



CONSOLIDATED FINANCIAL STATEMENTS
Instituto Costarricense de Electricidad
and Subsidiaries



ICE GROUP
ICE
CNFL
RACSA
CRICSA
Cable Visión

September 2017

Financial Management



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

Consolidated Balance Sheets
(In millions of colones)

As of September 30, 2017 and December 31, 2016

<u>Assets</u>	<u>2017</u> (Without audit)	<u>2016</u> (Audit) Restated
Non-current assets:		
Property, plant and equipment, net	¢ 4,817,418	4,851,367
Intangible assets	91,278	87,604
Equity investments	30,682	30,682
Notes and other accounts receivable, net	7,993	9,457
Investments in financial instruments	140,960	98,073
Guarantee and Savings Fund	217,050	208,826
Total non-current assets	¢ <u>5,305,381</u>	<u>5,286,009</u>
Current asset:		
Inventory, net	86,978	94,276
Notes and other accounts receivable, net	42,199	36,399
Temporary investments, net	89,382	112,639
Restricted funds	26,463	28,518
Trade accounts receivable, net	102,931	95,972
Prepaid expenses	62,220	71,743
Other assets	12,091	8,601
Cash and cash equivalents	228,971	174,224
Total current assets	<u>651,235</u>	<u>622,372</u>
Total assets	¢ <u><u>5,956,616</u></u>	<u><u>5,908,381</u></u>

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

Consolidated Balance Sheets (continued)
(In millions of colones)

As of September 30, 2017 and December 31, 2016

<u>Liabilities and equity</u>	<u>2017</u> (Without audit)	<u>2016</u> (Audit) Restated
Equity:		
Paid-in capital	¢ 211	156
Other reserves	13,237	12,050
Restricted earnings from capitalization of stake in subsidiary	62,380	62,380
Actuarial gains and losses	(22,208)	(22,187)
Valuation of non-derivative financial instruments and hedges	(17,780)	(7,412)
Retained earnings	65,116	64,037
Development reserve	2,517,628	2,515,947
Deficit of the period	(47,921)	-
Equity attributable to the owner of the Institute	¢ 2,570,663	2,624,971
Non-controlling interests	2,239	2,383
Equity, net	¢ 2,572,902	2,627,354
Liabilities:		
Non-current liabilities:		
Securities payable	1,148,110	1,123,489
Loans payable	900,562	869,919
Obligations for long-term finance leases	496,650	494,750
Provision employee benefit	113,708	106,829
Accounts payable	8,750	9,241
Prepaid income	7,059	6,071
Guarantee and Savings Fund	217,050	208,826
Other provisions	973	232
Other liabilities	60,024	58,681
Total non-current liabilities	¢ 2,952,886	2,878,038
Current liabilities:		
Securities payable	25,000	25,000
Loans payable	97,499	91,351
Obligations for long-term finance leases	15,892	14,618
Provision employee benefit	24,228	26,650
Accounts payable	120,283	126,168
Prepaid income	18,290	16,198
Accrued expenses for employer obligations	76,447	63,119
Accumulated interest payable	35,778	21,454
Other provisions	3,927	4,447
Other liabilities	13,484	13,984
Total current liabilities	¢ 430,828	402,989
Total liabilities	¢ 3,383,714	3,281,027
Total liabilities and equity	¢ 5,956,616	5,908,381
Memoranda accounts	¢ 234,040	204,830

Preliminary Translation.


Jesús Orozco Delgado
Head of Corporate Finance


Lizbeth Hernández Castillo
Accounting Process Coordinator

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

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

For the periods ended September 30, 2017 and 2016

	<u>2017</u> (Without audit)	<u>2016</u> (Without audit) Restated
Operating income:		
Electricity services	¢ 566,107	607,373
Telecom services	438,532	430,594
Other services	636	9
Construction services	2,725	12,446
Total operating income	¢ <u>1,008,000</u>	<u>1,050,422</u>
Operating costs:		
Operation and maintenance	360,636	378,256
Operation and maintenance of leased equipment	73,879	68,820
Supplemental services and purchases	135,841	147,675
Contratos de obras civiles y electromecánicas	3,942	13,409
Production management	53,802	57,582
Technical service center	10,051	8,531
Total operating costs	¢ <u>638,151</u>	<u>674,273</u>
Gross profit	¢ <u>369,849</u>	<u>376,149</u>
Operating expenses:		
Administrative	84,208	78,104
Marketing	167,720	168,133
Preinvestment studies	2,647	3,714
Preliminary studies	15,040	18,212
Other	2,128	6,246
Total operating expenses	¢ <u>271,743</u>	<u>274,409</u>
Operating profit	¢ <u>98,106</u>	<u>101,740</u>
Finance income (costs):		
Finance income	20,302	24,651
Finance costs	(126,624)	(85,164)
Foreign exchange differences, net	(55,143)	(65,089)
Other income	24,367	21,527
Other expenses	(7,991)	(3,968)
Finance income (costs), net	¢ <u>(145,089)</u>	<u>(108,043)</u>
Net loss for the period before income tax and minority interest	¢ <u>(46,983)</u>	<u>(6,303)</u>
Income tax	¢ (1,089)	(1,218)
Non-controlling interests	151	313
Net loss	¢ <u>(47,921)</u>	<u>(7,208)</u>

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

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

For the periods ended September 30, 2017 and 2016

	<u>2017</u> (Without audit)	<u>2016</u> (Without audit)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	¢ -	(52)
Remeasurement of defined benefit obligations	(21)	-
Effect of variations of eliminations reciprocal transactions	2,615	4,229
Subtotal	<u>2,594</u>	<u>4,177</u>
Items that are or may be reclassified subsequently to profit or loss:		
Net gain (loss) of reasonable value in cash flow hedges	¢ (8,477)	2,671
Net gain (loss) in financial assets available for sale	(1,891)	(378)
Subtotal	<u>(10,368)</u>	<u>2,293</u>
Total	(7,774)	6,470
Net loss	(47,921)	(7,208)
Resultado integral total del año	<u>¢ (55,695)</u>	<u>(738)</u>
Results attributable to a:		
Owners of the Institute	¢ (48,072)	(7,521)
Non-controlling interests	151	313
Total	<u>¢ (47,921)</u>	<u>(7,208)</u>
Total comprehensive income attributable to:		
Owners of the Institute	¢ (55,695)	(834)
Non-controlling interests	-	96
Total	<u>¢ (55,695)</u>	<u>(738)</u>

Preliminary Translation.


Jesús Orozco Delgado
Head of Corporate Finance


Lizbeth Hernández Castillo
Accounting Process Coordinator

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

Consolidated Statement of Changes in Equity
(In millions of colones)

For the periods ended as of September 30, 2017 and December, 2016

			Valuation of non- derivative financial instruments and hedges	Development reserve	Legal reserve	Project development reserve	Forest development reserve	Restricted earnings from capitalization of stake in subsidiary	Retained earnings	Actuarial gains and losses	Deficit of the period	Equity attributable to the owner of the Institute	Non- controlling interests	Equity, net
	Paid-in capital	Revaluation surplus												
Balance as of January 1, 2016, as previously reported	156	1,083,980	2,943	1,582,926	10,142	71	548	62,380	47,146	(10,389)	-	2,779,904	4,892	2,784,796
Effect of adjustments for correction of errors and changes in accounting policies from prior years	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect for correction of errors	-	-	-	1,333	-	-	-	-	-	-	-	1,333	-	1,333
Effect for changes in accounting policies	-	-	-	(1,217)	-	-	-	-	-	-	-	(1,217)	-	(1,217)
Balance as of January 1, 2016, restated	156	1,083,980	2,943	1,583,042	10,142	71	548	62,380	47,146	(10,389)	-	2,780,020	4,892	2,784,912
Effect of variations of eliminations reciprocal transactions	-	-	-	3,478	-	-	-	-	-	-	-	3,478	-	3,478
Actuarial loss - severance benefits and vacation	-	-	-	-	-	-	-	-	-	(11,799)	-	(11,799)	-	(11,799)
Transfer of revaluation surplus due to application of adjusted cost and reversal due to alignment	-	(1,086,305)	-	919,470	-	-	-	-	5,229	-	-	(161,606)	-	(161,606)
Allocation to legal reserve	-	-	-	-	1,837	-	-	-	-	-	-	1,837	-	1,837
Effect of adjustments for correction of errors and changes in accounting policies	-	-	-	1,639	-	-	-	-	-	-	-	1,639	-	1,639
Effect of appropriation to and realization of forest development	-	-	-	-	-	-	(548)	-	548	-	-	-	-	-
Net surplus before allocation to minority interest	-	-	-	8,318	-	-	-	-	10,864	-	-	19,182	-	19,182
Result of valuation of financial instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	(9,446)	-	-	-	-	-	-	-	-	(9,446)	-	(9,446)
Investments	-	-	(909)	-	-	-	-	-	-	-	-	(909)	-	(909)
Appropriation to minority interest	-	2,325	-	-	-	-	-	-	251	-	-	2,576	(2,509)	67
Balance as of December 31, 2016, restated	156	-	(7,412)	2,515,947	11,979	71	-	62,380	64,037	(22,187)	-	2,624,971	2,383	2,627,354
Paid-in capital	55	-	-	-	-	-	-	-	-	-	-	55	-	55
Actuarial loss - severance benefits and vacation	-	-	-	-	-	-	-	-	-	(21)	-	(21)	-	(21)
Effect of variations of eliminations reciprocal transactions	-	-	-	1,681	-	-	-	-	935	-	-	2,615	-	2,615
Allocation to legal reserve	-	-	-	-	1,187	-	-	-	-	-	-	1,187	-	1,187
Deficit of the period	-	-	-	-	-	-	-	-	-	-	(47,921)	(47,921)	-	(47,921)
Result of valuation of financial instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	(8,477)	-	-	-	-	-	-	-	-	(8,477)	-	(8,477)
Investments	-	-	(1,891)	-	-	-	-	-	-	-	-	(1,891)	-	(1,891)
Appropriation to minority interest	-	-	-	-	-	-	-	-	144	-	-	144	(144)	-
Balance as of September 30, 2017	211	-	(17,780)	2,517,628	13,166	71	-	62,380	65,116	(22,208)	(47,921)	2,570,663	2,239	2,572,902

Preliminary Translation.

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

Consolidated Statement of Cash Flows
(In millions of colones)
For the periods ended September 30, 2017 and 2016

	<u>2017</u> (Whitout audit)	<u>2016</u> (Whitout audit) (Restated)
Sources (uses) of cash:		
Operating activities:		
Deficit, net.	¢ (47,921)	(7,208)
Adjustment:		
Depreciation	208,993	222,658
Interest expense	101,187	84,248
Legal benefits	16,658	21,445
Bonus	13,590	15,049
School salary	13,323	14,434
Accumulated vacations	11,817	20,066
Allowance for doubtful accounts	6,359	8,862
Allowance for valuation of inventory	-	208
Asset retirement expense	8,825	4,481
Absorption of amortizable and intangible items	10,069	5,376
Foreign exchange differences	57,761	62,967
Earned interests	(12,298)	(9,167)
Valuation of financial instruments	(14,023)	(15,164)
	<u>422,261</u>	<u>435,463</u>
Changes in:		
Increase (Decrease) trade receivables and others accounts receivable	(17,270)	11,878
Decrease (Increase) of inventory	7,298	(1,320)
Decrease other assets	8,088	34,959
Decrease (Increase) accounts payable	(6,379)	26,482
Increase security deposits	1,343	1,377
Increase prepaid income	3,080	2,607
Increase legal benefits	622	7,385
Decrease of employer obligations	(25,399)	(45,374)
Decrease (Increase) other liabilities	(1,132)	1,584
Cash provided by operating activities		
Interest paid	(93,530)	(95,632)
Interest received	11,913	9,086
Cash provided by operating activities	<u>262,974</u>	<u>381,287</u>
Investing activities:		
Investments in trust	-	(95,130)
Increase in long-term investments	(42,887)	(21,116)
Additions to property, machinery and equipment	(189,558)	(187,479)
Increase in other assets	(5,860)	(8,612)
Decrease (Increase) committed temporary investments	23,257	(55,500)
Net cash used in investing activities	<u>(215,048)</u>	<u>(367,837)</u>
Financing activities:		
Increase in securities payable	493	9,667
Amortization of securities payable	(615)	(27,493)
Increase in loans payable	76,318	108,408
Amortization of loans payable	(65,828)	(86,318)
Increase in finances leases	4,208	7,883
Amortization in finances leases	(7,756)	(883)
Net cash provided by financing activities	<u>6,820</u>	<u>11,264</u>
Increase in cash and cash equivalents	54,747	24,714
Cash and cash equivalents at beginning of the year	174,224	181,220
Cash and cash equivalents at end of the year	¢ <u>228,971</u>	<u>205,934</u>

Preliminary translation.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD AND SUBSIDIARIES

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

September 30, 2017

Note 1. Reporting Entity

Instituto Costarricense de Electricidad (Costa Rican Electricity Institute) and Subsidiaries (hereinafter “ICE Group”) is an autonomous Costa Rican entity organized under the laws of the Republic of Costa Rica, through Executive Order No. 449 of April 8, 1949 and Law No. 3226 of October 28, 1963. The address of its registered office and main domicile is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

ICE Group is a group of government-owned entities, including the *Instituto Costarricense de Electricidad* (ICE, parent company and ultimate controlling entity) and its subsidiaries, *Compañía Nacional de Fuerza y Luz, S.A. (C.N.F.L.)*, *Radiográfica Costarricense, S.A. (RACSA)*, *Compañía Radiográfica Internacionales Costarricense, S.A. (CRICSA)*, and *Cable Visión de Costa S.A. (CVCRSA)*, all of them organized under the laws of the Republic of Costa Rica. Other entities, which are not operational as of September 30, 2017, are wholly owned by ICE.

ICE’s main activity consists of developing electric power-producing sources existing in the country, as well as 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 Group holds a concession to develop and promote telecom services in Costa Rica, rendering a wide array of telecom services to individuals, households, and companies. They include fixed and mobile services, both voice and data. Fixed services include traditional fixed telephony, public telephony, Internet access, and television. Mobile services include voice and data under prepaid and postpaid plans. They also include value-added and content services, as well as security and support services, phone network and link interconnection with submarine capacities. Mobile telephone services (prepaid and postpaid voice and data), fixed telephony (including dedicated lines), Internet access, public and international telephony are regulated by SUTEL.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The main activity of the subsidiaries is the following:

- Compañía Nacional de Fuerza y Luz, S.A

Compañía Nacional de Fuerza y Luz, S.A. ((hereinafter, “CNFL”) is a corporation created through Law Number 21 of April 8, 1941, and its main activity is the distribution of electric energy in the metropolitan area of San José and some cantons adjacent to the provinces of Alajuela, Heredia and Cartago. The Company keeps an issue of debt securities in compliance with the regulations of the National Financial System Oversight Board (CONASSIF) and the General Superintendence of Securities (SUGEVAL).

- Radiográfica Costarricense, S.A.

Radiográfica Costarricense, S.A. (hereinafter RACSA) is a mixed corporation established on July 27, 1964. 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.

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

- Cable Visión de Costa Rica S.A.

Cable Visión de Costa Rica S.A. (hereinafter CVCRSA) was established on January 19, 2001; it was acquired by Instituto Costarricense de Electricidad on December 5, 2013. Its main activity is providing cable television services; subsequently, the subsidiary added Internet and digital signal services to the activities offered.

The activities performed by ICE and the subsidiaries mentioned above are regulated by the General Comptroller of the Republic, the General Superintendence of Securities (SUGEVAL), the National Stock Exchange of Costa Rica, the Law for the Regulation of the Securities Market, the Regulatory Authority for Public Services (ARESEP – including the Superintendence of Energy), the Telecommunications Superintendence (SUTEL), and the Pensions Superintendence (SUPEN (SUPEN)).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 2. Basis of Accounting

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting policies included in ICE's Accounting Policy Manual and with accounting criteria issued, accepted by the Directorate of National Accounting of the Ministry of Finance of the Republic of Costa Rica—the Lead Agency of the National Accounting Subsystem. ICE's Accounting Policy Manual (version 7) includes the accounting policies applicable to booking transactions prepared and issued using "Accounting Criteria", with the stewardship and binding criteria of the Budget Accounting Directorate, the approval of the Corporate Management and Finance Department, and acceptance of the Directorate of National Accounting 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, which were in effect until December 31, 2016. In accordance with the orders and provisions established by the Directorate of National Accounting of the Ministry of Finance, ICE's Financial Statements for 2023 must be issued in accordance with the International Financial Reporting Standards (IFRS); therefore, the Institute has gradually adopted such regulations by making the changes implemented in ICE's Accounting Policy Manual and issuing accounting criteria, which, after being issued, will become part of the institution's accounting regulations in effect because they will be binding as accepted by the National Accounting Department of the Ministry of Finance.

The accounting bases of the subsidiaries are the International Financial Reporting Standards (IFRS); therefore, and with the purpose of preparing the consolidated financial statements, the accounting bases of the subsidiaries are aligned with the parent company's accounting bases.

Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on September 30, 2017.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(b) Basis of Measurement

Transactions are initially booked on the historical cost basis according to Executive Decree N° 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, such as the fair value in the derivative financial instruments and investments, and the amortized cost of the debt.

(c) Functional and presentation currency

The accounting records of ICE Group, the 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 accordance with ICE's Accounting Policy Manual 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.

(i) Judgments

Information about judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

- Note 37 - Institutional financial risk management
- Note 28 – Lease classification

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

(ii) Assumptions and estimation uncertainties

The information on assumptions and estimation uncertainties that have a material risk of resulting in a material adjustment within the next year ending December 31, 2017 is included in the following notes:

- Note 7 and 12 – Allowance for doubtful accounts
- Note 9 – Allowance for obsolete inventory
- Note 21 – Recognition and measurement of provisions and contingencies – key assumptions related to the probability and magnitude of the economic resource outflows

(e) Changes in Accounting Policies and New Transactions

The objective of this section is to inform on the changes made to ICE's accounting policies on best practices, which took place in September 2017 as part of the gradual implementation of the International Financial Reporting Standards, for purposes of a better interpretation, and which are applied on the consolidated financial statements of ICE Group.

(i) Presentation of Fair Value of Financial Assets and Liabilities

The objective of this policy is to define the guidelines that should be applied for determining and disclosing the fair value of the financial instruments, and of all assets and liabilities stated at fair value, as well as of the methods, and when valuation techniques are used, the hypotheses applied to determine the fair values.

In order to make the determination, ICE will use valuation techniques that are appropriate in the circumstances and by which it has sufficient information available to measure the fair value, maximizing the use of observable data and minimizing the use of non-observable data.

ICE will establish a fair value hierarchy, which will classify in three levels the input levels of the valuation techniques used to measure the fair value.

The adoption of these practices represents the adoption of a new accounting policy as a result of implementing the best practice in this type of transactions, which effect corresponds only to the disclosure of such instruments in the notes to the financial statements.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(ii) *Statement of Cash Flows*

The objective of implementing this policy is requesting that information is provided regarding the historical changes of the entity's cash and cash equivalents, and this is made using a statement of cash flows in which the fund's flows of the period are classified, whether as operating, investment, or financing activities. Also, the objective of this policy is to determine the proper disclosure of this statement in the financial statements of ICE Group.

The adoption of these practices represents changes in the accounting policies as a result of implementing the best practice in this type of transactions, as established by the IFRS.

(iii) *Net Realization Value (Inventories)*

The implementation of this accounting policy has the objective of defining the accounting treatment of ICE's inventories, so that users of the financial statements can be informed of the information regarding balances and types of inventories that the Institute has.

The changes to ICE's current policy consist of recording inventories at the lower of cost and net realization value, as established by the best practices for those assets that are available for sale.

