	-	-	-	-
Accounts payable	2	3	-	-	-	-
Accrued finance expenses	1	-	-	-	-	-
<b>Total liabilities by currency</b>	<b>43</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of liabilities over assets</b>	<b>41</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cable Visión</b>						
Accounts payable	1,725	-	-	-	-	-
<b>Total Cable Visión</b>	<b>1,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total ICE Group</b>	<b>4,758</b>	<b>2,653</b>	<b>12,829</b>	<b>13,317</b>	<b>60</b>	<b>76</b>
<b>Excess of liabilities over assets - ICE Group</b>	<b>3,434</b>	<b>2,263</b>	<b>12,819</b>	<b>13,184</b>	<b>(24)</b>	<b>(14)</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Items in U.S. dollars were updated using the sell exchange for the colón with respect to the U.S. dollar established by the Central Bank of Costa Rica for operations with the non-banking public sector. As of December 31, 2013, such foreign exchange rate was ¢502.47 (2012: ¢509.23).

The main exchange rates used are as follows:

<b>Currency</b>	<b>Exchange rate with U.S. dollar</b>	
	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
Swedish krona	6.44	6.50
Pound sterling	1.66	1.61
Swiss franc	0.89	0.91
Euro	1.37	1.32
Colon	502.47	509.23
Japanese yen	105.31	86.06

In the case of currency operations, ICE Group adheres to the provisions of Law No. 7558, “Internal Regulations of the Central Bank of Costa Rica”, of November 27, 1995. Article 89 of that law states that “Non-banking public sector institutions shall execute their currency buy and sell transactions through the Central Bank of Costa Rica or State-owned commercial banks.”

(Continued)



## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Sensitivity analysis**

The table below shows the sensitivity as of December 31, 2013 to an increase or decrease in the foreign exchange rate. ICE Group applies a sensitivity index of 10%, which represents its best estimate of foreign exchange rate variations.

**U.S. dollars***Sensitivity to an increase in the exchange rate:*

Net position in U.S. dollars (expressed in colones) at the closing exchange rate	¢	1,725,369,216,688
Net position in U.S. dollars	US\$	3,433,775,582
Increase of 10% in exchange rate	US\$	3,121,614,165
Loss	¢	<u>(156,851,746,972)</u>

*Sensitivity to a decrease in the exchange rate:*

Net position in U.S. dollars (expressed in colones) at the closing exchange rate	¢	1,725,369,216,688
Net position in U.S. dollars	US\$	3,433,775,582
Decrease of 10% in exchange rate	US\$	3,121,614,165
Gain	¢	<u>156,851,746,972</u>

**Yen***Sensitivity to an increase in the exchange rate:*

Net position in yen (expressed in colones) at the closing exchange rate	¢	61,163,829,931
Net position in yen (expressed in U.S. dollars) at the closing exchange rate	US\$	121,726,332
Increase of 10% in exchange rate	US\$	110,660,302
Loss	¢	<u>(5,560,348,176)</u>

*Sensitivity to a decrease in the exchange rate:*

Net position in yen (expressed in colones) at the closing exchange rate	¢	61,163,829,931
Net position in yen (expressed in U.S. dollars) at the closing exchange rate	US\$	121,726,332
Decrease of 10% in exchange rate	US\$	110,660,302
Gain	¢	<u>5,560,348,176</u>

**Euros***Sensitivity to an increase in the exchange rate:*

Net position in euros (expressed in colones) at the closing exchange rate	¢	(16,573,068,504)
Net position in euros (expressed in U.S. dollars) at the closing exchange rate	US\$	(32,983,200)
Increase of 10% in exchange rate	US\$	(36,281,520)
Loss	¢	<u>(1,657,306,850)</u>

*Sensitivity to a decrease in the exchange rate:*

Net position in euros (expressed in colones) at the closing exchange rate	¢	(16,573,068,504)
Net position in euros (expressed in U.S. dollars) at the closing exchange rate	US\$	(32,983,200)
Decrease of 10% in exchange rate	US\$	(36,281,520)
Gain	¢	<u>1,657,306,850</u>

This analysis assumes that all other variables, particularly interest rates, remain constant.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)**Exposure to interest rate risk**

ICE Group maintains significant assets and liabilities, mainly represented by temporary investments, long-term investments, and securities and loans payable obtained to finance its commercial operations, which are subject to interest rate variations.

A detail of interest rates for financial assets and liabilities is presented in the following notes:

	<b>Note</b>
Securities payable	21
Temporary investments	12
Loans payable	22
Long-term investments	8
Notes and accounts receivable	10

**Sensitivity analysis**

In managing interest rate risk, ICE Group aims to reduce the impact of short-term fluctuations on its earnings. With respect to temporary investments, long-term investments, and securities and loans payable, permanent changes in interest rates would have an impact on earnings.

During the year ended December 31, 2013, it is estimated that an overall increase or decrease of one percentage point in interest rates would have caused the following changes in financial assets and liabilities:

	<b>Effects in profit or loss: Income (Expense)</b>	
	<b>As of December 31, 2013</b>	
	<b>Strengthening of 1%</b>	<b>Weakening of 1%</b>
<b>ICE</b>		
Temporary investments	1,322	(1,322)
Long-term financial investments	335	(335)
Short-term financial investments	20	(20)
Long-term notes receivable	71	(71)
Short-term notes receivable	20	(20)
Long-term securities payable	(9,959)	9,959
Short-term securities payable	(301)	301
Long-term loans payable	(5,126)	5,126
Short-term loans payable	(1,757)	1,757
<b>Net effect ICE</b>	<b>(15,375)</b>	<b>15,375</b>
<b>CNFL</b>		
Temporary investments	6	(6)
Securities payable	(519)	519
Long-term loans payable	(1,112)	1,112
<b>Net effect CNFL</b>	<b>(1,625)</b>	<b>1,625</b>
<b>RACSA</b>		
Temporary investments	-	-
Long-term loans payable	(10)	10
<b>Net effect RACSA</b>	<b>(10)</b>	<b>10</b>
<b>Cable Visión</b>		
Short-term loans payable	(1)	1
<b>Net effect Cable Visión</b>	<b>(1)</b>	<b>1</b>
<b>Net effect ICE Group</b>	<b>(17,011)</b>	<b>17,011</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 40. ICE Group's operating segments**

A segment is a distinguishable component of ICE Group that is engaged in providing related products and services (business segment), which is subject to risks and rewards that are different from those of other segments. Business segments are determined based on ICE Group's internal organizational and informational structure.