In addition to the existing item "*Allowance for valuation of stock at warehouses*", which considers the possible losses that originate from obsolescence, impairment, and shortages, there is an allowance for the valuation of inventories, which is referred to as "*Estimate of net value of realization*", which measures price or cost fluctuations directly related to the existing events before or after close.

The adoption of these practices represents changes on the accounting policies since modifications are being made on the recognition parameters and measurement of these transactions.

(iv) *Provisions, Contingent Liabilities and Contingent Assets (Provision for "Guarantee of Terminals" and "Price Readjustments")*

The objective of expanding this accounting policy is to define the accounting treatment for determining, recording, and reporting provisions related to the "Guarantee of Terminals" and "Price Readjustments" in the financial statements, so that users of those financial statements are able to learn information about balances and types of provisions, and about ICE's contingent liabilities and assets in total, in connection with those applicable to ICE up to date. Timey recording: In accordance with IFRS, these

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

liabilities should be recorded when they constitute present obligations. It is likely that ICE will have to let go of resources that incorporate economic benefits in order to settle such liabilities, and therefore, the amount may be reliably estimated (although it may imply some degree of uncertainty.)

The provision for guarantee of terminals corresponds to the expected cost for obligations under that concept, pursuant to local regulations on the sale of assets, in accordance with the best estimate of the respective technical and financial areas on the disbursements required to pay off ICE's obligation with its customers.

The provision for price readjustment is the expected cost for obligations under that concept, in accordance with the best estimate of the respective technical and financial area on the disbursements required to pay off ICE's obligation with its vendors.

The adoption of these practices implies changing accounting policies because of the modifications in recognition and measurement parameters for these transactions.

(v) Income from Ordinary Activities (Income earned but not billed)

The objective of the expansion of this accounting policy is to define the accounting treatment of ordinary activities that arise from the different invoicing cycles, which do not coincide with closing dates in the month, in accordance with the provisions set forth in the International Financial Reporting Standards.

ICE records the best estimate of income for operation services derived from the sale of power and telecommunication services, which have been provided but not billed, when said income can be reliably estimated and is materially important, taking into consideration the degree of completeness of the service and an analysis of the reasonability of the amount of income of the year, based on the offset of income from the previous year recorded in the current one, with that income left unrecorded at the end of the year being reported.

The adoption of these practices implies changing accounting policies because of the modifications in recognition and measurement parameters for these transactions.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(vi) Intangible Assets (Submarine Cables) and Long-Term Investments (Submarine Cables consortiums)

The objective of the modification of this accounting policy is to adopt the best international accounting practices for recording and reporting in the financial statements information related to submarine cables, which are part of the nature of the telecommunications sector operations.

In accordance with the nature of agreements, it was defined that one of them (Maya submarine cable) has the conditions to be recognized as a long-term investment given that, based on the essence of the agreements, there is an equity interest. For the rest of the agreements (Global Crossing and Arcos), these are recorded as intangible assets since they only constitute a right to use submarine capacity, without physical appearance, and are expected to be used for more than one fiscal year.

The adoption of these practices implies changing accounting policies because of the modifications in recognition and measurement parameters for these transactions.

(Continues)

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

Note 3. Summary of Significant Accounting Policies

The following accounting policies, set forth in ICE's Accounting Policy Manual (Version 7) and in the Accounting Criteria issued and in effect as of 2016 and September 2017, have been applied in the years presented in the accompanying consolidated financial statements. Such accounting criteria are part of the Institution's accounting policies given their binding nature regarding the Accounting Policy Manual, which are later incorporated therein. Such accounting criteria represent the adopted accounting policies or the amendments to the existing accounting policies, and they are implemented in accordance with the policy associated with the "Accounting Policies, Changes in Estimates and Errors" used by ICE. The policies have been consistently applied in the years presented in these interim consolidated financial statements and for all the entities that compose ICE Group corresponding to the quarter ended as of November 30, 2017.

(a) Annual accounting policies not applied for interim periods

ICE Group's accounting policies contain a series of guidelines that govern the Group's accounting practices and that consider the accounting treatment of an accounting period, which in the case of ICE Group's corresponds to a calendar year from January 1 to December 31.

According to practice, the mandatory accounting policy for the annual period is due to the complexity of the implicit monthly or quarterly processing for the calculation or restatement of values.

Below is a list of accounting treatments of interim periods which differ from the annual treatment conducted as of the closing date of each accounting period.

(i) *Allowance for Valuation of Stock at Warehouses:*

This is in accordance with the policy on the allowance for valuation of stock, the amount of the allowance for valuation of stock - an operation that must be periodically reviewed to cover the eventual obsolescence, impairment, or shortage.

The necessary activities to review the allowance involve all offices of ICE Group since inventories are safeguarded in the entire country, and additionally, they take place every year. Thus, based on practical reasons, allowance is reviewed or modified only at yearend.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Some notes to the consolidated financial statements present, for practical purposes, detailed information per subsidiary.

Certain comparative amounts in the separate balance sheet have been reclassified as a result of the correction of errors, changes in estimates, and changes in accounting policies (see note 24).

(b) General Registration Policies

(i) Consolidation Bases

- Business Combinations

ICE Group's business combinations are accounted for using the acquisition method on 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 recognized as part of the value of the investment.

Goodwill is measured at cost based on the financial statements of the acquiree on 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.

Goodwill arises from the acquisition of subsidiaries and represents the excess of the acquisition cost over the carrying amount (net equity) of the acquiree, it is recognized under "intangible assets" in ICE Group's consolidated financial statements.

Goodwill is registered at cost.

(i) Subsidiaries

The consolidated interim financial statements include the accounts of *Instituto Costarricense de Electricidad* (ICE) and subsidiaries. The accounts are detailed below:

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Subsidiaries	Country	Ownership interest as of	
		As of	As of
		September 30	December 31
		2017	2016
Compañía Nacional de Fuerza y Luz, S.A. (CNFL)	Costa Rica	98,6%	98,6%
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) ⁽¹⁾	Costa Rica	100%	100%

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

- Transactions eliminated in the consolidation process

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group (ICE Group) transactions, are eliminated in preparing the consolidated financial statements.

(ii) Accounting period

ICE Group's accounting period runs from January 1 to December 31 of each year.

(iii) Recognition criteria

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

- it is likely 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 other cash equivalent is received or paid.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

All transactions and events of ICE Group should be booked in the accounting records in a timely manner and in chronological order in the financial statements for the corresponding periods.

(iv) Foreign Currency Transactions

During the period, all of ICE's foreign currency transactions are translated into the functional currency at the exchange rate for the Costa Rican colon with respect to the U.S. dollar (US\$) in effect as of the immediately preceding annual period, established by the Central Bank of Costa Rica 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 Central Bank of Costa Rica 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 of the period.

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.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 4. Property, Plant, and Equipment– net

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Cost:			
Operating assets	¢	6,581,050	6,440,153
Operating assets and other operating assets under finance leases		847,953	844,949
Other operating assets		542,305	528,234
Total operating assets - cost		7,971,308	7,813,336
Depreciation - cost and losses due to deterioration	¢		
Operating assets		3,390,742	3,219,370
Operating assets and other operating assets under finance leases		18,059	6,775
Other operating assets		347,258	340,734
Total accumulated depreciation of operating assets - cost		3,756,059	3,566,879
Operating assets, net	¢	4,215,249	4,246,457
Other assets			
Construction work in progress	¢	361,738	342,336
Materials in transit for investment		48,573	50,974
Inventory for investment		92,467	118,648
Design and Planning of Project Implementation		99,391	92,952
Total Other assets		602,169	604,910
Total Operating assets, net		4,817,418	4,851,367

(*) See note 24

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(i) Origin Value –Cost

Origin value of properties, plant, and equipment at cost are detailed as follows:

Cost	As of December 31, 2015	Additions and capitalizations	Disposals	Transfers	Alignment adjustments	As of December 31, 2016 (Restated) *	Additions and capitalizations	Disposals	Transfers	As of September 30, 2017
Operating assets:										
Land	€ 119,296	3,522	(127)	24,084	(24,882)	121,893	74	-	(33)	121,934
Buildings	62,581	1,276	(200)	144,447	(21,126)	186,978	1,231	(22)	87	188,274
Hydraulic power generation	2,297,824	46,225	(3,475)	6,992	(81,660)	2,265,906	17,002	(144)	(8,055)	2,274,709
Thermal power generation	182,141	787	(13,977)	(582)	-	168,369	288	-	-	168,657
Geothermal power generation	528,897	150	-	(1,196)	-	527,851	-	-	-	527,851
Wind power generation	11,702	-	-	778	-	12,480	-	(695)	-	11,785
Solar power generation	12,743	93	-	(721)	-	12,115	166	(9)	-	12,272
Substations	431,854	17,654	(5,179)	(14,210)	(14,870)	415,249	22,039	(1,722)	-	435,566
Transmission lines (3)	297,859	32,249	(1)	(162)	(2,000)	327,945	24,501	-	-	352,446
Distribution circuits (2)	793,239	18,430	(4,841)	2,319	(144,379)	664,768	25,224	(7,801)	-	682,191
Street lighting	41,781	1,400	(231)	187	(13,731)	29,406	2,164	(232)	-	31,338
Transport (4)	662,388	27,408	(922)	(86,565)	-	602,309	20,516	-	(698)	622,127
Access (1)	526,654	25,522	(2,732)	(58,972)	-	490,472	26,751	-	(62)	517,161
Civil and electromechanical	235,831	11,428	-	(60,960)	-	186,299	8,023	-	-	194,322
Platforms	211,625	9,655	(4,332)	3,947	-	220,895	9,321	-	-	230,216
Communication equipment	201,470	9,220	(3,953)	2,704	(34,375)	175,066	4,253	(1,309)	(384)	177,626
General equipment	34,945	2,294	(1,709)	(3,378)	-	32,152	2,047	(1,595)	(29)	32,575
Subtotal operating assets	€ 6,652,829	207,313	(41,679)	(41,287)	(337,023)	6,440,153	163,600	(13,529)	(9,174)	6,581,050
Other operating assets under finance leases: (5)										
Land	1,948	-	-	5,706	-	7,654	-	-	-	7,654
Buildings	29,340	-	-	600	-	29,940	-	-	-	29,940
Hydraulic power generation	-	795,298	-	-	-	795,298	-	-	-	795,298
Access	2,593	7,351	-	(57)	-	9,887	845	-	62	10,794
Furniture and equipment	2,152	43	-	(25)	-	2,170	1,994	-	103	4,267
Subtotal operating assets and assets under finance leases	€ 36,033	802,692	-	6,224	-	844,949	2,839	-	165	847,953
Other operating assets	505,205	25,377	(14,329)	11,981	-	528,234	28,055	(20,102)	6,118	542,305
Subtotal Other operating assets	€ 505,205	25,377	(14,329)	11,981	-	528,234	28,055	(20,102)	6,118	542,305
Total	€ 7,194,067	1,035,382	(56,008)	(23,082)	(337,023)	7,813,336	194,494	(33,631)	(2,891)	7,971,308

(*)See note 24

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Adjusted Cost:

As of January 1, 2016, ICE adopted the adjusted-cost accounting policy as the new cost of operating assets. This cost includes the integration of the historical cost and the revaluation value in a single value, based on the fact that such assets are associated with operations subject to rate regulations. Before 2016, ICE's operating assets were registered at cost, with the exception of all the operating assets of the Electricity Sector as well as all ICE's lands and buildings. As a result of the adoption of such accounting policy, the balance of the reserve for revaluation was reversed, thereby transferring it to the Development Reserve and Retained Earnings. The amount of such a reversal was ¢1,086,323.

As a result of the adoption of the adjusted cost by ICE, the revaluation of related parties is eliminated, and it is included as an alignment adjustment in the operating assets note.

- As of September 2017, there were increases in the productive assets for the following groups of assets:

(1) Access:

It includes additions and capitalizations for the sum of ¢26,751, mainly in 3G radio bases and 4G cellular telephony nodes for providing info-communication services.

(2) Distribution Circuits:

Additions and capitalizations for the sum of ¢25,224, mainly in support structure, civil works, primary alone and secondary, among others.

(3) Transmission Lines:

It includes additions and capitalizations for the sum of ¢25,501, mainly in the transmission structures, conductors, fiber optic cable, and guard wire.

(4) Transportation:

As of September 30, 2017, according to the best international accounting practices, submarine cables recorded in the accounts of Properties, facilities and equipment cost and depreciation cost are reclassified as intangible assets and long-term investments. (See Note 2. (vi))

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(5) Operating Assets and Other Operating Assets under Financial Lease:

This account includes the value of performing assets under lease agreements entered into as financial lease assets.

As of September 30, 2017, some of the financial lease agreements entered into are the following:

Electricity Sector: (Hydraulic Generation)

Lease Agreement for the Reventazón Hydroelectric Power Project:

- Agreement entered into between UNO P.H Reventazón Trust 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 of UNO P.H Reventazón Trust. During 2017, the value of such semi-annual payment amounted to ¢14,070 million (US\$23 million). Such an agreement, classified as a financial lease agreement, became effective as of November 15, 2016, because the construction of the works was completed at the end of 2016.

Such a lease agreement is derived from the terms set forth in Trust agreement referred to as " UNO PH Reventazón / ICE / Scotiabank / 2013 Trust Agreement," entered into in May 2013 between ICE and Scotiabank de Costa Rica, in which 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.

The main clauses of this UNO PH Reventazón / ICE / Scotiabank / 2013 Trust Agreement 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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.
 - 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.

The implementation of Reventazón hydroelectric plant is a joint venture between ICE and the Trust. Upon completion of such works in 2016, ICE included in the account of operating assets under a lease agreement the amount of ¢800.658, accounting for the total value of the construction cost. Such a value includes the cost of the investment directly made by ICE in the amount of ¢340.420 and the investment made by the Trust in the amount of ¢460.207. This last amount of ¢460.207, contributed by the Trust, is the benchmarking figure for the lease agreement. Since the investment made in such a project by the Trust was funded with loans denominated in colones and US dollars, the abovementioned agreed-upon lease fee includes a portion in the local currency and another portion in US dollars. Therefore, the obligation with the Trust and related to the investment made by such entity was broken down in those two currencies.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Telecommunications Sector: (Buildings)

Telecom Tower Lease Agreement:

On January 29, 2010, Banco de Costa Rica (BCR) and ICE entered into an agreement referred to as “ICE-BCR Real Property Securitization Banco de Costa Rica acting as a trustee, agreed to obtain the financial resources to acquire the real property known as Centro Empresarial La Sabana (building). Such financing would be obtained by the Trust by selling securities known as “Securities/Certificates of ICE-BCR Real Property Securitization Trust.”.

The purposes of this Trust was to provide ICE with a comprehensive physical space solution to perform its activities. One of the terms of this Trust was to lease the equipped building to ICE, thereby giving rise to the irrevocable lease agreement with an option to buy such property, known as Centro Empresarial La Sabana, through which the aforementioned Trust leases to ICE the aforementioned real property for a 12-year term, at the end of which ICE will be able to exercise the purchase option with a monthly lease fee determined based on the variables set forth in the aforementioned lease agreement.

With the amount received by the Trust for the lease of the property, the loan and yields from the securities placed in the stock market will be paid, as well as those private securities issued, and national and international bank loans.

RANGE – Telecommunications Lease Agreement: (Access)

In January 2014, Banco de Costa Rica (BCR) and ICE entered into an agreement referred to as “ICE-RANGE/BCR Trust Agreement) to comply with the cost of the design, construction, and maintenance of the New Generation Access Network (RANGE), including the works related to the installation of equipment, channeling of civil and electro-mechanical works, duct construction, cable laying, and installation of fiber optic. As a result of such a Trust Agreement, ICE entered into a lease agreement with the Trust regarding the works to be developed by the latter. The term of the lease is 18 years as of May 2016, with monthly payments established in accordance with the formula set forth in the Addenda to the aforementioned lease agreement. In 2017, the monthly payment ranges between ¢104 and 197 million, (¢201 and 217 million in 2016).

Payments started in 2016. Due to the characteristics of such a lease, it was classified as a financial lease.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The lease fee to be paid by the lessee to the lessor will be made in colones, legal tender of Costa Rica, one month in advance, on the first day of each month and will be calculated at the beginning of each year based on the Net Present Value (NPV) of all the expenditures submitted for the following twelve months, needed for the expenditures forecasted for the following twelve months. The calculation of the monthly amount will consider the forecasted expenditures of the twelve months corresponding to each year and it is taken to the present value so that, based on such data, the fixed monthly fee is calculated for such a year. The payments will be made through a bank deposit in a checking account indicated by the lessor.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(ii) Accumulated Depreciation and Impairment Loss

Accumulated depreciation and impairment loss of properties, plant, and equipment at cost are detailed as follows:

Depreciation - cost	As of December 31, 2015	Depreciation for the year	Disposals	Transfers	Alignment adjustments	As of December 31, 2016 (Restated)*	Depreciation for the year	Disposals	Transfers	As of September 30, 2017	
Electricity:											
Buildings	€	13,534	2,952	(1)	66,771	(12,941)	70,315	1,012	-	(1)	71,326
Hydraulic power generation		985,239	39,714	(2,250)	6,306	(34,952)	994,057	27,630	-	468	1,022,155
Thermal power generation		93,672	3,376	(9,385)	456	-	88,119	2,553	-	-	90,672
Geothermal power generation		229,963	40,899	-	(640)	-	270,222	30,752	-	-	300,974
Wind power generation		6,748	2,157	-	494	-	9,399	1,588	(622)	-	10,365
Solar power generation		2,921	2,100	-	(140)	-	4,881	726	(8)	-	5,599
Substations		196,586	17,127	(504)	(10,469)	(9,579)	193,161	11,743	-	(327)	204,577
Transmission lines		103,859	6,737	-	226	(973)	109,849	5,981	-	-	115,830
Distribution circuits		406,212	14,006	(3,431)	4,961	(91,525)	330,223	14,039	(5,837)	(36)	338,389
Street lighting		19,052	926	(144)	423	(9,001)	11,256	1,134	(190)	(15)	12,185
Transport		428,063	59,936	(773)	(37,006)	-	450,220	23,585	-	(3,049)	470,756
Access		286,110	47,229	(2,132)	(12,856)	-	318,351	27,112	-	(18)	345,445
Civil and electromechanical		219,996	4,105	-	(65,132)	-	158,969	9,921	-	-	168,890
Platforms		110,372	28,856	(3,606)	135	-	135,757	20,402	-	-	156,159
Communication equipment		68,772	4,034	-	2,193	(25,484)	49,515	3,795	(1,243)	(25)	52,042
General equipment		25,214	-	-	(138)	-	25,076	1,561	(30)	(1,229)	25,378
Subtotal operating assets	€	3,196,313	274,154	(22,226)	(44,416)	(184,455)	3,219,370	183,534	(7,930)	(4,232)	3,390,742
Operating assets and other operating assets under finance leases:											
Buildings	€	2,786	-	-	-	-	2,786	451	-	-	3,237
Hydraulic power generation		-	976	-	-	-	976	8,944	-	-	9,920
Access		-	1,104	-	-	-	1,104	1,658	-	17	2,779
Furniture and equipment		1,050	763	-	96	-	1,909	215	-	(1)	2,123
Subtotal operating assets and operating assets under finance leases	€	3,836	2,843	-	96	-	6,775	11,268	-	16	18,059
Other operating assets	€	319,924	26,184	(10,526)	5,152	-	340,734	14,191	(16,876)	9,209	347,258
Subtotal other operating assets	€	319,924	26,184	(10,526)	5,152	-	340,734	14,191	(16,876)	9,209	347,258
Total	€	3,520,073	303,181	(32,752)	(39,168)	(184,455)	3,566,879	208,993	(24,806)	4,993	3,756,059

(*) See note 24

(Continues)

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

Cost:

On January 1, 2016, ICE adopts the adjusted-cost accounting policy as the new cost of operating assets. As a result, ICE regrouped, in a single item, the balances of the accumulated depreciation on the historical costs and the accumulated depreciation on the revaluation.