Profit or loss, assets, and liabilities of the segment include items directly attributable to a segment, as well as those that may be reasonably attributable.

The segments identified by ICE Group are: ICE Telecom, which includes RACSA and CRICRSA and ICE Electricity, which includes the electricity segment and CNFL and its subsidiary EVCSA.

Information on those segments is presented below:

***ICE Electricity***

<b>Consolidated Balance Sheet</b>	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
		<i>(Restated)*</i>
Property, machinery, and equipment	¢ 3,380,157	3,204,418
Long-term investments and receivables	25,095	24,677
Current assets	268,668	249,580
Other assets	375,873	265,390
<b>Total assets</b>	<b>4,049,794</b>	<b>3,744,065</b>
Long-term liabilities	1,582,929	1,450,455
Short-term liabilities	431,281	359,152
Other liabilities	140,393	130,681
<b>Total liabilities</b>	<b>2,154,604</b>	<b>1,940,288</b>
<b>Equity</b>	<b>1,895,190</b>	<b>1,803,777</b>
<b>Total liabilities and equity</b>	<b>¢ 4,049,794</b>	<b>3,744,065</b>

\*See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*ICE Electricity*

Consolidated Statement of Profit or Loss	For the year ended December 31,	
	2013	2012 (Restated)*
Operating profit	¢ 1,029,792	846,693
Operating costs and expenses	941,904	801,920
<b>Operating profit</b>	<b>87,888</b>	<b>44,773</b>
Other income	59,582	86,800
Other foreign exchange income	38,096	37,130
Finance expenses	91,514	100,127
Other expenses	41,812	54,919
Other foreign exchange expenses	6,611	6,152
<b>Net profit</b>	<b>¢ 45,631</b>	<b>7,505</b>

\*See note 26

*ICE Telecom*

Consolidated Balance Sheet	As of December 31,	
	2013	2012 (Restated)*
Property, machinery, and equipment	¢ 982,744	984,721
Long-term investments and receivables	100,110	85,580
Current assets	309,926	289,323
Other assets	153,133	147,229
<b>Total assets</b>	<b>1,545,914</b>	<b>1,506,853</b>
Long-term liabilities	239,544	210,015
Short-term liabilities	135,061	114,321
Other liabilities	111,788	106,092
<b>Total liabilities</b>	<b>486,393</b>	<b>430,428</b>
<b>Equity</b>	<b>1,059,520</b>	<b>1,076,425</b>
<b>Total liabilities and equity</b>	<b>¢ 1,545,914</b>	<b>1,506,853</b>

\*See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*ICE Telecom*

Consolidated Statement of Profit or Loss	For the year ended December 31,	
	2013	2012 (Restated)*
Operating profit	¢ 546,940	542,461
Operating costs and expenses	569,344	535,936
<b>Operating expenses (profit)</b>	<b>(22,404)</b>	<b>6,525</b>
Other income	18,266	28,471
Other foreign exchange income	3,500	5,668
Finance expenses	10,912	13,028
Other expenses	305	3,763
Other foreign exchange expenses	779	2,317
<b>Deficit (profit), net</b>	<b>¢ (12,634)</b>	<b>21,557</b>

\*See note 26

*Transactions eliminated between segments*

Consolidated Balance Sheet	As of December 31,	
	2013	2012 (Restated)*
Property, machinery, and equipment	¢ (15,641)	(14,642)
Long-term investments and receivables	(70,368)	(64,851)
Current assets	(147,149)	(98,952)
Other assets	(2,042)	(5,000)
<b>Total assets</b>	<b>(235,200)</b>	<b>(183,445)</b>
Long-term liabilities	(74,637)	(68,949)
Short-term liabilities	(141,809)	(94,212)
Other liabilities	0	2,256
<b>Total liabilities</b>	<b>(216,446)</b>	<b>(160,905)</b>
<b>Equity</b>	<b>(18,754)</b>	<b>(22,540)</b>
<b>Total liabilities and equity</b>	<b>¢ (235,200)</b>	<b>(183,445)</b>

\*See note 26

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*Transactions eliminated between segments*

Consolidated Statement of Profit or Loss	For the year ended		
	December 31, (Restated)*		
Operating profit	¢	(253,932)	(203,226)
Operating costs and expenses		(255,026)	(206,401)
<b>Operating profit (expenses)</b>		<b>1,094</b>	<b>3,175</b>
Other income		(4,395)	(11,620)
Finance expenses		(1,546)	(1,077)
Other expenses		(2,559)	(4,567)
Other foreign exchange expenses		-	(66)
<b>Deficit before minority interest</b>		<b>804</b>	<b>(2,735)</b>
Minority interest (1.4%)		(41)	(72)
<b>Net deficit</b>	¢	<b>763</b>	<b>(2,807)</b>

\*See note 26

The nature of the main elimination entries generated in the consolidated balance sheet is as follows:

- ICE's long-term investment corresponding to subsidiaries in the amount of ¢13,739.
- Accounts receivable for services rendered to RACSA and accounts due to ICE for telephone and infocommunication services in the amount of ¢60.
- Account due to RACSA for lease of space in ICE's buildings for ¢149.
- Interest due from RACSA and accounts due to ICE related to interest on the financing for the V-SAT platform in the amount of ¢295.
- RACSA's service to ICE for Hosting the Digital Government Project in the amount of ¢107.
- Long-term loans and mortgages payable (RACSA) and long-term notes receivable to eliminate the financing agreement for the V-SAT platform subscribed between ICE and RACSA in the amount of ¢166.
- Loans receivable for the CONAVI-BCR financing agreement: ¢2,564 long-term and current portion of ¢758.
- Long-term loans and mortgages payable (RACSA) and long-term notes receivable to eliminate the liability restructuring agreement in the amount of ¢14,645.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- Accounts payable and receivable for services, including Balsa Inferior invoices in the amount of ¢13,368.
- Notes receivable ICE-CNFL for a financing agreement secured by ICE in the amount of ¢673.
- Account payable and receivable ICE-CNFL for electricity services, leasing of lamp posts and ducts, and other services in the amount of ¢453.
- Accounts payable and receivable ICE-RACSA for mutual services in the amount of ¢252.
- Account payable and receivable ICE-RACSA for lease of office space to ICE for ¢8.
- Power sales to CNFL in the amount of ¢17,496.
- Agreement with CNFL for the purchase of electricity in November 2013 with a 2-year term: ¢8,341 long-term and current portion of ¢7,659.
- RACSA's security deposits for ¢8.
- Notes receivable and payable ICE-CNFL and finance expenses payable and interest receivable ICE-CNFL related to the Moín III loan in the amounts of ¢938 and ¢18.
- Profit from ICE's invoices for the Balsa Inferior Project: investment of ¢1,625 and other liabilities for ¢1,582.
- Account due to RACSA for Yellow Pages in the amount of ¢725.
- ICE's purchase of bonds placed in the market by CNFL in the amount of ¢400.
- Donation of Back Haul use (RACSA) for ¢3,063.
- Maya cable link in the amount of ¢3,259.

The nature of the main elimination entries generated in the consolidated statement of profit or loss are as follows:

- Leasing of lamp posts for telephone wiring and ducts in the amount of ¢1,559.
- Income and expenses for billings of power to CNFL by ICE in the amount of ¢237,856.
- Income and expenses for billings of telephone services to CNFL in the amount of ¢196.
- Income and expenses for power meter services CNFL-ICE in the amount of ¢6,858.
- Mutual services (RACSA) in the amount of ¢143.
- Finance interest for V-SAT agreement in the amount of ¢1,241.
- Income and expenses for telephone services, leases, operation, and maintenance of backhaul, and VSAT warehousing in the amount of ¢478.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
*(In millions of colones)*

- Administrative income and expenses for leases of buildings, power, and cleaning services ICE-RACSA in the amount of ¢147.
- Operating income and expenses for commercial billings RACSA-ICE in the amount of ¢153.
- Amortization of Back Haul use for ¢219 corresponding to depreciation and profit in the amount of ¢510.
- Foreign exchange differences on booking capital contribution in the amount of ¢66.

(Continued)



INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

**Note 41. Contingent assets and liabilities**

Active judicial processes involving ICE Group as of December 31, 2013 are as follows:

Proceeding	Segment	Nature and current status	Estimated amount of the suit	As of December 31,	
				2013	2012
				Provision	
<b>Contingent assets - lawsuits filed by ICE:</b>					
Legal collections	Electricity	Legal collections for outstanding invoices. The defendant has been notified. Once oral ruling No. 245-2012 is confirmed, whereby the suit for €717 is upheld, payments of interest for the period from October 25, 2011 to October 31, 2013 were made. Those interest payments were approved in a decision handed down on May 7, 2013 (interest for €65 and fees for €3). The case is currently under negotiation with the defendant to seek an out-of-court settlement.	717	-	-
Arbitration	Telecom	Claim of damages for noncompliance with Public Tender No. 6378. The defendant (Verizon) filed a jurisdictional plea that was taken to the First Chamber and is under analysis.	9,717	-	-
Ordinary Administrative	Telecom	Annulment of administrative action issued by ARESEP ordering ICE to refund the amounts charged to Radio Mensajes S.A. as a result of facilitating its platform to provide content services. ICE filed legal proceedings to annul the administrative decision issued by ARESEP, whereby ICE was required to return to Radio Mensajes S.A. the amount of €305 and to pay the Government a fine for €1,831. The Executive Power has yet to take the necessary steps to collect that fine. A preliminary hearing was set for March 2013, whereby ICE amended the complaints and claims filed, which were upheld by the Court. The amendment was notified, and a continuance of the preliminary hearing was set for August 2013. The summons for the trial hearing is pending.	1,800	-	-
Legal collections	Electricity	The Legal Collections area handles executive processes in order to recover unpaid amounts for electricity services. ICE has 3,724 processes as of December 31, 2013. ICE's Legal Department estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various matters related to the unpaid amounts, statute of limitations, and lack of documentation.	3,039	-	-
Expropriation	Electricity and Telecom	As of December 31, 2013, there are 588 judicial expropriation proceedings for forced expropriation, in order to take possession and gain legal title to the property required for the different projects being developed. These proceedings are related to appraisals made by ICE appraisers that were not formalized through the administrative venue, either due to legal issues or rejection of the appraisal.	8,046	-	-
Legal collections	Telecom	The Legal Collections Area handles executive proceedings to recover unpaid amounts for telephone services. ICE has 12,734 proceedings as of December 31, 2013. ICE's Legal Department estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various matters related to unpaid amounts, statute of limitations, and lack of documentation.	1,658	-	-
Ordinary Administrative	Electricity	Claim for damages. ICE and ODEBRECHT claimed payment of outstanding fines and breach of contract, respectively. The claim was partially upheld. Execution of the judgment is pending a resolution of substance. Lack of legal competency of the court to hear the case was declared; accordingly, execution of judgment will be handed down by the Administrative Court. Both parties claimed payment of attorney's fees and court costs in the execution of the judgment. AMOUNT CLAIMED BY ODEBRECHT: €1,942 AMOUNT CLAIMED BY ICE: €974.	974	-	-
<b>Total contingent assets - ICE</b>			<b>€ 25,951</b>	<b>-</b>	<b>-</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Proceeding	Segment	Nature and current status	Estimated amount of the suit	As of December 31,	
				2013	2012
				Provision	
<b>Contingent liabilities - lawsuits filed against ICE:</b>					
Ordinary	Electricity	Lawsuit seeking annulment of several administrative actions and recognition of US\$3.8 for the economic imbalance caused to the BOT agreement - Public tender No. 6670-e. An oral trial was held on August 26 and 27, 2013. A hearing was held in favor of ICE. An appeal for nullification with a higher court was filed. Admissibility of the appeal by the court is pending.	1,905	-	-
Ordinary	Electricity	Joinder of the lawsuit with two other proceedings. The preliminary hearing was held and the trial is pending due to a lack of expert evidence and the leveling of the two other proceedings has not been completed (file No. 12-003480-1027-CA and 10-003975-1027-CA). The amount of the suit is estimated at US\$1.3.	653	-	-
Ordinary	Electricity	Lawsuit seeking the recognition of a number of items for machinery rental that allegedly were not recognized in the contract execution, as well as a price adjustment. Any corrections to be made by the plaintiff to the suit as instructed by the judge are pending.	1,416	-	-
Ordinary	Electricity	Lawsuit filed to lift the suspension and pay for damages and pain and suffering sustained by MATRA. Final resolution by the Administrative Litigation Court and Civil Court of Finance is pending. The amount of the suit is estimated at US\$ 14.1.	7,063	-	-
Ordinary Administrative	Telecom	A security officer that worked for the contracted company suffered an accident at ICE's facilities and claimed payment for damages. The suit was replied and a preliminary hearing is to be scheduled.	1,290	-	-
Ordinary Administrative	Electricity	The plaintiff seeks recognition of US\$7.9 for additional costs incurred in suspension of the construction of the tunnel at La Joya Hydroelectric Power Plant, which affected the economic balance of the contract. The plaintiff requested that an expert be appointed to confirm the calculations in respect of the alleged economic imbalance of the contract.	3,972	-	-
Ad Hoc Arbitration	Electricity	The plaintiff filed an alternative claim that was upheld and which execution of judgment is pending. Main claim: Civil liability in respect of an alleged purchase-sale agreement. Updating of the amount to present value plus interest. Alternative claim: Civil liability in respect of delivery of provisional works and concrete forms, in addition to the updating of the amount to present value plus interest, court costs, and attorney's fees.	500	500	250
Ordinary Administrative	Electricity	Claim for damages. ICE and ODEBRECHT claimed payment of outstanding fines and breach of contract, respectively. The First Chamber upheld the favorable ruling for ICE issued in the second instance. Both parties claimed payment of attorney's fees and court costs in the execution of the judgment. AMOUNT CLAIMED BY ODEBRECHT: ¢1,942 AMOUNT CLAIMED BY ICE: ¢974.	1,942	1,942	1,942
Ordinary	Electricity	This proceeding seeks payment of damages for differentiated rates. Three preliminary hearings have been held. The last hearing, held on February 24, 2011 at 9:00 o'clock, was suspended when we were in the process of assessing the controversial issues and were about to analyze the documentary evidence provided by the parties. The preliminary hearing was continued on March 28, 2012. Through a ruling issued on October 15, 2013 at 10:00 o'clock, the Court requested that the Costa Rican Institute of Professionals in Economic Sciences appoint an expert.	1,326	1,326	1,326
Ordinary	Electricity	Judicial proceeding filed by Asociación de Desarrollo Integral de la Reserva Indígena de Térraba [Association for the Comprehensive Development of the Térraba Indigenous Reservation] (ADIT), with the Sixth Section of the Administrative Litigation Court requesting the nullity of Decree No. 34312-MP-MINAE of 2008 and eviction from the indigenous territories allegedly occupied by ICE. As a result of alleged cultural damages and occupation of indigenous territories by ICE, the plaintiff seeks compensation for US\$200 (in millions) (see note 16).	100,494		
<b>Total contingent assets - ICE</b>			<b>¢ 120,562</b>	<b>3,768</b>	<b>3,518</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Proceeding	Segment	Nature and current status	Estimated amount of the suit	As of December 31,	
				2013	2012
				Provision	
		Brought forward	120,562	3,768	3,518
Ordinary Administrative	Electricity	A favorable ruling was issued for the plaintiff in the first instance. The ruling has been confirmed. Recognition of a price adjustment, the economic balance of the contract, and payment of interest is sought.	706	706	358
Ordinario	Electricity	Lawsuit seeking compensation of damages caused by ICE in respect of a power purchase-sale agreement. The Court issued favorable rulings for the plaintiff in the first and second instances. An unfavorable ruling was issued for ICE, and the final decision is currently being drafted.	500	-	500
Ordinary	Electricity	Annulment of administrative actions and payment of demonstrable damages in execution of judgment for removing an excavator in the Miravalles Project. The appeal for nullification with a higher court filed by the plaintiff was dismissed in May 2011. Execution of judgment by the plaintiff is pending.	500	-	500
Ordinary	Telecom	The plaintiff seeks compensation from ICE due to the termination of an agreement in the administrative venue. The reference contract is 6852-T. A trial is to be scheduled.	12,551	-	-
Ordinary Administrative	Telecom	The plaintiff seeks compensation from one of ICE's contractors for alleged losses caused to the company as a result of breach of contract by ICE and the contractor.	32,293	-	-
Ordinary Administrative	Telecom	The suit was replied. ICE answered the hearing on joinder of claims, which was dismissed by the Court through ruling No. 675-2012 handed down on March 21, 2012 at 9:20 o'clock. A request was made to suspend fiber optic works in Parrita Saavegre and to suspend and stop providing power to EPR projects.	4,095	-	-
Ordinary	Telecom	Through ruling No. 547-2009 handed down on March 3, 2009 at 10:20 o'clock, the suit was upheld and ICE was sentenced to payment of damages. Ruling No. 547-20 bis amended the sentence to award payment for pain and suffering. An appeal was filed on June 3, 2009, reserving the tort claim for the appropriate procedural time. Ruling No. 14-2010-IX handed down on February 26, 2012 at 11:30 o'clock in the second instance upheld the ruling in the first instance, sentencing ICE to payment of damages, court costs, and attorney's fees. Payment of damages by the plaintiff is pending. Execution of judgment was issued on October 7, 2011 and the amount is estimated. A document filed on November 21, 2011 rejected payment of court costs and attorney's fees by ICE. A document filed on December 6, 2012 at 08:08 o'clock established the expert's fees at ¢0.8, to be paid by the plaintiff. A document filed on February 13, 2012 at 10:08 o'clock appointed the expert. A document issued at 09:29 o'clock required the expert to issue the original expert's report within 3 days. A document issued on November 1, 2012 rejected in every respect the expert's report issued by Víctor Vargas. A decision issued on January 1, 2013 at 14:00 o'clock granted ICE 8 days to draw conclusions. In a document issued on February 19, 2013, ICE issued its conclusions.	564	564	564
<b>Total contingent liabilities - ICE</b>			<b>¢ 171,771</b>	<b>5,038</b>	<b>5,439</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Proceeding	Sector	Nature and current status	Estimated amount of the suit	As of December 31,		
				2013	2012	
				Provision		
			Brought forward	171,771	5,038	5,439
Administrative - Sanctions	Electricity - Telecom	On September 17, 2009, ICE was issued of a notice of deficiency related to general sales tax corresponding to December 2007, which as of today's date is being disputed. The balance of the provision as of December 31, 2010 corresponds to interest and fines for ¢404, interest and fines for ¢221, and the estimated amount of the suit established by ICE's Legal Department for ¢883. Accordingly, an appeal was filed against the notice of deficiency issued by the Tax Court, interest for 2011 in the amount of ¢128, interest as of June 2012 for ¢54, interest as of December 2012 for ¢76, and accounting criteria No. v 349 for interest adjustments and commissions as of 2007 for ¢66.	1,701	-	728	
Administrative	Telecom	Through Official Letter No. 256-197-2013 dated December 3, 2013, an appeal was filed with the Administrative Tax Court. On December 11, 2013, notification of resolution No. APE-DGCN-095-2013 was received, whereby the appeal filed by the Large Taxpayers Administration was admitted. A request was made to exempt payment of the Fonatel tax corresponding to 2008 and 2009.	7,984	-	-	
Administrative Proceedings	Telecom	Administrative proceedings were initiated for a notice of deficiency arising from the adjustment to the reserve tax imposed on the radio-frequency spectrum for the 2012 budget period. ICE challenged the administrative actions through Official Letter No. 094-197-2012 dated October 31, 2012 and requested nullification of notice of deficiency No. SRCST-TC-108-2012 and suspension of the administrative proceedings until the Board of Directors of ARESEP issues a ruling on the motion for reconsideration with an appeal to a higher court and petition for nullity filed by ICE against agreement No. 002-018-2012.	1,099	-	-	
Arbitration	Electricity	The entity will request an arbitration process for several items in the approximate amount of US\$1.5. No notification has been issued.	754	-	-	
Administrative and Civil Court of Finance	Electricity	Recognition of indemnity at the present value as a result of the high-tension line passing through the plaintiff's property. An appeal was filed on April 18, 2013. An appraisal was made for approximately US\$1.0.	502	-	-	
SUTEL	Client Management	ICE was found to be guilty of anticompetitive practices and predatory price-cutting. A private oral hearing was held and a disclaimer and conclusions filed.	2,500	-	-	
SUTEL	Telecom	Through letter RCS-286-2013, SUTEL initiated administrative sanction proceedings against ICE and imposed a fine as a result of noncompliance with the General Telecommunications Law, the Regulations thereto, and the National Frequency Distribution Plan, as well as noncompliance with the instructions issued by SUTEL in the exercise of its competences. ICE's defense aims to exempt ICE from the assessment of the fine by SUTEL.	500	-	-	
SUTEL	Telecom	SUTEL initiated proceedings to verify compliance with quality standards according to the Regulations for Service Rendering and Quality. In the event noncompliance with quality standards is confirmed, ICE will be required to reduce its fees on a pro-rata basis. The appearance of ICE as a party to the action intends to avoid the fines to be applied by Sutel.	140,000	-	-	
<b>Total contingent liabilities - ICE</b>			<b>¢ 326,812</b>	<b>5,038</b>	<b>6,168</b>	