As of January 1, 2016 and after adopting the component accounting, the useful life of the elements of the operating assets were reviewed considering the disaggregation by components.

Therefore, in 2017 and 2016, the assets are depreciated using the following useful lives:

	<u>Useful life (in years)</u>
Buldings	40 a 50
Plant, machinery and equipment of electrical generation	30 a 60
Plant, machinery and telecommunications equipment	2 a 60
Public lighting plant, machinery and equipment	10 a 30
Machinery and equipment	4 a 20

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(iii) Works in Progress

The following chart shows a detail of significant construction work that ICE Group has as of September 30, 2017 and December 31, 2016:

Construction work in progress		As of September 30, 2017	As of December 31, 2016
Las Pailas II Geothermal Project (1)	¢	119,668	90,883
Borinquen Geothermal Power Project (2)		28,625	25,760
New Power Control Center (3)		23,696	12,863
Real property management installation (4)		22,899	14,256
Management of network elements (5)		19,828	11,286
Anillo Sur Transmission Line (6)		19,602	18,293
Advanced cell evolution (7)		17,217	16,604
Acquisition of assets - senior management (8)		13,715	11,329
Advanced mobile services (9)		8,318	11,661
Advanced public terminals		6,602	408
Fonatel		6,093	3,567
Ongoing quality improvement (distribution)		5,438	5,680
Convergent transport system		5,118	159
Reinforcement of distribution system		4,779	10,738
Cariblanco-Trapipe Transmission Line		3,968	3,363
Improvements to electricity transport network		3,619	4,276
LTE network expansion		3,581	184
Expansion of platform and renewal of technological infrastructure		3,429	1
Technical services for distribution projects		2,602	1,308
Basic engineering studies		2,435	1,888
Tejona Transmission		2,430	-
Improvements to Telecom transport networks		2,405	4,067
Cóbano Transmission Line		2,369	20,428
Detour Carpio		2,311	2,154
Central Government agreements		2,304	863
Network Development Project		2,016	2,307
Creation and restoration of civil and metal structures		1,887	1,101
Multi-service access nodes (NAM)		1,785	6
Capillary network		1,726	5,188
Trunked radio system		1,719	738
Detour Claro River - Paso Canoas		1,668	578
Integral business customer services		1,552	4,091
Colima technical support		1,319	604
Modernization of IPTV Platform		1,289	1,910
Public lightning		1,181	711
Modernization of lightning, tests		1,146	4,954
Sundry projects		12,440	49,768
Less: Government services*		(1,041)	(1,639)
Total	¢	361,738	342,336

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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Below is a description of the nature and main works in progress during the period:

(1) Las Pailas II Geothermal Power Plant

The balance corresponds to the cost of several construction works required to build a geothermal power plant with a power output of 55 MV. The purpose of this project is to complement the capacity generated by Las Pailas I plant. The project is located in Guanacaste and is being built on the foothills Rincón de la Vieja Volcano.

(2) Borinquen Geothermal Power Plant

This project is located in the Guanacaste Mountain Range, on the Pacific slope of the Rincón de la Vieja Volcano, which will have an estimated power generation of 55 megawatts (MW).

(3) New Energy Control Center

Construction of new headquarters of the Energy Control Center located outside San José and close to SEN substations. The facilities will have their own electricity services, uninterrupted direct current feeding for communications, SCADA/EMS equipment and programs and communications to access the SDH system.

(4) Real Property Management Facilities

The project consists of developing a physical space solution to invest in the construction of suitable infrastructure in the Sabana Sector to eliminate the fixed expenses of administrative leases that are limited due to the physical conditions in accordance with the required use by the Company.

(5) Network Element Management

Solutions in the construction process to meet the needs of the next-generation services for residential clients.

(Continues)

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(6) South Ring Transmission

This project includes the construction of a transmission line referred to as South Ring Transmission Line located between L.T Tarbaca – Parrita Transmission Line and L.T Río Macho el Este Transmission Line, with a length of 16.2 Km approximately and whose transfer will be double-circuit 230 kw.

(7) Advanced Mobile Evolution

This project was created for acquiring equipment, services, and internal LTE solutions for LTE interior solutions and services for 4G mobile network to reduce the delivery times of the equipment as much as necessary in order to supply the networks that ICE has available.

(8) Acquisition of Top Management Assets

The Financial Management Modernization Program (PMAF) is a solution that entails a redesign of logistics, administrative, and financial processes in accordance with the best industry practices supported on a platform that includes software, licenses, and infrastructure.

The Program includes the redesign, integration, and consolidation of operational and administrative processes of areas such as Finance, Supply Chain, Human Capital, and Project Management, and the improvement of the efficiency and the availability of information for an effective decision-making at the Institution based on an integrated ERP system (Enterprise Resource Planning) under the SAP brand.

(9) Advanced Mobile Service

This is related to the acquisition of mobile equipment for radio bases to meet the demand for mobile coverage.

(Continues)

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A detail of the movements regarding works in progress, material in transit, and inventory- version as of September 30, 2017 and December 31, 2016 is shown as follows:

Account	As of December 31, 2015	Additions	Capitalizations	Interests and commissions	Warehoused	Used in works	As of December 31, 2016	Additions	Capitalizations	Interests and commissions	Warehoused	Used in works	As of September 30, 2017
Construction work in progress	¢ 408,004	310,938	(393,807)	18,840	-	-	343,975	166,546	(154,228)	6,486	-	-	362,779
<i>Less: Government services*</i>	(3,048)	1,409	-	-	-	-	(1,639)	598	-	-	-	-	(1,041)
Subtotal construction work in progress	404,956	312,347	(393,807)	18,840	-	-	342,336	167,144	(154,228)	6,486	-	-	361,738
Materials in transit for investment	19,170	54,646	-	-	(22,572)	(270)	50,974	14,881	-	-	(17,227)	(55)	48,573
Inventory for investment	125,523	117,350	-	-	-	(124,225)	118,648	68,291	(342)	-	-	(94,130)	92,467
Total	¢ 549,649	484,343	(393,807)	18,840	(22,572)	(124,495)	511,958	250,316	(154,570)	6,486	(17,227)	(94,185)	502,778

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

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.

(Continues)

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(vii) Design and Planning of Project Implementation

This account includes all those costs incurred or investments made during the design and planning stage of the implementation of the projects included within the line “Works in progress previously described”:

Project	As of September 30, 2017	As of December 31, 2016
El Diquís Hydroelectric Power Project (1) ¢	86,853	85,364
Refitting of south-center transmission line	4,991	4,991
Fourth Cliff Hydroelectric Power Project (2)	4,861	-
Verbená Transmission line	2,333	2,218
Other	412	483
Subtotal	99,450	93,056
* Elimination of Government services	(59)	(104)
Total ¢	99,391	92,952

* Internal consumption for services incurred by the different areas of ICE.

(1) El Diquís Hydroelectric Project (PHED):

As part of the plan to expand the electricity generation by ICE, as derived from the legal mandate to study and find out the energy potential of the watersheds of the country, in 2000 ICE started conducting a study to establish additional alternatives aimed at using such watersheds, by analyzing options with a generation capacity to optimize the energy supply in the light of the future needs of the country in the Electricity Sector. Therefore, a major potential was determined in the Southern region of the country, specifically the Brunca Region, leading to a series of technical and feasibility studies that gave rise to the investment referred to as El Diquís Hydroelectric Project, which seeks to use the flow of Rio General for the generation of an estimated hydroelectric power of 650 megawatts (MW), and a generation of 3,050 gigawatts hour (GWh/year).

(Continues)

Notes to the Consolidated Financial Statements
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The decision to develop El Diquís was the result of an evaluation of the expansion plans. These studies take into account the existing system and the available options to meet future electric power needs. Based on the simulation models developed for such purpose, it was determined that El Diquís is part of the lower economic-cost plans. These programs minimize the costs of investment, operation, and failure probability, while guaranteeing the compliance with the minimum reliability requirements.

El Diquís is expected to start operating in 2026. The expansion plan will be adjusted according to new demand forecasts, but the initial start-up date for El Diquís is kept due to its strategic nature. If the new demand forecasts indicated a higher growth of electricity consumption, the plan would be adjusted by adding fast-implementation projects, and otherwise, the adjustment is made by delaying or suspending minor projects, so that the date of El Diquís is not changed and the expansion plan is still optimized.

El Diquís is a strategic project for the development of the electricity system because it plays two key economic roles: meet the increasing demand and offset the variations in the variable generation sources. By 2026, when El Diquís is expected to start operating, the demand of the country will be higher than 14,000 GWh, an increase of 50% over the current electricity consumption. The long-term planning studies have determined that El Diquís is the economically optimal option to meet the increasing demand of future decades. Moreover, the reservoir and the high installed capacity of the plant will allow offsetting the fast variations of wind and solar power generation, which would be otherwise unacceptable in the generation system. The energy storage capacity at El Diquís makes it possible to increase the penetration of these variable sources without compromising the quality of the service.

El Diquís Hydroelectric Project was declared a matter of national interest in Executive Order No. 34312-MP MINAE in 2008. Such declaration means that every process needed to implement it, including financing procedures, environmental studies, and others, will be a priority for every governmental institution involved, by submitting the related activities to fast and effective procedures.

(Continues)

Notes to the Consolidated Financial Statements
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Therefore, as previously indicated, as of 2000, ICE started conducting a series of technical and feasibility studies to justify the feasibility and relevance of the project, which led to an investment amounting to ¢86.853 million (¢85.364 million in December 2016) as of September 30, 2017.

This investment includes the costs incurred for a series of activities to implement the Environmental Impact Assessment, which as of the date of this report is at an advanced stage, followed by its submission to the National Technical Environmental Secretariat (SETENA), the body in charge of reviewing, approving, and issuing the Environmental License. The purpose of this study is to identify, forecast, and assess the environmental impacts that might have positive and negative effects on the environment and to develop an Environmental Management Plan Forecast aimed at preventing, correcting, mitigating, or offsetting such effects by seeking the sustainable development of the project. In implementing such a study, ICE has not only considered the requirements established by the local laws and regulations, but also, as a benchmark, the requirements of some international financial institutions as part of the terms and conditions to finance projects of this nature.

Together with this environmental study, and as part of the elements needed to meet the aforementioned local and international regulatory requirements, as well as those established by the United Nations (UN) in ILO Convention 169 on Indigenous and Tribal Peoples in Independent Countries, ratified by our country in 1992, a process known as Indigenous Consultation was included, and due to the location of the aforementioned hydroelectric project, it takes into consideration indigenous territories that will be affected by the construction of the reservoir. In light of this situation and under the responsibility of the Government of Costa Rica, the aforementioned consultation was started to establish a dialogue platform between the Government and the indigenous peoples and develop a regulatory instrument to regulate the activities to be defined regarding the effects of the implementation of El Diquís Project. The completion of the agreements involved in this consultation process, which are a binding element to grant the aforementioned Environmental License, is foreseen for 2017. Initially and due to the deficiencies in the dialogue process, some legal proceedings were filed by Asociación de Desarrollo Integral de la Reserva Indígena de Térraba, which are being settled as part of the Indigenous Consultation.

(Continues)

Notes to the Consolidated Financial Statements
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Based on the feasibility studies conducted, an amount of about US\$4.000 million (including scaling and financial expenses) was estimated as the value of the investment to implement such a hydroelectric project. To finance such investment, ICE has relied upon a work team, known as Financing Commission, which has been exploring financing plans in the light of the foreseen business model, which may have, at the beginning, local and regional impacts by meeting the energy requirements of the country and Central America, in which the Regional Electricity Market (MER) operates. As a significant element of the process to search for the financing of such project, it must be taken into account that this is a project of public interest, as indicated above, and since it is a renewable energy project, it strengthens the negotiations that might be required for this financing.

In general, in the opinion of ICE's Corporate Governance Division, El Diquís Hydroelectric Project is essential to implement the plan to expand the energy generation capacity to meet the foreseen energy demand in the future, when there are projections for a strong national electricity market. Moreover, the activities performed by ICE before the implementation of the project represent proactive efforts to make the aforementioned financing process easier.

(2) Fourth Cliff Hydroelectric Project:

This project consists of using the waters of the Reventazón river, using water resource once again for the generation of electricity.

The project is located immediately next to the Revenazón Hydroelectric Project, where restitution waters will be used, and which will be conveyed to a machine room and then restituted to the river.

The future plant would operate in line with Reventazón, following its same production schedule. In this way, a reservoir would not be required, which makes it very attractive.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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Note 5. Intangible Assets

Intangible assets are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Intangible assets finite life			
Licences, sytems, and applications (1)	¢	105,509	104,461
Rights submarine cable (2)		64,758	64,758
Subtotal		170,267	169,219
Accumulated amortization			
Licenses, systems and applications		(76,561)	(83,012)
Rights submarine cable		(32,981)	(29,714)
Accumulated amortization		(109,542)	(112,726)
Intangible assets finite life		60,725	56,493
Intangible assets with indefinite useful life			
Rights of way and easements (3)		29,053	28,740
Goodwill		2,813	2,813
Rights guaranteed by law		-	2
Subtotal		31,866	31,555
Accumulated amortization			
Rights of way and easements		(1,313)	-
Commercial Goodwill-Amortization		-	(444)
Amortización acumulada		(1,313)	(444)
Net Intangible assets with indefinite useful life		30,553	31,111
Net total	¢	91,278	87,604

(*) See Note 24.

(Continues)

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

Movement of intangible assets for the years ended September 30, 2017 and December 31, 2016 is shown as follows:

	Intangible assets finite life				Intangible assets with indefinite useful life								Total	
	<u>Licences, svtems, and applications (1)</u>		<u>Rights submarine cable (2)</u>		<u>Rights of way and easements (3)</u>		<u>Rights guaranteed by law</u>		<u>Goodwill</u>					
	As of September 30, 2017	As of December 31, 2016	As of September 30, 2017	As of December 31, 2016	As of September 30, 2017	As of December 31, 2016	As of September 30, 2017	As of December 31, 2016	As of September 30, 2017	As of December 31, 2016	As of September 30, 2017	As of December 31, 2016		
	(Restated)*										(Restated)*			
Cost														
Opening balance	€	104,461	105,497	64,758	64,758	28,740	25,576	2	2	2,813	5,863	200,774	201,696	
Additions		17,994	19,096	-	-	327	3,164	-	-	-	-	18,321	22,260	
Transfers		(715)	(10,909)	-	-	-	-	-	-	-	-	(715)	(10,909)	
Retirements		(16,231)	(9,223)	-	-	(14)	-	(2)	-	-	-	(16,247)	(9,223)	
Adjustments		-	-	-	-	-	-	-	-	-	(3,050)	-	(3,050)	
Total cost	€	105,509	104,461	64,758	64,758	29,053	28,740	-	2	2,813	2,813	202,133	200,774	
Accumulated amortization														
Opening balance	€	83,012	72,451	29,714	25,230	-	-	-	-	444	601	113,170	98,282	
Amortization - expense		10,069	14,984	-	-	-	-	-	-	-	(157)	10,069	14,827	
Amortization - investment		(911)	408	-	-	-	-	-	-	-	-	(911)	408	
Reclassifications		-	-	-	-	-	-	-	-	(444)	-	(444)	-	
Transfers		(59)	(3,584)	3,267	4,484	1,313	-	-	-	-	-	4,521	900	
Retirements		(15,550)	(1,247)	-	-	-	-	-	-	-	-	(15,550)	(1,247)	
Total amortization		76,561	83,012	32,981	29,714	1,313	-	-	-	-	444	110,855	113,170	
Net total	€	28,948	21,449	31,777	35,044	27,740	28,740	-	2	2,813	2,369	91,278	87,604	

(*) See Note 24.

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, based on a useful life to be established and reviewed by the technical area.

ICE's rights of way and easements have no defined term over which they generate future benefits to ICE; accordingly, they are not amortized.

(1) Easements and Rights of Way

Easements and rights of way correspond to the payments made to the owners of lands which ICE Group requires to access to develop different projects and provide electricity and telecom service; however, these rights are mainly originated in the transmission lines. According to the terms of the agreements, ICE is only entitled to easements or rights of way, but this does not mean the purchase of lands or transfer of ownership to ICE and does not establish a term in years for exercising the right, establishing a permanent easement.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(2) Submarine Cable Rights

In September 2017, the reclassification of submarine cables is recognized, establishing that these items should be recorded as intangible assets, as it corresponds to their nature, not as operative assets, in order to comply with the best accounting practices. Said change is made based on the change to the accounting policy. (See Note 2. (vi))

(3) Goodwill

This is excess acquisition cost over the carrying amount (net equity) of the subsidiary acquired in 2013: Eólico Valle Central, S.A (merged in 2014 with CNFL)

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 6. Investments on Equity and Financial Instruments

Long-term investments are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Investments in equity:			
Maya Cable Consortium (1)	¢	15,067	15,067
Toro III Hydroelectric Project Trust (2)		11,203	11,203
Empresa Propietaria de la Red, S.A. (3)		3,124	3,124
Tecomunica, S.A. (4)		1,081	1,081
Red Centroamericana de Fibras Ópticas, S.A. (5)		143	143
Others		64	64
Sub total		30,682	30,682
Investments in financial instruments: (6)			
Government (External Debt Bonds)		59,298	40,522
Central Bank of Costa Rica (Bonds)		17,228	12,311
Investment costs		1,648	851
Others		62,786	44,389
Sub total		140,960	98,073
Total	¢	171,642	128,755

(*) See note 24.

(1) Maya Cable Consortium

Reclassification of international cable item, in this case the Maya Cable, related to the right of use, where, according to accounting criterion, the amount paid for the investment on submarine cable, which is recorded as fixed asset, is reclassified as equity investment. In addition to this, consortium interest is recorded as long-term investment when it is established in the contract that, after deducting all its liabilities, residual interest remains in the assets of an entity, or that, if the asset is sold or disposed of, proceeds will be proportionally distributed according to each investor's share.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(2) Toro III Hydroelectric Power Project Trust

On March 9, 2006, ICE and JASEC entered into a business partnership agreement for the design, financing, construction, and operation of the Toro III Hydroelectric Power Project, through which both entities keep an equal share regarding rights and obligations. To implement this process, in January 2008 both entities agreed to establish a Trust with Banco de Costa Rica, in which ICE and JASEC act as trustors and beneficiaries and Banco de Costa Rica as trustee. One of the duties of the trustee was to obtain the financing and manage the resources to develop the infrastructure works needed for the generation of electricity, which will be subsequently leased to ICE and JASEC. The construction of the project was awarded under an engineering and construction agreement entered into with ICE. The term of the Trust agreement is 30 years. According to the terms of this partnership agreement, ICE recognizes for JASEC 50% of the national power of the plant while defining a series of responsibilities managed by mutual consent.

On January 26, 2012, ICE and JASEC entered into an addendum to the aforementioned trust agreement, whereby both entities agree to provide at least 20% of the resources necessary to finance the Project, so that the trust obtained the necessary funds to finance the remaining amount. Therefore, ICE made an in-kind contribution (construction materials and labor), equal to ¢11,203. This contribution accounts for 10% of the resources necessary to finance Toro 3 Hydroelectric Project; the remaining 10% required to comply with the provisions contained in the addendum, was provided by JASEC. The estimated initial value of the project amounted to US\$214 million, which was financed with loans granted by Banco de Costa Rica and Banco Popular de Desarrollo Comunal and by ICE and JASEC in a total amount of US\$44 million. Upon the completion of the works, the Trust entered into a lease agreement with ICE and JASEC, under an operating agreement.

(3) Empresa Propietaria de la Red, S.A.

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. This investment is jointly made by ICE Group with the other entities in charge of energy management in the six Central American countries and three additional entities located in Spain, Colombia and Mexico. Each of the nine countries has an interest of 11.11%, and no country shall have an interest in EPR in excess of 15%.

EPR's share capital is comprised of 58,500 ordinary shares of US\$1,000 par value each; ICE owns 6,061 shares of US\$1,000 (one thousand dollars and no cents) par value and CNFL owns 439 shares of US\$1,000 (one thousand dollars and no cents) par value

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

each, respectively, for a total of US\$6.5 million equivalent to ¢3,124 (11.11% interest) for ICE Group. The shares are valued at cost of acquisition.

(4) Tecomunica, S.A. - Nicaragua

ICE and ENATREL agreed to organize a company in Nicaragua, referred to as Tecomunica, S.A., to sell and commercialize telecom services.

The first contribution for US\$1 million was approved by ICE'S Board of Directors in meeting No. 6069 on December 2, 2013.

In meeting No. 6157 on November 30, 2015, ICE's Board of Directors approved a second contribution for US\$1 million. The total contributions authorized by the Board of Directors as of December 31, 2015 amounted to US\$2 million equal to ¢1,081.

The extraordinary General Shareholders' Meeting of Tecomunica, S.A. on December 4, 2015, agreed to increase the capital stock to 1.000 nominative shares amounting to a total of C\$101.000.000 (one hundred one million córdobas) equal to US\$4 million, at a par value of C\$101.000 (one hundred one thousand córdobas, net) each is equal to US\$4.000 (four thousand dollars) of which 500 shares are held by ICE (50% interest) for a total of C\$50.500.000 (fifty million five hundred thousand córdobas, net) equal to US\$2 million.

(5) Red Centroamericana de Fibras Ópticas, S.A. – Nicaragua

In 2013, ICE Group acquired ownership interest in Red Centroamericana de Fibras Ópticas S.A. (REDCA S.A.), which is dedicated to developing, financing, constructing, operating, and commercially exploiting and providing maintenance to telecom services or services related to IT and communications. REDCA's share capital consists of 2,700 of US\$1,000 (one thousand dollars and no cents) par value each, and the Group owns 300 shares (11.11% interest), of which 93.24% are owned by ICE and 6.76% by CNFL.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(6) Long-Term Financial Investments

They mainly comprise investments in bonds (debt securities), with yields ranging from 5,16 % and 11,46 % per annum for investments in colones and 4,06% and 5,84 per annum for investments in US dollars (between 5,16% and 11,46% annual in colones and 4,06% and 5,84% per annum in US dollars in 2016). The total value of these assets comprises investments denominated in colones amounting to ¢110,528 and securities denominated in US dollars amounting to ¢30,432 (US\$53 million) (¢84,869 denominated in colones and ¢13.204 denominated in US dollars, equivalent to US\$24 million, in 2016), with maturity between October 2017 and April 2028 (May 2017 and April 2028 in 2016).

Note 7. Notes Receivable and Other Accounts Receivable

Notes receivable on the short and long term are detailed as follows:

	As of September 30, 2017	As of December 31, 2016
Loan to autonomous entities (1)	¢ 2,297	7,294
CNFL-MINAET Agreement (Olivier Hydroelectric Project)	624	619
Other	154	329
Subtotal long-term notes receivable	3,075	8,242
Real Estate Development for offices	4,400	618
Reventazón Hydroelectric Project (1)	287	603
Water supply system project	226	17
Other	19	-
Subtotal	4,932	1,238
* Elimination of internal consumption of services	(14)	(23)
Subtotal service agreements	4,918	1,215
Total	¢ 7,993	9,457

(*) Internal consumption of services incurred by the different areas of ICE Group.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(1) Loan to autonomous entities

911 Emergency System

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 entered into on December 21, 2012. In this agreement, the debt was expressly acknowledged and accepted and a “payment arrangement” was formally entered into by the 911 Emergency System to settle such debt.

On November 30, 2015, the 911 Emergency System was established to meet this financial obligation by making 30 semi-annual payments, with the first payment on April 30, 2016 and the last on October 31, 2030. This balance will earn an interest rate equal to the borrowing rate of BCCR in force in the week prior to the payment date.

In September 2017, forgiveness of the debt that 911 Emergency Service had with ICE is accounted for. The decision is made by the Executive Board during session 6234 held on September 13, 2017. Said debt forgiveness was for the sum of ¢5,422 (balance of ¢5,422 in 2016).

Empresa Propietaria de la Red

- (1) It corresponds to the loan agreement entered into between ICE and Empresa Propietaria de la Red, S.A. (EPR) to repay loan IDB No. 1908 for a total of US\$4,5 million equivalent to ¢2,371 in 2017 (¢2,369 in 2016). The total debt term is 25 years effective as of November 24, 2010, with a 5-year grace period, paid on a semiannual basis, at variable interest rate (Libor rate of 0.88% plus funding margin of 0.11%, plus IDB loan margin of 1.5% in 2016). See the following table, item (1).

(Continues)

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Notes receivable on the short term and non-trade accounts receivable are detailed as follows:

	As of September 30, 2017	As of December 31, 2016
Private people	¢ 2,055	1,595
Payment arrangement with suppliers	-	4,374
Agreements	382	69
Other (1)	78	560
Subtotal short-terms notes receivebles	2,515	6,598
Private people (2)	24,522	22,745
Government tax	9,511	7,510
Covenants, services cleared and others	3,291	3,293
Damages to electric installations	700	516
Various services government	24	678
Other	3,016	2,245
Subtotal	41,064	36,987
Allowance for doubtful accounts	(1,380)	(7,186)
Total non-trade receivables	39,684	29,801
Net total	¢ 42,199	36,399

(1) See item (1) previous table.

(2) Non-Trade Accounts Receivable. Private Individuals

AS of September 30, 2017, the balance includes, among others, advance payments made by ICE to purchase fuel to generate power in thermal power plants for ¢160 (¢1,094 in 2016); advance payments to private individuals with guarantees for ¢4,666 (¢3,458 in 2016); interest and fees for ¢4,053 (¢3,051 in 2016); balances receivable for unpriced services for ¢5.375 (¢5,973 in 2016), and the amount of ¢1,450 (¢2,758 in 2016) for deposits made by ICE Group in court.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts	As of december 31				Used	Expense	As of September 30, 2017
	2015	Used	Expense	2016			
Non-trade receivables	7,193	(8)	1	7,186	(5,806)	-	1,380
Total	€ 7,193	(8)	1	7,186	(5,806)	-	1,380

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 8. Guarantee and Savings Fund (Restricted Fund)

The balance of this account shows the total value of the economic contributions made by ICE to the Guarantee and Savings Fund and the Supplemental Pension Plan, as well as the value of the capitalizations recognized by such funds on these contributions net of the applications due to early withdrawals, pension rights, settlements, and actuarial adjustments. A detail of this account is as follows:

		As of September 30, 2017	As of December 31, 2016
Contribution to the Supplemental Pension System	¢	129,851	124,725
Contribution to the Guarantee and Savings Fund System		87,199	84,101
Total	¢	217,050	208,826

The contributions made by ICE to these regimes are aimed at achieving the objective or activities related to the origin of such regimes. The benefit plans derived from these two regimes are managed by the fund known as Guarantee and Savings Fund. The assets, liabilities and equity of such regimes are managed separately and are not included in the separate financial statements of ICE.

Furthermore, the Supplemental Pension Regime was established to manage the contributions or economic resources aimed at covering the obligation of ICE to recognize additional employee pension benefits.

The financial statements of ICE Group do not show the liabilities or the obligation related to the pensions being paid or the available net assets to cover future employee pension benefits because ICE's accounting policy has been to show only the contributions made to such regime, as indicated above. Such an obligation and net assets are managed and shown separately in the accounting records of the Supplemental Pension Fund-Regime.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 9. Inventories

The operating inventories are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Operating inventory	¢	101,627	101,867
Materials and equipment held in custody		8,367	21,302
Materials in transit for operations		5,470	5,698
Subtotal		115,464	128,867
Allowance for valuation of inventory		(28,486)	(34,591)
Inventory, net	¢	86,978	94,276

* See note 24.

The movement of the allowance for valuation of inventories is shown as follows.

As of December 31									
	2015 (Restated) *	Used	Expenses	Net realisable value	2016 (Restated) *	Used	Expenses	Net realisable value	As of September 30, 2017
Allowance for valuation of inventory	¢ 48,483	(10,310)	792	(4,374)	34,591	(9,840)	-	3,735	28,486
Total	¢ 48,483	(12,022)	792	(4,374)	34,591	(9,840)	-	3,735	28,486

* See note 24.

In December 2015, the allowance for valuation of inventory was increased based on a study conducted by an inter-disciplinary group created by the Inventory Commission.” The analysis conducted by such a Commission considered the following variables:

- Lack of turnover: Inventory with no movements for more than 24 months.
- Overstock: Inventory that will last more than 48 months based on the consumption pattern and current stock.
- Risk of lack of turnover: Inventory with no movements for more than 13 months but less than 24 months.
- Buffer inventory: Inventory that according to the technical criteria of the sector is critical to business continuity.
- This review process considered the risk of technological obsolescence to which the Group’s inventory is exposed. The scope of the review was broader than the scope of the analyses conducted in previous years and which were based on the “ABC

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Methodology” defined by the Supply Chain Division. The study conducted in 2015 involved the analysis of evidence in the light of ICE Group’s current market and competition conditions; therefore, its accounting treatment consisted of changing an accounting estimate with prospective effects.

Note 10. Temporary Investments

As of September 30, 2017, ICE Group has held-to-maturity investments (time deposit certificates, with a zero coupon) amounting to ¢12,773, of which ¢10,037 are in colones and ¢2,735 in US dollars (¢15,603 in 2016, comprised by ¢11,013 denominated in colones and ¢4,590 in US dollars) and available for sale (time deposit certificates, Scotiabank bonds, Monetary Stabilization Bonds, commercial paper and mortgage certificates) for ¢76,466 (¢95,002 in 2016), of which ¢103,870 are in colones and ¢4,014 are in US dollars (¢72,460 in colones and ¢4,006 in US dollars in 2016), with interest rates ranging between 3% and 6% per annum (2.72% and 7.99% per annum in 2016) and maturity terms ranging between 4 and 12 months (between 3 and 12 months in 2016).

		As of September 30, 2017	As of December 31, 2016
Held-to-maturity and available-for-sale investments	¢	89,239	110,605
Valuation of investments		143	2,034
Temporary investments, net	¢	89,382	112,639

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Valuation of Investments

As of September 30, 2017 and as a result of the valuation of short-term investments, ICE Group recognized a net unrealized gain for the sum of ¢143 (¢2,034 in 2016), which is presented as part of the entry “*Results of the Valuation of Financial Instruments*,” in the equity section.

Note 11. Restricted Use Fund

The assets with restrictions regarding availability, as they are allocated for specific uses, are detailed below:

	As of September 30, 2017	As of December 31, 2016
Guarantees received from third parties:		
In U.S. dollars	¢ 429	508
In colones	926	767
Specific purpose funds:		
BCR Platinum (¢) - Cash for payments services (1)	24,094	25,668
BNCR Gold - Cash for amortization of short-term debt	1,014	1,575
Total	¢ 26,463	28,518

(1) Cash from Payments of Services

There are enough funds for the most relevant operations such as energy purchase payments, loan payments, securities, materials purchases, payroll, social security contributions, among others.

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 12. Trade Accounts Receivable

Accounts receivable for services are detailed as follows:

		As of September 30, 2017	As of December 31, 2016
In administrative and legal collection	¢	57,199	55,159
Private individuals or companies		54,971	45,350
Electricity services - consumers		21,301	23,273
Electricity cooperatives and municipal electricity distribution companies		10,463	10,855
Operators and service suppliers		2,577	6,045
Telephone administrations		2,378	2,439
Public offices		7,613	5,558
Other		2,959	2,629
Subtotal		159,461	151,308
Allowance for doubtful accounts		(56,530)	(55,336)
Accounts receivable for services rendered, net	¢	102,931	95,972

The movement of the allowance for doubtful accounts is detailed as follows:

Allowance for doubtful accounts		As of december 31						As of September 30, 2017
		2015	Used	Expense	2016	Used	Expense	
Receivables for services rendered	¢	52,717	(7,144)	9,763	55,336	(5,165)	6,359	56,530
Total	¢	52,717	(7,144)	9,763	55,336	(5,165)	6,359	56,530

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 13. Prepaid Expenses

Prepaid expenses are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Mobile terminals and devices	¢	34,375	32,190
Use agreements (1)		17,496	19,937
Finance costs - Reventazón (2)		4,964	14,476
ING-0008 (U-500) insurance policy, net (3)		4,551	2,724
Other		834	2,416
Total	¢	62,220	71,743

* See note 24.

(1) Use Agreement– Garabito Geothermal Power Plant

On November 5, 2007, ICE and BCR (trustee) entered into a lease agreement under a Securitization Trust for construction of a thermal power plant called Garabito Thermal Power Plant (see note 29). 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 seven months additional to those set forth in the agreement.

(2) Reventazón Financial Costs

As of November 2016, the first amortization was made and interest expenses generated by the Reventazón Hydroelectric Project Trust were booked (see note 17).

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(3) ING-0008 (U-500) Insurance Policy

The ING-0008 (U-500) all-risk policy is a replacement value agreement adjusted to the ICE's requirements that cover all risks of physical damage to property, such as: fire, landslides, floods, hurricanes, lightning, etc. This policy includes other types of coverage like equipment breakdown, business interruption, additional expenses, inland transit, robbery, wire theft, debris removal, errors and omissions, construction work in progress, sabotage, terrorism and catastrophic risks, among others.

The movement of ING-0008 (U-500) insurance policy during the period of September 30, 2017 and December 31, 2016 is as follows:

ING-0008 (U-500) insurance policy		As of September 30, 2017	As of December 31, 2016
Opening balance	¢	2,724	3,077
Amount of premium		8,618	10,246
Amortization of premium		(6,791)	(10,599)
Total	¢	4,551	2,724

Note 14. Cash and Cash Equivalents

		As of September 30, 2017	As of December 31, 2016
Cash in vaults and banks	¢	64,841	74,888
Cash equivalents		164,130	99,336
Total	¢	228,971	174,224

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

A detail of the characteristics of cash equivalents is shown as follows:

				As of September 30, 2017			
	Currency	Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
Uncommitted: <i>Held-to-maturity</i>	US Dólares	Banco Nacional de Costa Rica	Term certificate of deposit	¢ 811	811	1.30%	sep 17 - dec 17
Uncommitted: <i>Available-for-sale</i>	Colones	BAC San José	Term certificate of deposit	3,000	3,000	5.71%	dec-17
		Banco Lafise	Term certificate of deposit (global bond)	3,000	3,000	6.78%	nov-17
		The Bank of Nova Scotia (Costa Rica)	Term certificate of deposit (global bond)	2,000	2,000	5.92%	oct-17
		Repurchase operations	Repurchase operations	26,900	27,095	4.98% - 5.38%	oct 17 - dec 17
		Banco Nacional de Costa Rica	Term certificate of deposit	2,000	2,000	5.82%	nov-17
		Banco Popular	Term certificate of deposit	1,000	1,000	5.90%	nov-17
		Banco PRIVAL,S.A. (Antiguo BANSOL)					
		Banco de Soluciones)	Term certificate of deposit	1,000	1,000	6.66%	oct-17
		Banco Lafise	Term certificate of deposit	3,000	3,000	6.82% - 6.97%	nov-17
		Banco Cathay de Costa Rica S.A.	Commercial paper	2,000	2,000	6.47%	nov-17
		Financiera Desyfin	Term certificate of deposit (global bond)	3,000	3,000	6.67%	nov-17
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	16	-	-	Demand
	US Dólares	Banco Internacional de Costa Rica	Overnight deposit	20,435	-	0.20%	Demand
		Banco Internacional de Costa Rica	Overnight deposit	804	-	0.20%	Demand
		Repurchase operations	Repurchase operations	2,369	2,378	5.13% - 5.27%	oct-17
<i>Held-to-maturity</i>	Colones	Banco Nacional de Costa Rica	Short-term investment	11,871	11,871	4.35%	oct-17
		Government	Zero-coupon Central Bank global bond (over the counter)	4,013	4,017	4.51%	oct-17
		Government	Treasury note (electronic over the counter)	12,017	12,040	4.32%	oct-17
		Banco Central de Costa Rica	Term certificate of deposit (electronic)	23,000	23,000	4.00% - 5.52%	oct 17 - nov 17
		Banco Nacional de Costa Rica	Short-term investment	908	908	4.35%	oct-17
		Banco Central de Costa Rica	Term certificate of deposit (electronic)	2,000	2,000	5.52%	nov-17
		Banco de Costa Rica	Term certificate of deposit	1,000	1,000	6.50%	ago 17 - nov 17
		Banco Popular y Desarrollo Comunal	Investment funds	800	800	3.55%	jun 17 - Demand
		Banco de Costa Rica	Term certificate of deposit	1,000	1,000	5.10%	sep 17 - nov 17
		Banco Popular y Desarrollo Comunal	Investment funds	676	676	2.82%	may 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	600	600	3.39%	jun 17 - Demand
		Banco de Costa Rica	Term certificate of deposit	1,000	1,000	4.15%	aug 17 - oct 17
	US Dólares	Banco Popular y Desarrollo Comunal	Investment funds	287	287	1.85%	mar 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	344	344	1.85%	mar 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	229	230	1.79%	sep 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	287	287	1.91%	may 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	115	115	1.82%	jun 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	514	514	1.82%	jun 17 - Demand
		Banco Popular y Desarrollo Comunal	Investment funds	488	488	1.90%	jul 17 - Demand
<i>Fair value</i>	Colones	SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones	4,743	-	3.75% - 4.20%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR	4,629	-	3.53% - 3.77%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity - colones	2,055	-	3.14% - 4.15%	Demand
		SAFI Banco Popular	I.F. non-diversified BP money market - colones	237	-	3.92%	Demand
		SAFI BAC San José	I.F. non-diversified BAC San José - liquidity -colones	2,281	-	4.01%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	427	-	3.31%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified BN - colones	3,355	-	3.75% - 4.20%	Demand
		Banco de Costa Rica	Investment funds	3,611	-	3.53% - 3.77%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity - colones	225	-	3.14% - 4.15%	Demand
		Banco Popular y Desarrollo Comunal	I.F. non-diversified BP money market - colones	2,934	-	3.46%	Demand
		SAFI BAC San José	I.F. non-diversified BAC San José - liquidity -colones	269	-	4.01%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	82	-	3.81%	Demand
	US Dólares	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars	2	-	1.52% - 1.90%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified BCR - liquidity - U.S. dollars	3,897	-	1.86% - 1.95%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity	3	-	1.82% - 2.07%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars	3	-	1.52% - 1.90%	Demand
		Banco de Costa Rica	I.F. non-diversified BCR - liquidity - U.S. dollars	2,854	-	1.86% - 1.95%	Demand
		Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity	4	-	1.82% - 2.07%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	6	-	1.23%	Demand
<i>Investment costs</i>	Colones	Costs of investment transactions	Costs of investment transactions	28	-	-	-
Total				¢ 164,130	-		