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Proceeding	Segment	Nature and current status	Estimated amount of the suit	As of December 31,	
				2013	2012
				Provision	
<b>Contingent liabilities - Lawsuits filed against CNFL:</b>					
Ordinary	Electricity	CNFL deposited funds as payment of indemnity for flooding of a property near Lake Cote, in connection with a hydroelectric power project. The plaintiff (Rufea S.A.) is disputing the amount deposited. In June 2012, the amount of ₡230 was paid. A provision of ₡199 was established for attorney's fees, court costs, and interest.	200	72	200
Ordinary	Electricity	The plaintiff (Vega Fonseca Wendy) filed a lawsuit against CNFL and CONAVI alleging the lighting of the Florencio del Castillo Highway did not meet the respective regulations. Consequently, the plaintiff's husband died in a car accident.	445		-
Ordinary	Electricity	Refusal by CNFL to recognize a claim in relation to execution of the contract for the construction, design, and start-up of operations of a hydroelectric power plant (Consorcio Hydrocote S.A.)	1,507	15	144
Ordinary	Electricity	Counterclaim filed against CNFL for the requested collection from a third party of fines related to the underground electrification project in San José and for the delays in the review and approval of engineering plans. No judgment has been issued or costs assessed.	4,801	-	-
Ordinary	Electricity	Counterclaim filed against CNFL for the requested collection from a third party of 15 claims filed during the underground electrification project in San José. No judgment has been issued or costs assessed.	5,090	-	-
Ordinary	Electricity	The plaintiff (Ghella Spa Costa Rica) is requesting an extension to the the execution term, nullity of certain actions taken by CNFL, reversal of withholdings for fines, and reimbursement of those amounts plus statutory interest. No judgment has been issued or costs assessed.	354	-	-
Ordinary	Electricity	The purpose of this lawsuit is to nullify the limits established in Addendum No. 01 to the contract for the design, construction, fitting, and start-up of a hydroelectric power project and the annexes thereto for recognition of price adjustments. Accordingly, CNFL must pay the plaintiff (Ghella Spa Costa Rica) based on those price adjustments.	18,088	-	-
Ordinary	Electricity	The plaintiff (Grupo Corporativo Saret) filed for precautionary measures against CNFL as a result of execution of the performance bond and collection of fines. A formal complaint was also filed to collect indemnity for consequential damages, lost profits, and lost opportunity.	13,593	-	-
Ordinary	Electricity	Lawsuit filed on the grounds of civil tort liability for damages (Ortiz Mondragón César)	275	199	133
Ordinary	Electricity	Lawsuit filed by Banco de San José as a result of damages to lighting and computer equipment as a result of changes in voltage. Provision for ruling 2608-2012. (Banco de San José)	-	10	-
Ordinary	Electricity	Lawsuit filed by Comercial Lotar S.A. against CNFL for payment of property damages and economic harm caused by the lack of piping of the Río Segundo Hydroelectric Power Plant canal. A preliminary hearing was held on April 8, 2013. There are no summons to appear in court. No judgment has been issued or costs assessed.	636	-	-
Ordinary	Electricity	Lawsuit filed by INABENSA S.A. against CNFL for fines assessed related to the execution of the underground electrification project in San José and for delays in the review and approval of engineering plans. No judgment has been issued or costs assessed. Accordingly, until a ruling is handed down, a provision should be established for the estimated amount of the suit (approximately US\$9,428,089), plus interest running from the final ruling until payment is made, in addition to court costs and attorney's fees.	4,737	-	-
<b>Total contingent liabilities - CNFL</b>			<b>₡ 49,726</b>	<b>296</b>	<b>477</b>