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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				As of December 31, 2016			
	Currency	Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
Uncommitted:							
<i>Available-for-sale</i>	Colones	BAC San José	Term certificate of deposit (global bond)	¢ 4,000	4,000	4.80%	Mar 17
		Repurchase operations	Repurchase operations	29,558	29,733	3.61% - 4.22%	Jan 17
		Grupo Mutual Alajuela	Mortgage participation certificate	3,000	3,000	5.75%	Feb 17
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	16	-	-	Demand
	US Dólares	Banco Internacional de Costa Rica	Overnight deposit	16,304	-	0.20%	Demand
<i>Held-to-maturity</i>	Colones	Repurchase operations	Repurchase operations	653	657	3.06% - 3.07%	Feb 17
		Banco Internacional Costa Rica	Overnight deposit	728	-	0.20%	Demand
		Banco Nacional de Costa Rica	Short-term investment	452	452	0.20%	Jan 17
		Banco Nacional de Costa Rica	Short-term investment	877	848	0.20%	Jan 17
		Banco de Costa Rica	Term certificate of deposit	2,500	2,500	1.08%	Dec 2016 - Jan 2017
<i>Fair value</i>	US Dólares	Banco de Costa Rica	Term certificate of deposit	3,958	3,958	1.15%	Jan 17
	Colones	Banco de Costa Rica	Term certificate of deposit	1,370	1,370	1.20%	Dec 2016 - Jan 2017
		BICSA	Term certificate of deposit	2,357	2,357	0.50%	Nov 2016 - Jan 2017
	Colones	SAFI Banco Nacional de Costa Rica	LF, non-diversified BN - colones	8,575	-	2.53% - 2.69%	Demand
		SAFI Banco de Costa Rica	LF, non-diversified short-term BCR	7,619	-	2.81% - 3.13%	Demand
		SAFI Instituto Nacional de Seguros	LF, non-diversified INS - public liquidity - colones	5,950	-	2.12% - 3.12%	Demand
		SAFI Banco Popular	LF, non-diversified BP money market - colones	3,185	-	2.78%	Demand
		SAFI BAC San José	LF, non-diversified BAC San José - liquidity - colones	2,227	-	2.23%	Demand
		SAFI Scotiabank de Costa Rica	LF, non-diversified Scotia - public liquidity	514	-	2.98%	Demand
		SAFI Banco Nacional de Costa Rica	LF, non-diversified BN DinerFondo - colones	783	-	2.52% - 2.71%	Demand
		SAFI Banco de Costa Rica	LF, non-diversified short-term BCR	383	-	2.81% - 3.13%	Demand
		SAFI Instituto Nacional de Seguros	LF, non-diversified INS - public liquidity - colones	219	-	2.66% - 3.32%	Demand
		Banco Popular	LF, non-diversified BP money market - colones	371	-	2.78%	Demand
		SAFI BAC San José	LF, non-diversified BAC San José - liquidity - colones	259	-	2.23%	Demand
		Scotiabank de Costa Rica	LF, non-diversified Scotia - public liquidity	80	-	2.98%	Demand
	US Dólares	SAFI Banco Nacional de Costa Rica	LF, non-diversified BN DinerFondo - U.S. dollars	1	-	1.42% - 1.88%	Demand
		SAFI Banco de Costa Rica	LF, non-diversified short-term BCR	2,718	-	1.78% - 2.11%	Demand
		SAFI Instituto Nacional de Seguros	LF, non-diversified INS - Public liquidity	337	-	1.75% - 1.80%	Demand
		SAFI Scotiabank de Costa Rica	LF, non-diversified Scotia - public liquidity	-	-	1.51%	Demand
		SAFI Banco Nacional de Costa Rica	LF, non-diversified BN DinerFondo - U.S. dollars	3	-	1.44% - 1.88%	Demand
		SAFI Banco de Costa Rica	LF, non-diversified short-term BCR	286	-	1.78% - 2.11%	Demand
		SAFI Instituto Nacional de Seguros	LF, non-diversified INS - public liquidity	4	-	1.82% - 1.91%	Demand
<i>Investment costs</i>	Colones	Costs of investment transactions	Costs of investment transactions	43	-	-	-
				¢ 99,336	-		

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 15. Securities Payable (Bonds)

The balances of the latest securities (debt securities) issued by ICE are the following:

	Currency	Interest rate	Year of maturity	As of September 30, 2017			As of December 31, 2016		
				Not Current	Current	Total	Not Current	Current	Total
<u>Internal debt:</u>									
Bond issue	¢	Variable between 3,27% and 9,10% and fixed between 10,87% and 11,45%, (2016: variable between 3,21% and 9,10% and fixed between 10.87% and 11,45%)	2017-2036	255,778	25,000	280,778	255,206	25,000	280,206
Bond issue	US\$	Fixed between 5,97% and 7,65%, in 2017 and 2016	2019-2027	319,410	-	319,410	310,547	-	310,547
<u>External debt:</u>									
Bond issue	US\$	Fixed between 6,38% and 6,95%, in 2017 and 2016	2021-2043	572,320	-	572,320	556,440	-	556,440
<u>Other:</u>									
Premium bond issue	¢	Variable between 6,20% and 7,50% and fixed between 5,98% and 7,65%, (2016: variable between 6,49% and 8,70% and fixed between 6,95% and 11,41%)	2020-2027	5,653	-	5,653	6,481	-	6,481
Discount bond issue	¢	Variable 6,35% and fixed between 5,97% y el 11,41%, (2016: variable 7,10% and fixed between 5,97% and 11,41%)	2017-2043	(5,051)	-	(5,051)	(5,185)	-	(5,185)
				1,148,110	25,000	1,173,110	1,123,489	25,000	1,148,489

Securities payable (bonds) in dollars correspond to US\$1,558 million.

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(in millions of colones)

Note 16. Notes Payable

Balances of the notes payable are detailed as follows:

		<u>As of</u> <u>September 30,</u> <u>2017</u>	<u>As of</u> <u>December 31,</u> <u>2016</u>
<u>Internal debt:</u>			
In colones	¢	193,612	173,074
In U.S. dollars		48,753	49,464
<u>External debt:</u>			
In U.S. dollars		669,456	668,155
In yens		86,240	70,577
		<u>998,061</u>	<u>961,270</u>
Long-term		900,562	869,919
Short-term		97,499	91,351
	¢	<u>998,061</u>	<u>961,270</u>

A detail of notes payable by creditor is the following:

		<u>As of</u> <u>September 30,</u> <u>2017</u>	<u>As of</u> <u>December 31,</u> <u>2016</u>
<u>Internal debt:</u>			
State-owned banks	¢	219,975	213,170
Private banks		7,390	9,367
Other creditors		15,000	-
<u>External debt:</u>			
Private banks		741,119	718,426
Other creditors		14,578	20,307
	¢	<u>998,061</u>	<u>961,270</u>

Notes payable in dollars correspond to US\$1.270 million and, in Japanese yens, to ¥15.732 million.

(Continues)

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

The general characteristics of notes payable, classified into internal and external debt in 2017 se are summarized as follows:

General characteristics of debt (U.S. dollars and colones, as indicated)			
	Interest rate	Currency	Term
Internal debt:	Variable between 2,75% and 10,50%, (2016: variable between 2,00% and 14,00%)	¢	Maturing between December 03, 2021 and October 21, 2045
	Variable between 2,65% y el 6,25%, in 2017 and 2016. Fixed between 1,95% and 8,50%, in 2017 and 2016	US\$	Maturing between January 30, 2018 and December 15, 2022
External debt:	Variable between 2,09% and 6,40% (2016: Variable between 1,85% and 6,40%) Fixed between 0,70% and 6,40%, in 2017 y 2016.	US\$	Maturing between February 15, 2018 and September 15, 2040
	Fixed between 0,60% and 2,20%, in 2017 and 2016.	JPY	Maturing between April 20, 2026 and August 20, 2054

Enforcement Clauses (Covenants):

Normally, credit agreements establish a series of commitments on environmental, legal, financial, operational and business matters, among others, that the debtor should take care of, and that are usually known as “Covenants.” In the particular case of ICE, some of the executed contracts to date include “Positive covenants” and “Negative covenants,” which establish commitments ICE unavoidably shall comply with and restrictions or limitations to certain acts, that generally require previous approval from the creditor entity.

Some of the loan agreements also establish clauses called:

- a) *Cross Default:* these indicate that upon execution of the agreement, ICE expressly and irrevocably accepts that noncompliance of the obligations, payment and/or any other credit terms and conditions, and/or the credits ICE maintains in force with other creditors, constitute causes of acceleration of the credit for which the “Cross Default” clause was established, and for all the credits in force from the same creditor.
- b) *Pari Passu Obligations:* whereby ICE agrees that its obligations under the corresponding agreement and its guarantees constitute, in every moment, obligations with a priority on payment right, at least equivalent (pari passu) to any other obligations, current or future, arising from any ICE’s debt (different from any preferred debt as mandated by law).

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In addition, ICE has the obligation to comply, among others, with the following general clauses, which are detailed in some of the loan agreements:

- a) It will not merge or consolidate with any person, or will allow that any of its subsidiaries does, except that: (a) any subsidiary of the Borrower (ICE) might merge or consolidate with any other subsidiary of the Borrower, and (b) any subsidiary of the Borrower merges with the Borrower, and (c) any merge or consolidation approved by the Creditor (Bank), provided that, in each case, noncompliance had not occurred and continued at the moment of such proposed transaction, or that noncompliance arises from it.
- b) It will not sell, lease, transfer or dispose otherwise, nor will it allow that any subsidiaries sell, lease, transfer or dispose otherwise of assets, nor will it grant any option or any other right to buy, lease or otherwise acquire assets, except by (1) inventory sales in the ordinary course of business, (2) a transaction authorized by the Bank, and (3) sales of assets for its fair value for a total amount of not more than US\$20 million (or its equivalent in other currencies) in any year.
- c) It will not enter into any agreement by virtue of which it agrees or is required to share with third parties the income, directly or indirectly derived, from the works built with financing obtained from the entities shown on the previous table.
- d) It will not create or accept the existence, nor will it allow that any subsidiaries create or accept any encumbrance regarding any of its property, owned by ICE now or subsequently acquired, nor will it transfer or let any subsidiaries transfer any right to receiving income from the works that will be financed by obligations incurred with the Bank.
- e) It will have and make each of its subsidiaries acquires insurance with responsible or reputable insurance associations or companies, in the amounts and with the risk coverage usually taken by the companies in similar businesses, and that have similar properties in the same general areas in which the Borrower or such subsidiary operates.
- f) It will comply and make that each of its subsidiaries comply with, substantially, the Laws, Rules, Regulations and applicable orders, and such compliance shall include, among others, compliance with Environmental Laws, except when it is not reasonably expected that noncompliance has a Substantial Negative Effect.

As of September 30, 2017, quarterly compliance financial covenants regarding debt agreements comply with the established limits, except for the following cases that have the respective waivers.

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Note 17. Financial Lease Obligations

As of September 30, 2017 and December 31, 2016, balances from financial lease obligations are the following:

Interest rate		Year of maturity	As of September 30, 2017			As of December 31, 2016		
			Not current	Current	Total	Not current	Current	Total
<u>Trust in colones</u>								
Telecommunications building	Variable 8,70% (variable 7,35%, in 2016)	2030	18,339	861	19,200	19,066	778	19,844
RANGE	Variable 10,30% (variable 11,10%, in 2016)	2034	17,450	622	18,072	14,176	153	14,330
Reventazón Hydroelectric Power Plant	Variable 8,75%, in 2017 and 2016	2033	225,969	7,065	233,034	229,585	6,753	236,338
<u>Trust in US dólares</u>								
Reventazón Hydroelectric Power Plant	Variable 6,94% (variable 8,75%, in 2016)	2033	234,893	7,344	242,237	231,923	6,933	238,856
			496,650	15,892	512,542	494,750	14,618	509,368

Notes payable in US dollars amount to US\$1,580 million.

The balances detailed herein are related to obligations derived from the financial lease agreements entered into with the Trusts in charge of financing the implementation of the aforementioned projects.

In the case of the Reventazón Hydroelectric Project, the liabilities resulting from accounting for the respective assets are related to the obligations assumed by the Trust in colones and US dollars.

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Note 18. Provision for Employees' Legal Benefits

Employees' legal benefits are as follows:

		As of September 30, 2017			As of December 31, 2016		
		Not current	Current	Total	Not current	Current	Total
Severance benefits	¢	113,708	24,228	137,936	106,829	26,650	133,479
Total	¢	113,708	24,228	137,936	106,829	26,650	133,479

The movement of the employees' legal benefits is detailed as follows:

		Severance benefits
<u>2017</u>		
Opening balance	¢	133,479
Expensed - investment		6,749
Expensed - operation		13,927
Used		(16,219)
Total	¢	137,936
		Severance benefits
<u>2016</u>		
Opening balance	¢	144,658
Expensed - investment		15,405
Expensed - operation		19,923
Used		(58,304)
Adjustments due to effect of actuarial study		11,797
Total	¢	133,479

(Continues)

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Note 19. Accounts Payable

Accounts payable are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Materials suppliers	¢	55,877	57,373
Taxes		14,117	15,940
Other creditors		59,039	62,096
Total		129,033	135,409
Less reclassification of not current portion	¢	(8,750)	(9,241)
Current	¢	120,283	126,168

(*) See note 24.

Note 20. Income Received in Advance

Income received in advance in the short and long term is as follows:

		As of September 30, 2017		As of December 31, 2016	
		Not current	Current	Not current	Current
Prepaid mobile services (1)	¢	-	6,664	-	5,443
Government grants (2)		7,059	308	6,071	308
Transfer in Property Spare Parts - Materials (3)		-	9,148	-	8,958
Other		-	2,170	-	1,489
Total	¢	7,059	18,290	6,071	16,198

The following is a description of the nature of the main income received in advance as recorded by ICE:

(Continues)

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(1) Prepaid mobile:

It corresponds to the income received in advance related to the sale of mobile services, prepaid modality, which has not been consumed by clients as of the closing date. The income received for prepaid mobile services is recognized in the balance sheet, when ICE receives the money from its clients and wholesalers, and recognizes income and expenses in the consolidated statement of financial position, as end users receive the services.

(2) Government subsidies:

Within the framework of the “Cool Earth Partnership” Japanese initiative, the Japanese government granted ICE a donation of approximately US\$10.5 to build the “Photovoltaic System” located in Sabana Norte, with a capacity of 3KW expected to generate 3.5 Kh; and from the “Solar Park of Miravalles”, located in la Fortuna de Bagaces, with an installed capacity of 1MW, expected to generate 1.2GWh. ICE recognizes the subsidies of the governments, local or international, in the balance sheet once they are granted to them, and are systematically transferred to the statement of income and expenses, according to the useful life of the asset related to the received subsidy.

Additionally, funds from the Project Management Trust and Programs from the National Telecommunications Fund (FONATEL) are booked. The funds are aimed at directly subsidizing the voice and broadband Internet services rendered to Public Services Rendering Centers in a specific Service Area.

(3) Transfer of ownership of spare parts – materials:

They correspond to the transfer of ownership on behalf of ICE of the costs of spare parts, assets and necessary tools for maintaining Toro III and Garabito Plants, over which ICE did not make any expenditure. This income is realized on the statement of income and expenses, once the contractually established maintenance services are provided, and inventories transferred to ICE are used.

(Continues)

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Notes to the Consolidated Financial Statements
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Note 21. Other Provisions

Other provisions are detailed as follows:

		As of September 30, 2017	As of December 31, 2016 (Restated)*
Provision for contingent liabilities	¢	3,241	2,708
Provision for mobile terminal guarantees		1,659	1,971
Total	¢	4,900	4,679
Less: current portion		3,927	4,447
Not current legal provisions		973	232

(*) See note 24.

Movement of these provisions is the following:

		Provision for contingent liabilities	Provision for mobile terminal guarantees	Total
<u>2017</u>				
Opening balance	¢	2,708	1,971	4,679
Expensed - investment		1,456	-	1,456
Used		(923)	(312)	(1,235)
Total	¢	3,241	1,659	4,900
<u>2016</u>				
Opening balance	¢	3,735	1,333	5,068
Expensed - investment		1,924	-	1,924
Expensed - operation		255	638	893
Used		(3,206)	-	(3,206)
Total	¢	2,708	1,971	4,679

(Continues)

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Notes to the Consolidated Financial Statements
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Note 22. Other Liabilities

Other liabilities are detailed as follows:

		As of September 30, 2017	As of December 31, 2016
Security deposits	¢	60,024	58,681
Deposits from individuals		8,318	7,503
Valuation of financial instruments		2,669	6,324
Obligations derived from credit		2,497	157
Total		73,508	72,665
Less reclassification of not current portion	¢	60,024	58,681
Current	¢	13,484	13,984

Note 23. Accrued Expenses from Employer Obligations

Accrued expenses from employer obligations are as follows:

		As of September 30, 2017	As of December 31, 2016
Vacations	¢	32,875	32,457
Statutory Christmas bonus		19,376	1,733
Back-to-school bonus		15,400	20,684
Third and fifth biweekly salary payment		843	-
Occupational hazard insurance		361	485
Work mobility compensation		8	8
Sub Total	¢	68,863	55,367
Payroll and employee withholdings		7,584	7,752
Total	¢	76,447	63,119

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Movement of accrued expenses for employer obligations is as follows:

		Vacations	Statutory Christmas bonus	Back-to- school bonus	Third and fifth biweekly salary payment	Occupational hazards	Work mobility compensation	Total
2017								
Opening balance	¢	32,457	1,733	20,684	-	485	8	55,367
Expensed - investments		3,777	4,615	2,532	6,019	900	-	17,843
Expensed - operations		11,817	13,590	13,323	-	-	-	38,730
Used		(15,176)	(562)	(21,139)	(5,176)	(1,024)	-	(43,077)
Total	¢	32,875	19,376	15,400	843	361	8	68,863
		Vacations	Statutory Christmas bonus	Back-to- school bonus	Third and fifth biweekly salary payment	Occupational hazards	Work mobility compensation	Total
2016								
Opening balance	¢	27,156	2,102	22,144	-	8,862	-	60,264
Expensed - investments		6,796	10,084	3,709	8,489	2,957	878	32,913
Expensed - operations		21,361	17,508	17,631	-	-	-	56,500
Used		(22,856)	(27,961)	(22,800)	(8,489)	(11,334)	(870)	(94,310)
Total	¢	32,457	1,733	20,684	-	485	8	55,367

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 24. Restated Financial Statements

During the year ended September 30, 2017, figures corresponding to the Consolidated Statement of Financial Position as of December 31, 2016 and the figures corresponding to the Consolidated Statement of Profit or Loss as of September 30 were restructured due to certain adjustments with a retroactive effect. The adjustments that were retrospectively applied to the corresponding figures of ICE Group as a result of the matters mentioned before are detailed as follows:

	Property, plant, and equipment, net (note 4)	Intangible assets (note 5)	Investments in equity (note 6)	Investments in financial instruments (note 6)	Inventories, net (note 9)	Prepaid expenses (note 13)	Development reserves	Accrued interest payable	Other provisions (note 21)
<i>Balances as of December 31, 2016, previously reported</i>	¢ 4,895,679	52,560	15,604	98,084	96,402	73,025	2,514,192	22,788	2,476
<u>Accumulated effect from changes in accounting policies and adjustments from corrections in periods prior to 2016:</u>									
Adjustment of guarantees of terminals and price readjustment (1)	-	-	-	-	-	-	-	-	1,333
Accounting adjustment for recording and presenting submarine cables (2)	(52,325)	39,529	18,326	-	-	-	4,415	-	-
Adjustment of accrued interest payable -Financial Derivative, IDB Loan 1908 (3)	-	-	-	-	-	-	1,334	(1,334)	-
<i>Total effect from adjustments for changes in accounting policies and adjustments from corrections in periods prior to 2016</i>	(52,325)	39,529	18,326	-	-	-	5,749	(1,334)	1,333
<u>Accumulated effect from changes in accounting policies and adjustments from corrections in periods prior to 2016:</u>									
Adjustment of guarantees of terminals and price readjustment (1)	-	-	-	-	-	-	(1,971)	-	638
Accounting adjustment for recording and presenting submarine cables (2)	5,598	(4,485)	-	-	-	-	2,230	-	-
Change of accounting policy - "Inventories of terminals" (4)	-	-	-	-	(2,126)	(1,282)	(3,409)	-	-
<i>Total effect from adjustments for changes in accounting policies and adjustments from corrections in 2016</i>	5,598	(4,485)	-	-	(2,126)	(1,282)	(3,150)	-	638
<i>Sub total of mentioned adjustments</i>	(46,727)	35,044	18,326	-	(2,126)	(1,282)	2,599	(1,334)	1,971
<i>Balances as of December 31, 2016, adjusted</i>	¢ 4,848,952	87,604	33,930	98,084	94,276	71,743	2,516,791	21,454	4,447
<u>Accumulated effect from reclassifications in period 2016:</u>									
Adjustment from reclassification of submarine cable (2)	2,415	-	(3,259)	-	-	-	(844)	-	-
Reclassification of investments (10)	-	-	11	(11)	-	-	-	-	-
<i>Sub-total reclassifications</i>	2,415	-	(3,248)	(11)	-	-	(844)	-	-
<i>Balances as of December 31, 2016, adjusted</i>	¢ 4,851,367	87,604	30,682	98,073	94,276	71,743	2,515,947	21,454	4,447

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

	Operation and maintenance (note 27)	Operation and maintenance of equipment under lease (note 28)	Productive management	Trade expenses (note 31)	Pre-investment studies (note 32)	Preliminary studies (note 33)	Other expenses (note 34)	Financial costs (note 35)	Other expenses (note 35)	Surplus (deficit), net
<i>Balances as of September 30, 2016, previously reported</i>	¢ 373,945	68,669	56,284	165,408	3,516	17,462	6,573	(86,810)	(8,795)	(4,575)
<u>Accumulated effect from changes in accounting policies and adjustments from corrections in period 2016:</u>										
Adjustment from disposal of improvements, "Other operating assets" (5)	1,941	2	17	82	74	-	-	-	-	(2,117)
Adjustment to decrease the allowance for valuation of stock in warehouses (6)	(3,000)	-	(750)	-	-	-	-	-	-	3,750
Adjustment from change in percentages of the "Worker's Compensation" policy(7)	(603)	(16)	(40)	-	(98)	(100)	(390)	-	5,559	6,805
Adjustment from effect of actuarial study (severance pay and vacation (8)	5,809	164	2,070	2,643	221	851	63	-	(731)	(12,552)
Ajustment from interest charged in excess in loans (9)	-	-	-	-	-	-	-	1,646	-	1,646
Adjustment from reclassification of submarine cable (2)	164	-	-	-	-	-	-	-	-	(164)
<i>Total effect of adjustments from changes in accounting policies and adjustment from corrections in period 2016</i>	4,311	151	1,298	2,725	198	750	(327)	1,646	4,827	(2,633)
<i>Sub total of mentioned adjustments</i>	4,311	151	1,298	2,725	198	750	(327)	1,646	4,827	(2,633)
<i>Balances as of September 30, 2016, adjusted</i>	¢ 378,256	68,820	57,582	168,133	3,714	18,212	6,246	(85,164)	(3,968)	(7,208)

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

(1) Adjustment of Terminal Guarantees and Price Readjustments

As a result of the change in the accounting policy related to International Accounting Standard (IAS) 37 “Provisions, Contingent Liabilities, and Contingent Assets”, an adjustment is made to the provision for guarantees of mobile terminals that have been sold by ICE, either individually or through service plans or packages, to customers, and also, readjustments to prices are made on vendor agreements.

(2) Accounting Adjustment for Recording and Reporting Submarine Cables

The costs and amortization of the asset type “submarine cables” are reclassified from fixed assets in operation to the accounts of intangible assets and equity investments, respectively, per accounting best practices.

(3) Adjustment of Accrued Interest Payable - Financial Derivatives, IDB Loan 1908

The accrued interest payable account, corresponding to Financial Derivatives, is adjusted because in July 2013 interest was directly recorded as an expense instead of settling the liability account, which doubled expenses in such period.

(4) Change in the Accounting Policy - “Inventory of Terminals”

Adjustment to create an estimate of the net realizable value in the inventory of terminals, according to the change in the inventory accounting policy, which establishes that inventories should be measured at cost or net realizable value, respectively.

(5) Adjustment to Write-Off Improvements of “Other Operating Assets”

As a result of the analysis of the improvements corresponding to depreciable assets using the production unit method (depreciation by use), we determined that there is no technical criterion or supporting documentation of some improvements, which could make it capable of providing evidence that supports the increase in the economic life or production capacity of the assets associated to the improvement; therefore, it was decided to write off the improvements that show this situation.

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

(6) Adjustment to Decrease of the Allowance for Valuation of Stock in Warehouses

As a result of the analysis made to inventory management, we identified an excess in the amount of the allowance for valuation of stock at warehouses; therefore, we proposed to decrease such allowance, carrying its retroactive effect for 2016.

(7) Adjustment from Percentage Change on “Worker’s Compensation” Policy

Through the analysis made of the accumulated expense account, we determined that the insurance percentage to the worker’s compensations rate were not updated to apply during 2016, according to that indicated by the National Insurance Institute, which resulted in an increase to the provision. Thus, an adjustment was proposed to correct this, affecting the results of the 2016 period.

(8) Adjustment from Actuarial Studies’ Effect (severance pay and vacation)

Adjustment from recognition of accounting effects of actuarial studies on those employees’ benefits associated to severance and vacation, quantified since 2014 until 2016. Such modification represents the adoption of the new policy, and it led to the retroactive application of its effects to previous periods.

(9) Adjustment of interest charged in excess in loans

Adjustment of differences in interest charged in excess in the Works in Process account for the following loans: IDB 2747 CLIP, CABEI 2109 Tranche A and B, CABEI 2151, and JICA Pailas, and for interest undercharged in F3 bonds.

(10) Reclassification of Investments

Reclassification of item originally recorded as Financial Instrument to Equity Investment.

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

Note 25. Memoranda Accounts

	As of September 30, 2017	As of December 31, 2016
Guarantees received:		
Performance bonds (1)	¢ 169,368	146,357
Collection agentes (2)	3,847	3,762
Bid bonds (3)	803	559
Tenders	8	8
Guaranty deposits	374	178
Subtotal	174,400	150,864
Other guarantees received - Sundry services	1,731	1,949
Credit memoranda accounts - Other - Surety	1,681	1,522
Consigned assets	59	34
Contingent assets:		
Savings and loan fund	29,864	28,756
CNFL Employees Association (ASEFYL)	14,093	13,549
Performance bonds - procurement	1,768	2,323
Materials in transit	2,722	1,624
Interest in assets	859	834
Collection of electricity services	1,176	1,131
Materials loan	98	63
Employee guarantees	64	46
Rental of posts	786	785
Performance bonds - labor	100	19
Guaranty deposits (electricity consumption)	3,521	266
Valle Central Wind Power Plant	83	81
CNFL performance bonds	864	840
Subtotal	55,998	50,317
Contingent liabilities:		
Payment arrangement - financing of appliances	171	144
Total	¢ 234,040	204,830

(1) Guarantees Received – 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 by means of the guarantee presented.

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Notes to the 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.

(3) Bid bonds - received

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 26. Income from Services

Regulation of 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.

On March 19, 2012, through Resolution RJD-017-2012, published in La Gaceta No. 74 of April 17, 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.

This methodology allows a faster recovery of the differential between actual and estimated fuel expenses from thermal generation since it considers the quarterly review to make the necessary adjustments in the rate schedules applicable in the following quarter.

Telecom Service Regulation

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 the Official Bulletin La Gaceta dated April 25, 2013, SUTEL excluded

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

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.

Note 27. Operation and Maintenance Costs

Operation and maintenance costs include costs related to fuel consumption to generate power by its own or leased thermal power plants; a detail of such costs incurred in thermal power generation is as follows:

	For the period ended on September 30	
	2017	2016
<u>Thermic plant:</u>		
Moín II	83	520
San Antonio	79	149
Barranca	38	47
Moín III	36	833
Planta Pujol - Orotina	9	342
Planta Pujol - Pococí	7	455
Moín I	-	1,082
Total	¢ 251	3,429

Besides the fuel costs indicated in the chart above, ICE Group incurred in such costs related to the Garabito plant amounting to ¢1.818 (¢11.251 in 2016), which are registered in the account referred to as operation and maintenance of leased equipment (see note 28).

(Continues)

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

Note 28. Operation and Maintenance Costs of Leased Equipment

Operation and maintenance costs of equipment under operating leases are as follows:

	For the period ended on September 30,	
	2017	2016
Group ICE:		
Thermic generation	¢ 28,099	37,678
Hydraulic generation	27,139	14,566
Geothermal generation	7,643	7,759
Substations	4,682	4,750
Telecommunications rented	2,608	2,884
Transmission lines	2,107	2,124
Others	1,669	399
Sub total	73,947	70,160
*Elimination of institutional services	(77)	(1,341)
Total	73,870	68,819

* Corresponds to the elimination of internal consumption of telephone and electricity.

Costs for the operating leases of the plants mentioned above amounts to ¢50,749 for 2017 (¢50,174 for 2016).

(Continues)

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

The lease agreement for telecom equipment, transmission equipment, and power plants, excluding agreements that comply with the policy on operating assets and other operating assets under financial leases, are booked and classified as operating leases for financial and tax purposes, 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 June 30, 2017	Paid in 2017	No. of installments	Amount of installment	Purchase option	Expense in 2017	Expense in 2016	Frequency	Subject of the agreement	
ICE Group																
Without order	Garabito Thermal Project Trust (1)	05-nov-07	01-jul-10	31-mar-22	US\$	743	460	282	42	142	5	213	25,683	25,430	Monthly	Lease for Cariblanco Hydroelectric Power Plant
Without order	Cariblanco Securitization Trust (1)	16-ago-00	29-feb-08	31-dic-19		304	246	58	17	147	2	8	9,215	8,906	Monthly	Lease for Garabito Thermal Power Plant
333059	Las Pailas Geothermal Power Plant (2)	07-mar-07	28-mar-12	31-dic-23		240	98	142	9	24	8	-	7,318	7,324	Half-yearly	Lease for Las Pailas Geothermal Power Plant
Without order	Toro 3 Power Plant Trust (1) and (4)	01-jun-13	30-jun-13	30-nov-24		131	41	90	6	142	\$1	-	3,932	3,801	Monthly	Infrastructure for Tejar Step-down Substation/Easements and expansion tower sites for Rio Macho Transmission Line
351643	Administrative Board of Cartago's Electricity Service (JASEC) (3)	14-abr-10	04-dic-13	14-abr-22		25	10	15	1	20	Entre US\$ 1 637 y US\$ 854 (en miles)	-	945	993	Half-yearly	Lease for Toro 3 Power Plant
Subtotal - Operating leases - U.S. dollars					US\$	1,443	855	588	51			€	47,092	46,454		
General features of the agreement					In millions of colones											
ICE Group																
350702	Cooperativa de Electrificación Rural Guanacaste (5)	16-feb-10	06-abr-10	06-sep-21	€	87,848	42,770	45,078	2,274	138	Variable entre €617 y €473	€3.541 aproximadamente	€	3,657	Monthly	Infrastructure for electricity transmission line Liberia, Papagayo - Nuevo Colón
Subtotal - Operating leases - colones					€	87,848	42,770	45,078	2,274			€	3,657	3,720		
Total - Operating leases												€	50,749	50,174		

Source: Financial-Liquidity Management Process

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Below is a description of the main operating lease agreements entered into by ICE Group.

(1) Securitization Trusts:

ICE entered into Securitization Trust Agreements with Banco Nacional de Costa Rica and Banco de Costa Rica, whereby ICE Group 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 Cariblanco and Toro III hydroelectric power plants, and the Garabito thermal power plant.

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization.

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:

- 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 of each trust will consist of:
 - a) The liquid assets generated by the trusts from the issue and placement of debt securities.
 - b) Tangible and intangible assets of the trustor, which are essential to the object of the contract, will be transferred as trust property to the Trust; the civil works, equipment, facilities, workshops, vehicles, equipment and materials inventory, office equipment, computer equipment, including software, licenses, and any others that have been acquired with the trust's resources for the development of the projects and for the operation and maintenance of the plants, as well as the right to use the land owned by the trustor, as required for the development of the projects, and all the intellectual information and studies produced for and during the development of the project's works in charge of the trusts.
 - c) The agreed-upon income from the lease of power plants.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- d) Any other income obtained by the trusts in the ordinary course of business.
- The trustee may only use the trust assets according to the provisions expressly contained in the trust agreements and pursuant to the instructions issued by the trustor. Both, the trustee's powers of disposal over the trust assets as well as the trustor's powers to issue instructions on such assets, are limited to the execution of those acts that are strictly necessary to fulfill the purpose of the trust.
 - 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 must appoint a Manager from the Execution Unit, who should be accepted by the trustee, and who shall act as the superior, with the inherent rights and duties.
 - The trustor and the trustee agree that ICE Group will be hired by the Trust to assume the responsibility of the construction of the projects, through an engineering and construction agreement.
 - 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.

(2) Planta Geotérmica Las Pailas:

In December 2006, ICE Group's Board of Directors agreed to approve Las Pailas Geothermal Project through an execution-financing scheme referred to as "nontraditional," in which ICE will be the constructor and the Central American Bank for Economic Integration (CABEI) will be the investor, developer, and owner.

Afterwards, ICE Group will technically and commercially operate the infrastructure, acting as lessee, during a term of 12 years, at the end of which it may execute the purchase option for property of the plant.

In March 2007, ICE Group and CABEI signed a contract for the lease with purchase option for Las Pailas Geothermal Plant, which includes the following main provision:

- A lease is set for a term of 12 years with a purchase option for Las Pailas Geothermal Plant, starting upon the satisfactory receipt of the works by ICE Group.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- The total amount of the lease amounts to US\$240 (in millions), including lease installments and maintenance fees.
- At the end of the lease term, the purchase option may be executed in the amount of 15% of the total investment accrued during the construction stage.
- CABEI will invest in the construction of the plant in an amount of up to US\$130 (in millions).
- CABEI agrees that ICE Group 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, consisted of the following items:
 - a) Actual cumulative direct investments made by CABEI for construction of the plant.
 - b) 0.75% (one time only) of CABEI's direct investment at the time CABEI 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 CABEI in accordance with the agreement.
- ICE Group agrees to lease the plant and act as the "lessee". CABEI will be the "lessor."
- The term of the lease will start 48 months after the beginning of construction of the plant.
- Should ICE Group 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 Group may exercise the purchase option prior to expiration of the agreement for an amount equivalent to CABEI's investment not yet recovered.

(3) Tejar Step-down Substation - JASEC:

In April 2010, ICE Group and JASEC entered into 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 Guiro Canton, Cartago.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The term of the lease is 10 years from the date on which JASEC delivers the substation and related works to ICE Group in the conditions required to start commercial operations. This happened starting on June 4, 2012.

(4) Toro III Hydroelectric Power Project:

ICE and JASEC entered into a partnership agreement for the joint development of the Toro III Hydroelectric Power Project, whereby BCR acts as the trustee and ICE and JASEC as trustors.

The partnership agreement involved the execution of a 137-month lease agreement with a purchase option, whereby ICE Group and JASEC act as lessees and the Toro 3 Hydroelectric Power Project Securitization Trust as the lessor (see note 6.)

The business alliance between ICE Group and JASEC 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%).

(5) Cooperativa de Electrificación Rural Guanacaste, R.L.:

On February 16, 2010, ICE and Cooperativa de Electrificación Rural de Guanacaste, R.L. (Coopeguanacaste) entered into 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 and de Desarrollo Comunal as a result of the loans granted to Coopeguanacaste), and
- Amounts payable by the lessor for monthly infrastructure maintenance costs.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 29. Oher Purchases and Services

Other purchases and services are detailed as follows:

		For the period ended on September 30,	
		2017	2016
<u>Telecommunications:</u>			
National traffic operators	¢	14,587	15,549
Telephone participation		2,502	3,547
Others		5,486	3,607
Total Telecommunications		22,575	22,703
<u>Electricity:</u>			
<u>Import:</u>			
Regional Operating Entity (EOR)		2,840	8,260
Others		-	4,428
Subtotal import		2,840	12,688
<u>Private generators:</u>			
Consorcio Eólico Chiripa, S.A. (Contrato B.O.T)		10,084	10,444
Planta Eólica Orosi, S.A. (Contrato B.O.T)		9,919	9,350
Unión Fenosa Generadora La Joya, S.A. (Contrato B.O.T)		8,955	9,069
Hidroenergía Del General (HDG), S.R.L. (Contrato B.O.T)		8,781	6,231
Planta Eólica Guanacaste, S.A. (Contrato B.O.T)		7,784	7,380
Unión Fenosa Generadora Torito		7,087	6,548
Hidroeléctrica Doña Julia, S.A.		5,363	4,090
Inversiones Eólicas Campos Azules S.A.		4,071	-
Fila de Mogote		3,382	
Azucares el Viejo, S.A.		3,332	2,439
Planta Eólica Tilawind, S.A.		3,040	3,109
Hidroeléctrica Platanar, S.A.		2,994	3,035
Proyecto Hidroeléctrico Chucás, S.A.		2,788	
Eólicas Guanacaste S.A.		2,711	
Ingenio Taboga, S.A.		2,465	1,969
Hidroeléctrica Río Lajas, S.A.		2,343	2,239
Plantas Eólicas, S.A.		2,302	2,653
Molinos de Viento Del Arenal, S.A.		2,171	2,612
Proyecto Hidroeléctrico Río Volcán, S.A.		2,096	2,129
Proyecto Hidroeléctrico Pedro, S.A.		1,801	1,954
Planta El Angel, S.A.		1,782	978
Planta Eolica Vientos del Este, S.A.		1,619	1,558
Others		6,183	5,517
Subtotal cogeneradores		103,053	104,306
<u>Purchases for export:</u>			
Regional Operating Entity (EOR)		7,373	7,978
Total Electricity		113,266	124,972
Total ICE Group	¢	135,841	147,675

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(1) Private generators:

Under the terms of Law 7200 “Law for the Authorization of Autonomous or Parallel Energy Generation,” which declares a matter of public interest the purchase of energy by ICE to those private companies that comply with the conditions contained in this Law, ICE has entered into agreements with various private generators for purchasing energy. This Law provides for two systems or chapters: Chapter I, “Autonomous or Parallel Generation,” which generates the so called BOO (build, Own, and Operate) agreements, and Chapter II, “Purchase of Power under the Competition System”, which generates the so called BOT (Build, Operate, and Transfer) agreements).

As of December 31, 2016, ICE Group has entered into six power purchase agreements under Chapter II that correspond to BOT agreements (Built, Operate, and Transfer) with the following private generators: Unión Fenosa Generadora La Joya S.A.; Hidroenergía del General (HDG), S.R.L.; Planta Eólica Guanacaste, S.A.; Consorcio Eólico Chiripa S.A. Unión Fenosa Generadora Torito S.A., Eólicas de Orosi Dos, S.A., and PH Chucás, S.A. and Capulín Wind Project is in the construction phase. 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 Group. 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 private generators or ICE Group may request the early transfer of the power generation plants.

Some of the most relevant terms and conditions contained in the aforementioned agreements are the following:

- The private generators shall be responsible for the financing, design, procurement of supplies, construction, evidence, startup and maintenance of the plants. The private generators also agree to deliver all the energy produced to ICE Group during the term of the contract.
- The private generators shall produce energy with the quality and standards of operation set forth in each contract and will fully deliver it to ICE, with the exception of that required to feed the auxiliary equipment and for servicing of the plants, pursuant to the contracts.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- The private generators take the risk for damage, loss or destruction of the equipment and facilities, during the term of the contract, due to any reason or cause whatsoever that is directly attributable to the private generators, 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. The agreements include price adjustment forms for variations due to inflation, and which apply on the operating and maintenance cost component.

From the plant's commercial operation beginning date, the private generators must, at their own expense, obtain and maintain, at least, the following insurance policies, according to their availability in the market: worker's compensation and full liability for physical injuries.

ICE Group may suspend the reception of energy generated by the private generators and shall be exempt from payment for said energy during such period of suspension for the following reasons:

- Tampering of meters
- Non-compliance in relation to the condition in the point of delivery agreed, under the responsibility of the private generator.
- Inability of the private generator to supply the energy in accordance with the parameters of operation required.
- For failure to renew the performance bond.
- For failure to renew the insurance policies.