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

Proceeding	Segment	Nature and current status	Estimated amount of the suit	As of December 31,	
				2013	2012
				Provision	
<b>Contingent liabilities - Lawsuits filed against RACSA:</b>					
Ordinary administrative	Telecom	Ordinary administrative proceeding No. 13-0002186-0163-CA filed by employees against RACSA and CGR (Savings fund)	Inestimable		
Ordinary administrative	Telecom	Ordinary administrative proceeding No. 13-0009000-1028-CA-6 against RACSA (Execution of constitutional judgment)	2,283		
Ordinary administrative and labor	Telecom	Several minor ordinary administrative and labor proceedings in different stages.	28	-	-
Finance Ministry	Telecom	DGT seeks the collection of sales taxes in connection with Internet services provided in 2008. Precautionary measures and a claim were filed.	12,500	-	-
FONATEL	Telecom	Administrative claim. Appeal dismissed by the Administrative Tax Court.	1,463	-	-
<b>Total contingent liabilities - RACSA</b>			€ 16,274	-	-
<b>Total contingent liabilities - ICE Group</b>			€ 392,812	5,334	6,645

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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**Note 42. Legislation****General Telecommunications Law**

General Telecommunications Law No. 8642 was published in the Official Gazette on June 30, 2008. The purpose of that law is to define the scope and mechanisms for regulation of the telecom sector, including the use and operation of networks and the provision of telecom services, as well as to:

- Guaranty the right of the people to acquire telecom services under the terms of this law.
- Ensure application of the principles of universal access and cooperation in telecom services.
- Strengthen the mechanisms for universal access and cooperation in the telecom sector, ensuring access to those who require it.
- Protect the rights of users of telecom services, ensuring efficiency, equality, continuity, quality, greater and better coverage, greater and better information, more and better alternatives for service delivery, and private and confidential communications, in accordance with the Political Constitution of the Republic of Costa Rica.
- Promote effective competition in the telecom market as a means to increase the availability of services, improve their quality, and ensure affordable prices.
- Promote the development and use of telecom services within the framework of a knowledge and information society and to support sectors such as health, citizen security, education, culture, commerce, and e-government.
- Ensure the efficient and effective allocation, use, operation, management, and monitoring of the radio-frequency spectrum and other limited resources.
- Stimulate investment in the telecom sector using a legal framework that provides mechanisms that guarantee transparency, non-discrimination, equity, and legal stability and that does not promote levying taxes.
- Ensure that Costa Rica obtains the maximum benefits from technological advancements and changes.
- Achieve a level of development in telecommunications that is similar to the level in developed countries.

(Continued)

## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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Additionally, the aforementioned law states that concessions will be granted for the use and operation of frequencies in the radio spectrum required to operate and use telecom networks. Those concessions will entitle the concession holder to operate and use the network. When the concession relates to public telecom networks, the concession holder is entitled to provide all types of telecom services available to the public. The concession will be awarded for a specific coverage area (regional or national) in order to guarantee the efficient use of the radio spectrum.

This law establishes that the radio spectrum is a public good and the planning, management, and control of its use must be in line with the provisions of the Political Constitution of the Republic of Costa Rica, international treaties, the General Telecommunications Law, the National Telecom Development Plan, the National Frequency Distribution Plan, and other regulations.

The procedures prescribed in the law may not be used to grant concessions or authorizations related to the operation of public telecom networks associated solely with delivery of traditional basic telephone services, which require the specific legislative concession described in paragraph 14 of article 121 of the Political Constitution of the Republic of Costa Rica. The winning bidders in the concession process were Claro CR Telecomunicaciones, which paid US\$75 (in millions) for one concession, and Azules y Platas (Telefónica), which paid US\$95 (in millions) for another concession.

The law also creates FONATEL as a tool for managing resources earmarked for financing compliance with of the objectives of universal access, universal service, and cooperation established in the law as well as the goals and priorities defined in the National Telecom Development Plan. SUTEL is responsible for managing FONATEL's resources.