The current agreements are in effect for terms that range between 15 and 20 years and expire between December 2016 and March 2035.

For private generators who have entered into 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.
- Class C: applicable to wind power generation plants.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The general terms of these agreements establish that, during the life of the agreement, ICE will purchase any surplus electric power that the private generator may supply once its own energy needs are met, up to the maximum power output agreed. The private generator 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 private generator 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.

Under Chapter I of Law N° 7200, ICE Group signed agreements as of the date the law was enacted, in 1990. As of 2009, once the agreements executed in the nineties started to expire (which maximum term was 15 years), ICE Group proceeded to renewal, for the remaining term of the concessions (which were granted for 20 years.) Currently, agreements are being renewed once the companies obtain new concessions, both for use of water forces, in case of hydroelectric projects, and the generation public service granted by ARESEP. Moreover, new plants are being included and their agreements were entered into a result of the bidding processes 2012 and 2014. Currently, agreements have been entered into with 28 company: 8 wind plants, 2 sugar factories, and 18 hydroelectric plants.

In addition, as of 2012, once ARESEP published the rates for new plants, and the new regulation for Chapter I of Law No. N° 7200 was published, ICE started the selection process of projects with which new agreements will be signed. In June 2012, Bid No. 01-2012 was published, through which five wind projects and six hydroelectric projects were selected, of which agreements were entered into with the wind power projects of Tilawind, Campos Azules and Altamira in Tilarán, and Vientos de la Perla and Vientos de Miramar in Liberia, which became operational in the first quarter of 2015 and the first quarter of 2017. Of the hydroelectric projects, only El Ángel Ampliación executed an agreement and it is currently operational.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

In February 2014, Bid No. 02-214 was published, which results appeared in La Gaceta of June 25, and it was final on August 29, once the General Management rejected the motion of appeal filed by one of the participants. In this second bid, 2 wind projects and 4 hydroelectric projects were selected, one of which refused the selection. In December 2015, Vientos del Este Wind Power Generation Plant became operational with a generation of 9 MW, and in July 2016, Mogote Wind Power Generation Plant became operational with a generation of 20 MW. The hydroelectric projects are planning to enter into agreements in the second semester of 2017.

Rate Adjustment for Private Generation Plants

On March 19, 2015, Ruling RIE 027-2015 dated March 13, 2015 was published in La Gaceta to authorize a rate setting for the new wind power plants pursuant to the “Model to set benchmarking rates for new private wind power plants.”

Ruling RIE 124-2015 dated December 16, 2015, was published in La Gaceta on December 11, 2015, which authorizes a rate setting for the company Hidroeléctrica Platanar, S.A. and the rest of existing private independent hydroelectric and wind power producers pursuant to the “Rate setting methodology for private independent power producers” (Law N° 7200) that enter into new electricity purchase agreements with ICE Group.”

On November 22, 2016, Ruling RIE- 099-2016 dated November 17, 2016 was published in La Gaceta to authorize a rate setting for biomass plants (bagasse) pursuant to the “Rate setting methodology according to the typical costing structure of an electrical power generation plant using sugarcane bagasse to be sold to *Instituto Costarricense de Electricidad* and its indexation formula”.

Transfer of Geoenergía de Guanacaste Ltda. Plant to ICE Group

On March 25, 2015, Miravalles III Geothermal Plant, which operated under the modality of agreement of B.O.T. (build, operate, transfer), for a period of 15 years from its startup (under the responsibility of Geoenergía de Guanacaste, Ltda) is transferred to ICE.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 30. Administrative Expenses

Administrative expenses are detailed below:

		For the period ended on September 30,	
		2017	2016
Remunerations	¢	50,121	51,609
Services		8,529	13,134
Use of service centers		6,269	4,599
Current transfers		1,262	1,007
Depreciation of other assets in operation		1,046	1,040
Others		17,091	6,962
Subtotal		84,318	78,351
* Elimination of institutional services		(110)	(247)
Total	¢	84,208	78,104

* Corresponds to the elimination of internal consumption of telephone and electricity services of the different areas of the institution.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 31. Commercialization Expenses

Commercialization expenses are detailed as follows:

		For the period ended on September 30,	
		2017	2016
			(Reestimated*)
Materials and supplies	¢	45,378	45,810
Remunerations		41,781	41,862
Services		33,604	35,965
Use of service centers		16,912	15,782
Current transfers		4,854	3,079
Depreciation of other assets in operation		2,961	3,066
Others		22,491	23,697
Subtotal		167,981	169,261
* Elimination of institutional services		(261)	(1,128)
Total	¢	167,720	168,133

* Corresponds to the elimination of internal consumption of telephone and electricity services of the different areas of the institution.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 32. Preliminary Studies

The expenses of preliminary studies are as follows:

		For the period ended on September 30,	
		2017	2016
			(Reestimated)*
Remunerations	¢	8,220	9,037
Use of service centers		4,291	6,702
Services		669	1,086
Current transfers		664	220
Depreciation		108	106
Materials and supplies		24	32
Others		1,064	1,130
Subtotal		15,040	18,313
** Elimination of Government services		-	(101)
Total	¢	15,040	18,212

(*) See note 24.

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 33. Pre-Investment Studies

The costs incurred for pre-investment studies are detailed below:

		For the period ended on	
		September 30,	
		2017	2016
		(Reexpresado)*	
P.H Fourth Cliff (1)	¢	1,372	-
Los Llanos Study (2)		980	3,181
Others		295	533
Total	¢	2,647	3,714

(*) See note 24.

(1) Fourth Cliff Project

The Fourth Cliff project is located immediately next to the Reventazón Plant, and it will use the restitution waters of this plant, which will be conveyed to a machine room and subsequently restituted to the river.

(2) Los Llanos Study

Los Llanos Hydroelectric Project is located in the Basin of Naranjo River. Should the project be implemented, there is a possibility of adding the waters of Brujo River and increasing the generation power to 126 MW provided that its environmental issues under analysis are solved.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 34. 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”. 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. They are detailed as follows:

	For the period ended on September 30,	
	2017	2016
		(Reexpresado)*
Project support center (1)	-	3,792
Administrative services	¢ 1,646	975
Capulin Hydroelectric Project	112	165
Chucas Hydroelectric Project	112	339
Transmission works for private generation	102	67
Improvements in the transportation network	25	519
Other	161	402
Total	¢ 2,158	6,259
** Elimination of Government services	(30)	(13)
Total	2,128	6,246

(*) See note 24.

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

(1) Support Center for Projects

Increase of the allowance for inventories due to valuation of materials classified under no turnover, no turnover risk, overstock, and buffer inventories for businesses under such classification.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
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Note 35. Financial Income and Expenses and Other Income and Other Expenses

Other interest and other expenses are detailed below:

		Por el periodo terminado al	
		30 de setiembre de	
		2017	2016
		(Restated)*	
Financial income (1)	¢	20,302	24,651
Exchange rate variations - net (2)		(55,143)	(65,089)
Financial coss (3)		(126,624)	(85,164)
Other income (4)		24,367	21,527
Other expenses		(7,991)	(3,968)
Total	¢	(145,089)	(108,043)

(*) See note 24.

A description of the main transactions is the following:

- (1) During the period ended September 30, 2017, ICE Group recognized related income, the most significant being:
 - Collection of administrative fees for the sum of ¢3.214 (¢2.517 in 2016)
 - Donations, ¢534
 - General income for the sum of ¢6.826 (¢3.703 in 2016)
 - Others
- (2) Interest includes income on securities of the external sector.
- (3) As a result of the foreign currency transactions of the valuation of assets and liabilities denominated in foreign currency during the period ended September 30, 2017, there was a recognition of the income and expense from foreign exchange fluctuation in the amount of ¢6,239 and ¢61,382, respectively (¢10,504 and ¢75,593, respectively, in 2016). For a valuation of such monetary assets and liabilities at year-end, an exchange rate of ¢572.32 (¢554.69 in 2016).
- (4) During the period ended September 30, 2017, ICE Group showed interest expenses, being the most significant the following:

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- Issue of internal debt for the sum of ¢23,106 (¢22,562 in 2016)
- Issue of external debt bond for the sum of ¢27,818 (¢71,606 in 2016)
- Reventazón trust for the net amount of ¢27,911
- Others

Note 36. Tax Regulations

(a) Tax Obligations

ICE has tax obligations governed by the provisions contained in: Income Tax Law N° 7092 and its amendments, Regulations to the Income Tax Law and its amendments, General Sales Tax Law N° 6826 and its amendments, Regulations to the General Sales Tax Law and its amendments, General Customs Law and its regulations and amendments, Law No. 8660 for Strengthening and Modernizing Public Entities in the Telecommunications Sector, and General Telecommunications Law.

(b) Income Tax

Instituto Costarricense de Electricidad is a taxpayer subject to the income tax, as it performs profitable activities and generates profits. On the other hand, Law Decree Number 449, regarding the creation of *Instituto Costarricense de Electricidad*, is established in article 17 as follows: “*ICE’s financial practices shall aim at capitalizing net profits obtained through the sale of electrical energy and any other source it may have access to, in the financing and implementation of national energy plans and the promotion of the industry based on electrical energy.*”

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 Group must reinvest the total net profit it obtains, no surplus is produced, which means that it does not show any taxable income, and, therefore, it has no income tax liability. However, the Costa Rican Tax Authorities normally imposes income tax withholdings that are subsequently applied as a credit to the sales tax liability.

According to the Law on the 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

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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.

(c) General Sales Tax

ICE is a taxpayer for the general sales tax, pursuant to the General Sales Tax Law N°6826. This is a value added tax on the sale of goods and rendering of services. The fees applied are the following: for the sale of energy for residential consumption, 5% over the excess of 250 kw of monthly consumption; 13% for commercial consumption and rendering of telecommunications services.

Because it is a value-added tax, ICE Group 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.

(d) Special para-fiscal contribution for telecommunications carriers and providers to the National Telecommunications Fund (FONATEL) (General Telecommunications Law Number 8642)

Article 39 of the General Telecommunications Law N° 8642 sets forth a quasi-fiscal tax to finance the National Telecommunications Fund (FONATEL) to ensure compliance with the principles of universal access, universal service, and cooperation. The quasi-fiscal tax will levy on the gross income directly earned by the operators of public telecommunications networks and telecommunications service providers available to the public who generated 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.

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(e) Parafiscal contribution to telephony services

Law N° 9355 published on May 27, 2016 “Amendments to Several Laws to Finance the Costa Rican Red Cross” created a parafiscal contribution for the Costa Rican Red Cross.

This contribution has 1% rate of the amounts paid by the owners of a conventional, mobile, prepaid, or postpaid telephone line or any other type of telephony service. The amounts collected must be paid not later than the fifteenth calendar day of each month. Such Law derogates Law 8690, which defines the Red Tax allocated to the financing of the Costa Rican Red Cross

(f) 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 an 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.

(g) Customs Duties

As set forth in the customs legislation, custom duties are comprised of custom duties and internal taxes, and they must be paid in full to legally import goods. The customs tax referred to as DAI is the Import Tariff Law, which is defined as follows: It is an ad-valorem tax determined according to a classification within the tax code established. The following are included among the internal taxes: Selective Excise Tax (rate according to goods), Tax Law No. 6946 (1%), General Sales Tax (13%), other specific taxes from IDA (Instituto de Desarrollo Agrario), IFAM (Instituto de Fomento y Asesoría Municipal), Depósito Libre de Golfito, among others. Thus, based on the type of merchandise or goods eligible for exemption, ICE has to pay the customs duties obligations for goods imported before customs clearance.

(h) Other Obligations

ICE also acts as a tax withholding agent for income tax, pursuant to the provisions contained in the Income Tax Law. Under this scheme, the taxpayer is the withholder, and ICE is jointly and severally liable. As withholding agent, ICE is responsible for withholding the respective tax and for reporting the Tax Authorities on behalf of beneficiaries of income of the types specified below:

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- Salaries, labor payments, compensation for personal services and directors' fees.
- Remittances or credits in favor of nonresidents for services such as transportation, communications, technical and financial advisory, personal services and other services, according to type and rates defined in articles No. 55 and 59 of the Income Tax Law.

Note 37. Institutional 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 Group, credit risk is regulated through the Investment Committee through a rigorous analysis of issuers and camels cards and the liquidity risk is managed by controlling treasury's cash flows of the telecom and electricity sector and regarding market risks through financial hedges or with financial derivatives, according to market availability. As a result, risk exposure is controlled through the Investment Committee.

ICE's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE Group's electricity and telecom sectors. This is the body to which the Corporate Financial Division 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, sector as well as the risk levels for the portfolio composition.

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The Investment Committee approves the Investment Strategy document (which is reviewed on a yearly basis) and the Management Limits document for ICE Group'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. Moreover, there is a follow-up of the risk level through indicators of the value in risks, duration, modified duration, concentration indicators, credit risk indicator, liquidity, among others. Moreover, stress testing and back testing are used to measure the effectiveness of the model used.

Pursuant to the Organizational Autonomous Regulations, the coordination of the Institutional Risk Committee will be under the responsibility of the CEO since the General Management will disappear.

The Corporate Policy for Financial Risk and Financial Hedging Management, effective since 2011, will be reviewed in January 2018.

The purpose of the policy is *“to provide ICE with a financial risk management framework in accordance with the strategic objective of cost and expense optimization included in the business strategy, through an effective management of financial risks using market opportunities, based on available financial instruments in accordance with the Risk Management and Financial Risk Hedging Strategy.”*

Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and in ICE Group's activities. This review is performed by the Financial Corporate Division through the Financial Risk Process.

The use of financial derivatives is in accordance with ICE Group's policies and meets international accounting best practices, which provide written principles on foreign currency, interest rate, and credit risks, the use of derivative and non-derivative financial instruments and excess liquidity investments.

Each year, Corporate Finance Division develops a financial risk map for ICE together with other ICE departments and management of ICE Group and follows-up on action plans and control, some indicators are indicators of the financial risk management.

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In addition, the Corporate Finance Division has focused its efforts in determining action plans and goals to comply with the financial plan and financial strategy for 2013-2021. For such purpose, it submits quarterly management reports to the top Management.

(a) Credit Risk

This is related to the potential losses due to noncompliance with the contractual terms of a client or counterpart in the operations performed by ICE, related mainly to cash, equivalents, accounts receivable, and investments.

As a way to mitigate this risk, control and follow up to risk ratings of investments granted by the risk rating agencies is implemented. There are investment limits in the institutional portfolio by market (local and international), by sector (public, rest of the public sector, private sector, and by issue), by sector, by instrument, by issuer, and by issue. For this risk, no collateral has been received as guarantee.

(i) Accounts receivable

Accounts receivable are controlled directly in the energy and telecommunication sectors. The process followed in each Sector to recover accounts receivable can be summarized as follows:

- Issuance of invoice and collection process through messengers in the telecommunications sector, with reminders of outstanding payments.
- Immediate suspension of electric and telephone services, after expiration date shown on the invoice, where the average collection period in the Telecommunications Sector is 29 days and 31 days for the Electricity Sector. The terms are established per sector (Collection Management Policy).
- Online collection process, through contracts with external collectors and banks, or internal collection through ICE Group cashiers.
- 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 Group 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 the Corporate Legal Division and collection is pursued by legal action.

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Note 3 of the Significant Accounting Policies explains in detail the accounting policy to record the estimate and the procedure for its administrative and legal collection management.

(ii) Investments

From the credit risk or counterparty standpoint, there is control and follow up to the investment ratings held by ICE Group, according to the investment strategy and the risk profile determined by the Investment Committee.

Financial risks to which all financial operations regarding financial instruments are exposed will be determined, such as: short, mid and long term financing, treasury management, credit lines, bank letters, purchase and sale of foreign currencies, investments, bond issuance, purchase of raw materials, among others.

An agreement by the Board of Directors during Meeting 6148 on September 07, 2015, approved a guideline to Authorize the Corporate Division so that in compliance of the Risk Policy and Financial Hedge Strategy, to contract financial derivatives to mitigate the exchange rate and/or interest rate effects in financial transactions, thereby nullifying the agreement issued by the Board of Directors during Meeting Number 6063 on October 23, 2013, to establish a limit of US\$970 million and only for colón/dollar hedges.

The investment guidelines are approved by the Board and the Manual of Investment Policies by Corporate Management and Finance Divisions. The latter contains all the guidelines regarding issuers, instruments and sectors allowed, as well as the matters that must be observed for the Stock Market and Custodians.

(iii) Impairment Losses

Ageing of trade account receivables is as follows:

		As of September 31, 2017	As of December 31, 2016
Current	¢	102,262	96,149
Administrative and legal collection		57,199	55,159
Total ICE Group	¢	159,461	151,308

Movement of the allowance for accounts receivable is as follows:

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		As of September 31, 2017	As of December 31, 2016
Opening balance	¢	62,522	59,910
Allowance booked during the period		9,531	15,455
Allowance used during the period		(14,143)	(12,843)
Closing balance	¢	57,910	62,522

(b) Liquidity Risk:

Liquidity risks refers to the potential losses due to anticipated or forced sale of assets with unusual discounts and that do not allow fulfilling obligations, or due to a position not being timely disposed of, acquired or covered through the establishment of an equivalent contrary position, in a timely manner.

Regarding liquidity risk, actions have been generated for the energy and telecommunications businesses to provide a higher level of security in the projection of payments of the liabilities contracted, as well as a more rigorous stance on income projection, resulting in the ability to control treasury cash flow. These measures in the projection of liabilities and expenses, as well as for the income of both sectors, allow follow up and control of cash flow or liquidity risk, and also a better management of treasury operations, regarding the purchase and sale of currencies and access to short and medium term credit lines, among others.

The Corporate Finance Division performs short, mid and long term cash flow projections that are used to estimate purchase of foreign currency, short-term financing, as well as anticipate liquidity needs.

Treasury management involves preparing the projected cash flows with the Company's budget information. It also prepares on a weekly basis a schedule with the daily cash inflows and outflows, which allows visualizing the behavior of cash flows and determining the daily liquidity needs. As part of this process, in order to obtain the most accurate payment information, especially for those cases where based on their amount have a large impact in petty cash, and in compliance with the Treasury policies, the businesses, and different areas of the company should send the payment schedule corresponding to 12 months. In addition, an important input is the information obtained from the Institutional Payment System, which not only provides the exact amount to be paid but also the maximum payment date, as established in the agreements.

Similarly, inputs and coordination with businesses regarding the behavior of income and the areas responsible for managing financing that allow a better matching are important, in order to optimize Treasury Management and obtain a better and timely attention of the payment obligations.

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Liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Likewise, the Treasury policies establish the terms of payment for providers, which is for a maximum of 30 days, once a week, except for the engagements where payoff date is fixed or ineludible, as of the event that originates the payment and presentation of invoice. Also, the policies establish the bank transfer as payment method, and payment orders are processed through the institutional payment system.

Lines of credit are part of the instruments that Management uses to finance working capital needs, issue of performance or bid bonds, opening and refinancing of letters of credit, which use throughout the years has allowed it to become one of the most popular short term financing options.

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.

(c) Market Risk:

The market risk is the risk resulting from changes in market prices, for example, exchange rates, and interest rates affecting ICE's income or the value of the financial instruments it keeps. The goal of risk management is to manage and control exposure to this type of risk within reasonable parameters while optimizing profitability.

ICE Group acquires derivative financial instruments to administer part of the existing market risk, which are valued according to the value provided by the instrument's issuer. Hedge accounting is used for those instruments that qualify, in order 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 formalized. ICE Group has made the decision, according to the Risk Strategy, to trade derivatives, specifically for existing liabilities.

The following risks have been determined for financial operations: variations in the interest rate (domestic and foreign) and foreign currency exchange rate, which affect the cash

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flow results, the value of instruments, and others. For such purpose, thirteen derivative financial instruments have been acquired: two to cover interest rate risk (interest rate swaps), two to cover Japanese yen exchange rate to the US dollar, called Cross Currency Swap, and nine Non Delivery Currency Swap to cover part of the colon/dollar exposure.