Other important aspects of this law include:

- Operators of public networks and providers of public telecom services shall guaranty the secrecy of communications, the right to privacy, and protection of the personal information of subscribers and end users by implementing the necessary systems and technical and administrative measures.
- Rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of limited resources, and greater benefits for users. Interconnection prices shall be aligned with costs, as prescribed in paragraph 13) of article 6 of this law, and are to be freely negotiated among operators using the procedures established by SUTEL.
- A SUTEL tax is imposed on telecom services, which is a single annual regulatory charge determined in conformity with article 59 of Law No. 7593 dated August 9, 1996. This tax will provide the resources necessary for effective management.
- A reserve tax is imposed on the radio-frequency spectrum. That tax is to be paid annually by network operators and telecom service providers with the purpose of planning, managing, and monitoring the use of the radio-frequency spectrum rather than for complying with the objectives of the tax policy. It is collected to finance SUTEL's activities pursuant to articles 7 and 8 of this law.
- Payers of the tax include network operators or telecom service providers to which bands of radio frequencies have been assigned, irrespective of whether those bands are being used. The amount to be paid for this tax is calculated directly by SUTEL considering a number of engineering and economic parameters established in the law. This tax is defined by the taxpayer in an affidavit issued for periods of one calendar year and the term for filing and paying this tax is 2 months and 15 days after the corresponding tax year-end.
- On October 4, 2012, the Large Taxpayer Division of the Finance Ministry notified ICE on the start of administrative proceedings related to a notice of deficiency for an adjustment to the reserve tax on the radio-frequency spectrum for the 2012 budget period. ICE objected the administrative act through Official Letter No. 094-197-2012 dated October 31, 2012. As of the date of this report, ICE has not received or been notified of a decision or response issued by the Large Taxpayer Division (see note 41).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

***Number portability***

As determined by SUTEL, the agreements between mobile telephony operators and the Number Portability Reference Entity (ERPN) were subscribed on April 25, 2013. Also, an addendum was subscribed establishing that the Number Portability system would start operations no later than November 30, 2013.

Number portability is in effect since November 30, 2013. ICE actively participates in the Number Portability Technical Committee overseeing that SUTEL's regulations thereon are correctly applied. Penalty administrative proceedings were started as a result of a complaint filed by ICE against Telefónica de Costa Rica for noncompliance with the aforementioned regulations. Similarly, a preliminary investigation is in process for another complaint against Claro for telephone slamming (ICE's customer).

**Law on Strengthening and Modernization of Public Telecommunication Companies**

Law on Strengthening and Modernization of Public Telecommunication Companies No. 8660 was published in the Official Gazette on August 13, 2008. That law creates the telecom sector and SUTEL, which will be the agency charged with regulating, enforcing, overseeing, and monitoring the legal system governing telecommunications. Additionally, this law prescribes the duties and authority of the Ministry of Science, Technology, and Telecommunications, which Minister will be responsible for directing the sector.

The main objectives of that law are to:

- Strengthen, modernize, and endow ICE, along with its subsidiaries and attached agencies, with legislation enabling it to adapt to all changes in the rules governing the generation and delivery of electricity services, as well as telecommunications, info-communications, information goods and services, and new related services.
- Complement Executive Order No. 499 of April 8, 1949, "Creation of the Costa Rican Power and Telephone Company" and the amendments thereto, to endow ICE with the legal, financial, and administrative conditions necessary to continue providing and marketing electricity and telecom goods and services both within the country and abroad.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

- Create the telecom sector and its lead agencies, as well as establish the duties and authority of the sector's Lead Minister, who together with the President of the Republic, will prepare the National Telecom Development Plan.
- Expand the mechanisms and procedures for government procurement used by ICE and its subsidiaries, and make them more nimble.
- Ensure and reassert the administrative and financial autonomy of ICE and its subsidiaries.
- Ensure accountability and the evaluation of performance by ICE and its subsidiaries.

The law authorizes ICE to form strategic partnerships and to sell advisory services, consulting services, training, and any other related product or service. It may engage in customary business practices, develop promotions, including the supply of terminal equipment (free or otherwise), discounts, sponsorships, and service packages, among others.

The law also empowers ICE to sign all types of trust agreements both within the country and abroad.

The law further states that when ICE and its subsidiaries act as operators or providers in competitive local markets for telecom or electricity goods and services, they shall be subject to payment of income tax and sales tax. Traditional basic telephone services are exempt from payment of income tax.

Neither the Costa Rican government nor its institutions may impose financial limitations or restrictions on the investments or borrowings of ICE and its subsidiaries that are unrelated or contrary to this law. They are also prohibited from requesting or requiring transfers or the purchase of bonds. In general, ICE and its subsidiaries may not be required to hold current account deposits or invest in government securities.

ICE is empowered to autonomously negotiate, contract, and execute medium- and long-term domestic and foreign loans up to a maximum debt ceiling of 45% with respect to its total assets. Debt will be calculated based considering the total consolidated value of the total assets of ICE and its subsidiaries as of December 31 of the prior year. Should ICE need to increase its debt ceiling to a higher percentage, it must submit the additional financing requirements for authorization by the Executive Branch of the Government of Costa Rica.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)

It may also issue all types of securities in local or foreign currency at the interest rate, amortization rate, and for the amount determined by the Board of Directors in accordance with applicable law. Those securities shall have the guaranty indicated by ICE and its subsidiaries in the issue agreement. For such purposes, their current and future income or assets may be securitized through financial agreements such as leases or trusts, or they may encumber their assets and income.

ICE and its subsidiaries shall have a Corporate Procurement Board responsible for carrying out the corresponding government procurement procedures, including awards and challenges.

**Water Law and Law of the National Electricity Service**

Water Law No. 276 was published in the Official Gazette on August 28, 1942. That law establishes the regulatory framework for differentiating public and private water, normal and special uses of public water, and other matters of general interest.

In order for public or private companies to use public water, the corresponding authorization is required from the Ministry of the Environment, Energy, and Telecommunications (MINAE). It is the responsibility of that ministry to regulate and rule on the ownership, use, utilization, governance, and monitoring of water of the public domain.

Pursuant to this legislation, the duration of concessions shall be determined on a case-by-case basis depending on the circumstances. The maximum duration of water concessions is 30 (thirty) years.

Concessions for the use of public water shall be understood to include land in the public domain necessary for constructing dams, canals, and irrigation channels. With respect to land owned by the State, municipal governments, towns, and individuals, easements will be imposed and the corresponding appropriations made on a case-by-case basis in compliance with all legal requirements.

Water rights granted for one use may not be invoked for another use without the corresponding authorization, which shall be granted as if it were a new concession.

In accordance with the dispositions of article 46 of Law No. 276, concessions for the use of public water to develop hydraulic and hydroelectric power for public and private services were regulated by the provisions of the Law of the National Electricity Service (Law No. 258 of August 18, 1941). However, the repeal of Law No. 258 by Law No. 7593 of September 5, 1996 left such concessions with no basis in the law until the approval of Law No. 8723 of April 2, 2009 (Framework Law for Concessions for the Use of Hydraulic Power for Hydroelectric Generation).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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**Electricity Agreement**

On April 8, 1941, CNFL subscribed the Electricity Agreement with the Government of the Republic of Costa Rica. The Agreement was amended by Law No. 4197 of 20 of 1968 and Law No. 4977 of May 19, 1972. The main clauses of the agreement establish the following:

- CNFL shall be exempted, over the term of the Agreement, from all import duties and taxes and the respective surcharges (including customs duties, consular fees, and theater tax) as well as from any other charges levied on imported goods for the exclusive use in its businesses and all electricity property, including hydroelectric power plants, substations, transformers and converters, transmission and distribution lines, and all secondary accessories required to construct, offer maintenance, and repair electricity facilities that are part of CNFL's electric power production, transmission, distribution, and supply systems.

Article 36 reads as follows: "This Electricity Agreement and the related concessions shall continue to be in force for additional 25 years from July 1, 1968 and shall be automatically renewed for an equal period, except as otherwise expressly agreed by the parties. Upon expiration of the agreed term, CNFL shall be liquidated and ICE shall assume and continue with the supply of electricity services to the localities served by CNFL. In that event, ICE shall acquire all of CNFL's shares and, therefore, assume all its assets and liabilities under the existing term and conditions. CNFL's shares shall be purchased at a price determined by the Administrative and Tax Court of the Tax Administration."

**Note 43. Subsequent events**

*Lines of credit:*

- (1) **Mercantil Commercebank:** In February 2014, lines of credit were formalized in the amounts of ¢10,049 and ¢2,517 for a term of 119 days and bearing interest at 1.30%. These lines of credit are a continuation of the disbursements transferred from 2013 to 2014 used as bridge loans for the Reventazón Hydroelectric Power Project.
- (2) **Scotiabank Costa Rica:** In February 2014, a line of credit was formalized in the amount of ¢12,059 for a term of 119 days and bearing interest at 1.40%. This line of credit is a continuation of the disbursements transferred from 2013 to 2014 used as bridge loans for the Reventazón Hydroelectric Power Project.

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## INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
(In millions of colones)*Sensitivity analysis due to variation in U.S. dollar-colón exchange rate*

The Costa Rican colón presented a devaluation trend of 9.88% as of the date of this report with respect to the exchange rate set as of December 31, 2013. The volatility in the exchange rate had an impact on the liability position in U.S. dollars of ICE Group, affecting its exposure to currency, liquidity, and market risks. The exchange rate as of April 22, 2014 located at ¢551.67, which implies an increase of 9.79% with respect to the closing exchange rate. The table below presents the sensitivity to a 9.79% increase in the U.S. dollar-colón exchange rate as of December 31, 2013.

*Sensitivity to an increase in the exchange rate:*

Net position in U.S. dollars at the closing exchange rate	US\$	(3,523)
Net position expressed in colones as of December 31, 2013	¢	(1,770,202)
Increase of 9.79% in exchange rate (¢551.67 to US\$1.00 as of April 22, 2014)	¢	<u>(1,943,533)</u>
<b>Loss</b>	¢	<b><u>173,331</u></b>

*“Fullmóvil” Commercial Agreement*

In the last quarter, ICE Group analyzed a business opportunity in relation to the introduction into the market of the “Fullmóvil” brandname announced by the mobile virtual network operator Virtualis, S.A. (VIRTUALIS). The analysis concluded that RACSA, as ICE’s subsidiary and strategic business partner, could develop this business and the corresponding negotiations were launched.

On January 14, 2014, ICE elected to exercise the purchase option for the customer portfolio of VIRTUALIS and assigned the pre-emption right to RACSA. Accordingly, the subsidiary, through the subscription of the “*Agreement to exercise the pre-emption right on the commercial agreement to operate the mobile virtual network by Radiográfica Costarricense, S.A. and Virtualis, S.A.*” signed by RACSA and VIRTUALIS, may commercially exploit electronic communications retail services under the “Fullmóvil” brandname from February 2014, once SUTEL grants the corresponding authorization. The purpose of the agreement is purchasing the customer portfolio, assets, goods, and rights detailed therein.

*Execution of purchase option for the ECI Consortium lease*

On January 22, 2014, it was agreed to exercise the purchase option for Order No. 37103 established in the lease agreement signed by ICE and the Consortium formed by ECI TELECOM Ltd., ECI TELECOM Costa Rica, S.A., and CABEI in the amount of US\$2.8 million for the acquisition of the transport system equipment using DWDM technology over fiber optic denominated “Border to Border”.

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*Reventazón Hydroelectric Power Project Trust*

In January 2014, ICE received the amounts of US\$221 million (equivalent to ¢111,045) and ¢71,917 from the UNO P.H Reventazón Trust as payment for the construction services related to the Reventazón Hydroelectric Power Project.