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The general characteristics of the positions exposed to market risk that are being covered with derivatives are presented as follows:

	PR002		PPF017		PR003		PTF019		PR004		PF021		PR007		PTF022		PTF024		PTF026		PTF027		PTF023		PTF025	
Detail	Tranche B D080172		Dollar/colón Tranche B-1 E14-92583		Tranche A D091319		Dollar/colón Tranche A-1 E15-96556		Yens NEM120618ICE		Yenes C34569		Dollar/colón seven year E11-92296		Dollar/colón three year C3489721003		Dollar/colón three year C38910		Dollar/colón three year C39164		Dollar/colón three year C3489850286		Dollar/colón three year C3489721052		Dollar/colón three year C38912	
Hedged debt:	BID-1931 B/OC-CR		PR002		BID-1931 A/OC-CR		PR003		JIBC-CR-P3		JIBC-CR-P3		BID-1908		BID-1908		BID-1908		Bonds 2021		Bonds 2021		Bonds 2043		Bonds 2043	
Principal amount	USD	30	USD	30	USD	93	USD	93	JPY	4,389	JPY	4,474	USD	40	USD	50	USD	50	USD	100	USD	200	USD	50	USD	50
Hedged amount	USD	30	CRC	15,986	USD	93	CRC	49,369	USD	48	USD	36	CRC	20,132	CRC	27,815	CRC	27,716	CRC	55,200	CRC	110,850	CRC	27,815	CRC	27,716
Exchange rate		N/A	CRC	533		N/A	CRC	533.00	USD	91	USD	123	CRC	503	CRC	556	CRC	554	CRC	552	CRC	554	CRC	556	CRC	554
Hiring date		08/05/2008		28/04/2014		27/01/2009		18/09/2015		18/06/2012		03/12/2015		29/03/2011		23/11/2016		23/11/2016		09/12/2016		09/12/2016		23/11/2016		23/11/2016
Hedge starting date of first payment		15/08/2008		15/08/2008		14/01/2010		18/09/2015		20/10/2012		20/10/2015		02/05/2011		25/05/2017		25/05/2017		10/05/2017		10/11/2016		14/05/2017		14/05/2017
Hedge expiration date		15/02/2018		15/02/2018		14/07/2023		14/07/2023		20/04/2026		20/04/2026		02/11/2017		25/11/2019		25/11/2019		10/11/2019		10/11/2019		14/11/2019		14/11/2019
Term		10 years		4 years		15 years		8 years		14 years		10.5 year		7 years		3 years		3 years		3 years		3 years		3 years		3 years
Base rate		Libor 6 months		Libor 6 months		Libor 6 months		3.23%		2.2%		2.2%		Libor 6 months		Libor 6 months		Libor 6 months		6.95%		6.95%		6.375%		6.38
Spread over/under base rate		4.37%		5.75%		-		-		5.11%		5.01%		2.95 pb		0.90%		0.90%		7.94%		7.72%		6.96%		7.29%
Fixed rate		-		-		3.23%		-		-		-		Base Rate		-		-		-		-		-		-
Total Fixed rate		4.37%		5.75%		3.23%		4.23%		5.11%		5.01%		Base Rate +2.95 pb		2.92%		3.05%		7.94%		7.72%		6.96%		7.29%
Strategy		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge		Hedge
Hedged risk		Interest rate		Exchange rate Dollar/colón		Interest rate		Exchange rate Dollar/colón		Exchange rate Yen/dollar		Exchange rate Yen/dollar		Exchange rate Dollar/colón		Exchange rate Dollar/colón		Exchange rate Dollar/colón		Exchange rate Dollar/colón		Exchange rate Dollar/colón		Exchange rate Dollar/colón		Exchange rate Dollar/colón
Hedge Type		Cash flow hedge		Cash flow hedge		Cash flow hedge		Cash flow hedge		Fair value hedge accounting		Fair value hedge accounting		Fair value hedge accounting		Fair value hedge accounting		Fair value hedge accounting		Fair value hedge accounting		Fair value hedge accounting		Cash flow hedge		Fair value hedge accounting
Hired instrument		Interest rate swap		swap		Interest rate swap		swap		Cross currency swap		Cross currency swap		swap		swap		swap		swap		swap		swap		Non deliverable currency swap

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In the case of cash flow hedges, expected cash flows for the primary instrument and hedging derivative are presented below.

Millions of colones		Expected cash flows derived	less than 12 months	over 12 months
Forward staring swap	¢	1,855	901	954
Plain vanilla swap		127	127	-
Total	¢	1,983	1,029	954

Millions of colones		Expected cash flows from liabilities	less than 12 months	over 12 months
BID-1931A/OC-CR	¢	47,576	7,929	39,646
BID-1931B/OC-CR		16,693	16,693	-
Total	¢	64,269	24,622	39,646

Capital Management

The Law for the Creation of *Instituto Costarricense de Electricidad*, Number 449 of April 8, 1949, article 17 of Chapter IV Assets and Profits, establishes the following: ICE's financial policy shall be to capitalize net profits obtained through the sale of energy and any other source it may hold, in the financing and implementation of national electrification plans and the promotion of the industry based on electric energy.

The Government will not obtain any part of these profits, as ICE cannot be considered an income-producing source for the Tax Authorities, but it will rather use all means at its disposal to increase energy production as the basic industry for the Nation.

The policy is to keep a sound capital base, in order to be viewed with confidence by the general market and to guarantee the ICE Group's future growth.

It aims at maximizing profitability with regards to capital and financial investments, through a proper balance between indebtedness level and invested capital, aiming at decreasing the risk involved.

During the third quarter of 2017, there has been no change in the way ICE Group's capital is managed because the institution is not subject to external capital requirements.

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The adjusted debt-capital ratio of ICE Group at the end of the period of the separate balance sheet is the following:

Index Debt - Capital		Up to September 30, 2017	Up to December 31, 2016
Total liabilities	¢	3,383,714	3,281,027
(-) Cash and equivalent to cash		(228,971)	(174,224)
Debt, net		3,154,743	3,106,803
Total patrimony		2,572,902	2,627,354
Minus:			
Amount accumulated in patrimony in relation to coverage of cash flow		(17,780)	(7,412)
Capital adjusted		2,590,682	2,634,766
Index debt		1.219	1.180

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

Value in books of financial assets		Up to September 30, 2017	Up to December 31, 2016
Banks	¢	228,971	174,224
Transitory investments		89,382	112,639
Long term investments		30,682	30,682
Funds of restricted use		26,463	28,518
Documents and account payable		153,123	141,828
Total	¢	528,621	487,891

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The maximum credit risk exposure for notes and accounts receivable as of the date of the separate balance sheet by geographical region is the following:

By geographical region		Up to September 30, 2017	Up to December 31, 2016
National	¢	150,547	135,784
External		2,576	6,044
Total by geographical region	¢	153,123	141,828

The maximum credit exposure for notes and accounts receivable by type of client as of the date of the separate balance sheet is the following:

By type of client		Up to September 30, 2017	Up to December 31, 2013
Private people	¢	102,849	97,337
Telephonic administrators		2,378	2,439
Distributing companies s		10,463	10,855
Government		17,148	13,746
Operators and suppliers of services		2,578	6,046
Others		17,707	11,405
Total by type of client	¢	153,123	141,828

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The risk ratings for ICE Group reported as of September 30, 2017 are shown as follows:

Issuing	Isin	Instrument	Risk Rating
Banco BAC San José, S.A.	00BSJ00E1790	Recompa	F1+(cri)
Banco BAC San José, S.A.	00BSJ00E5908	Recompa	F1+(cri)
Banco BAC San José, S.A.	00BSJ00E6401	Certificado de deposito a plazo (macro título)	F1+(cri)
Banco BAC San José, S.A.	00BSJ00E7425	Certificado de deposito a plazo (macro título)	F1+(cri)
Banco BAC San José, S.A.	CRBSJ00B1640	Bono bsj	AAA (cri)
Banco BAC San José, S.A.	CRBSJ00B1913	Bono bsj	AAA(cri)
Banco BAC San José, S.A.	CRBSJ00B1921	Bono bsj	AAA(cri)
Banco BAC San José, S.A.	CRBSJ00B1970	Bono bsj	AA+(cri)
Banco Cathay	00CATAYE1845	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE1878	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE2702	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE2710	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE4096	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE4872	Certificado de deposito a plazo (macro título)	SCR2
Banco Cathay	00CATAYE6976	Certificado de deposito a plazo (macro título)	SCR2
Banco Central de Costa Rica	0NR0ICE00778	Depósito electrónico a plazo (dep-bccr)	BB
Banco Central de Costa Rica	0NR0ICE00779	Depósito electrónico a plazo (dep-bccr)	BB
Banco Central de Costa Rica	0NR0ICE00784	Depósito electrónico a plazo (dep-bccr)	BB
Banco Central de Costa Rica	CRBCCR0B4080	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4080	Recompa	BB
Banco Central de Costa Rica	CRBCCR0B4221	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4270	Recompa	BB
Banco Central de Costa Rica	CRBCCR0B4395	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4403	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4726	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4767	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4874	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCCR0B4882	Bono estabilización monetaria tasa fija	BB
Banco Central de Costa Rica	CRBCR00B3586	Recompa	BB
Banco Centroamericano de Integración Economica	CRBCIE0B0083	Bono bcie	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C2607	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1181	Bono bcac	AA+(cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1496	Bono bcac	AA+(cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1561	Bono bcac	AA+(cri)
Banco Davivienda (Costa Rica) S.A.	00BDVAVIE0734	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Davivienda (Costa Rica) S.A.	CRBDVAVIB0088	Bono davivienda	AAA(cri)
Banco de Costa Rica	00BCR00CNF12	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco de Costa Rica	CRBCR00B3552	Bono bcr	AA+(cri)
Banco Hipotecario de la Vivienda -BANHVI-	00BANVIC0254	Certificado de deposito a plazo (macro título)	SCR1
Banco Hipotecario de la Vivienda -BANHVI-	00BANVIE2498	Certificado de deposito a plazo (macro título)	SCR1
Banco Hipotecario de la Vivienda -BANHVI-	CRBANVIB0094	Bono banhvi	SCR AA+
Banco Improsa	00BIMPRC8984	Certificado de deposito a plazo (macro título)	SCR2
Banco Improsa	00BIMPRE1888	Certificado de deposito a plazo (macro título)	SCR2
Banco Improsa	00BIMPRE6150	Certificado de deposito a plazo (macro título)	SCR2
Banco Improsa	00BIMPRE7497	Certificado de deposito a plazo (macro título)	SCR2
Banco Internacional de C.R. -Miami-	0NR0ICE00046	Overnight	BB+
Banco Internacional de C.R. -Miami-	0NR0ICE00051	Overnight	BB+
Banco Lafise	00BLAFIC35K1	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIC37K7	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIC41K9	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIE1807	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIE1856	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIE6228	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIE6996	Certificado de deposito a plazo (macro título)	SCR2
Banco Lafise	00BLAFIE7069	Certificado de deposito a plazo (macro título)	SCR2

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Issuing	Isin	Instrument	Risk Rating
Banco Nacional de Costa Rica	00BNCROCA926	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCROE1215	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCROE1934	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCROE5091	Recompra	AA+(cri)
Banco Nacional de Costa Rica	0NR0ICE00785	Inversión corto plazo (ventanilla electrónico)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00786	Inversión corto plazo (ventanilla electrónico)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00787	Inversión corto plazo (ventanilla electrónico)	F1+ (cri)
Banco Nacional de Costa Rica	CRBNCR0B1695	Bono bncr	AA+(cri)
Banco Nacional de Costa Rica	CRBNCR0B1737	Bono bncr	AA+(cri)
Banco Nacional de Costa Rica	CRBNCR0B1745	Bono bncr	AA+(cri)
Banco Nacional de Costa Rica	CRBNCR0B1752	Bono bncr	AA+(cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CEU97	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CEU97	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CEZ27	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CFA58	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CFG45	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CFN95	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CFU39	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CFV38	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CGA73	Certificado de deposito a plazo (macro título)	SCR2
Banco Popular y de Desarrollo Comunal	00BPDC0CGB80	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CGG85	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CGG85	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CGN45	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CGO51	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0E6698	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0E6797	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0E6953	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NR0ICE00739	Certificado de deposito a plazo (ventanilla electrónico NB)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B6954	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7051	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7168	Bono bpd	AA+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7218	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7226	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7259	Bono bpd	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7275	Bono bpd	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7275	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7309	Bono bpd	AA+(cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7317	Bono bpd	AA+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7325	Bono bpd	AA+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7341	Bono bpd	AA+(cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7341	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7390	Bono bpd	AA+(cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7408	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPDC0B7416	Recompra	F1+ (cri)
Banco Prival,S.A. (Antiguo Bansol Banco de Soluciones)	00PRIVAE1169	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Prival,S.A. (Antiguo Bansol Banco de Soluciones)	00PRIVAE2993	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Prival,S.A. (Antiguo Bansol Banco de Soluciones)	00PRIVAE6283	Certificado de deposito a plazo (macro título)	F1+ (cri)
Banco Promérica	CRBPROMB1284	Bono promérica	SCR AA +
Banco Promérica	CRBPROMB1359	Bono promérica	SCR AA +
Banco Scotiabank de Costa Rica, S.A.	CRSCOTIB1292	Bono scotiabank	AAA(cri)
Fideicomiso Benemérito Cuerpo de Bomberos	CRFTBCBB0044	Bono FTBCB	SCR AA
Fideicomiso Benemérito Cuerpo de Bomberos	CRFTBCBB0051	Bono FTBCB	SCR AA
Financiera Desyfin	00FDESYE5920	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE6035	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE6217	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE6233	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE6936	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE7132	Certificado de deposito a plazo (macro título)	SCR2
Financiera Desyfin	00FDESYE7314	Certificado de deposito a plazo (macro título)	SCR2
Florida ICE & Farm Company S.A.	CRFIFCOB0972	Bono fifco	SCR AAA
Florida ICE & Farm Company S.A.	CRFIFCOB0998	Bono fifco	SCR AAA

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Issuing	Isin	Instrument	Risk Rating
Gobierno	0NR0ICE00782	Titulo de propiedad cero cupón (ventanilla)	BB
Gobierno	0NR0ICE00783	Pagaré del tesoro (ventanilla electrónico)	BB
Gobierno	CRG0000B11H2	Recompa	BB
Gobierno	CRG0000B11H2	Titulo de propiedad	BB
Gobierno	CRG0000B25H2	Recompa	BB
Gobierno	CRG0000B27H8	Titulo de propiedad	BB
Gobierno	CRG0000B27H8	Titulo de propiedad	BB
Gobierno	CRG0000B29H4	Titulo de propiedad	BB
Gobierno	CRG0000B36H9	Recompa	BB
Gobierno	CRG0000B36H9	Titulo de propiedad	BB
Gobierno	CRG0000B42H7	Titulo de propiedad	BB
Gobierno	CRG0000B43H5	Recompa	BB
Gobierno	CRG0000B45H0	Recompa	BB
Gobierno	CRG0000B48H4	Titulo de propiedad	BB
Gobierno	CRG0000B51H8	Titulo de propiedad	BB
Gobierno	CRG0000B56G9	Recompa	BB
Gobierno	CRG0000B56G9	Titulo de propiedad	BB
Gobierno	CRG0000B56H7	Titulo de propiedad	BB
Gobierno	CRG0000B57H5	Titulo de propiedad	BB
Gobierno	CRG0000B59G3	Recompa	BB
Gobierno	CRG0000B60G1	Titulo de propiedad	BB
Gobierno	CRG0000B72G6	Titulo de propiedad	BB
Gobierno	CRG0000B75H7	Recompa	BB
Gobierno	CRG0000B76H5	Titulo de propiedad real ajustable soberana	BB
Gobierno	CRG0000B82H3	Titulo de propiedad	BB
Gobierno	CRG0000B89G0	Titulo de propiedad	BB
Gobierno	CRG0000B96G5	Recompa	BB
Gobierno	CRG0000B96G5	Titulo de propiedad	BB
Gobierno	CRG0000B97G3	Recompa	BB
Gobierno	CRG0000B97G3	Titulo de propiedad	BB
Gobierno	USP3699PAA59	Bono deuda externa Costa Rica	BB
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	00MADAPCT246	Certificado de participación hipotecaria	SCR2
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	00MADAPCT600	Certificado de participación hipotecaria	SCR2
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	00MADAPCT832	Certificado de participación hipotecaria	SCR2
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	00MADAPE1263	Certificado de participación hipotecaria	SCR2
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	CRMADAPB2467	Bono madap	SCR AA
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	CRMADAPB2475	Bono madap	AA+(cri)
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	CRMADAPB2475	Bono madap	SCR AA+
Grupo Mutual Alajuela-la Vivienda de Ahorro y Prestamo	CRMADAPB2525	Bono madap	SCR AA+
La Nación S.A.	CRNACIOB0142	Bono la nación S.A.	SCR AAA
La Nación S.A.	CRNACIOB0175	Bono la nación S.A.	SCR AAA
Mutual Alajuela de Ahorro y Prestamo	00MADAPE0042	Recompa	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPC8028	Certificado de participación hipotecaria	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPC8531	Certificado de participación hipotecaria	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPE1104	Certificado de participación hipotecaria	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPE4702	Certificado de participación hipotecaria	AA+(cri)
Mutual Cartago de Ahorro y Préstamo	CRMUCAPB1441	Bono mucap	SCR2
Mutual Cartago de Ahorro y Préstamo	CRMUCAPB1458	Bono mucap	AA+(cri)
Mutual Cartago de Ahorro y Préstamo	CRMUCAPB1474	Bono mucap	AA+(cri)
Refinadora Costarricense de Petroleo	CRRECOPB0012	Bono estandarizado de recope	AAA (cri)
Refinadora Costarricense de Petroleo	CRRECOPB0020	Bono estandarizado de recope	AAA (cri)
Safi BAC San José	SAJCPcFI	F.I. bac san jose líquido C no diversificado	SCR AA+F2
Safi Banco de Costa Rica	BCRLIcFI	F.I. bcr corto plazo colones no diversificado	SCR AA+F2
Safi Banco de Costa Rica	BCRLIcFI	F.I. bcr corto plazo colones no diversificado	SCR AAF2
Safi Banco de Costa Rica	BCRMXcFI	F.I. bcr mixto colones no diversificado	SCR AAF2
Safi Banco de Costa Rica	FI-000000022	F.I. bcr liquidez dólares no diversificado	SCR AA+F2
Safi Banco de Costa Rica	FI-000000022	F.I. bcr liquidez dólares no diversificado	SCR AA+F2
Safi Banco de Costa Rica	FI-000000066	F.I. bcr mixto dólares no diversificado	SCR AAF2

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Issuing	Isin	Instrument	Risk Rating
Safi Banco Nacional de Costa Rica	BNASUPER\$FI	F.I. bn superfondo dólares no diversificado	F1+ (cri)
Safi Banco Nacional de Costa Rica	BNASUPERcFI	F.I. bn superfondo colones no diversificado	SCR AAF2
Safi Banco Nacional de Costa Rica	BNASUPERcFI	F.I. bn superfondo colones no diversificado	SCR AAF2
Safi Banco Nacional de Costa Rica	FI-000000001	F.I. bn dinerfondo colones no diversificado	SCR AA+F2
Safi Banco Nacional de Costa Rica	FI-000000002	F.I. bn dinerfondo dolares no diversificado	F1+ (cri)
Safi Banco Popular	FI-000000006	F.I. popular mercado de dinero colones (no diversificado)	SCR AAF2
Safi Banco Popular	FI-000000006	F.I. popular mercado de dinero colones (no diversificado)	SCR AAF2
Safi Instituto Nacional de Seguros	BACLACcFI	F.I. no diversificado ins-liquidez c	SCR AAF 2
Safi Instituto Nacional de Seguros	BACLAD\$FI	F.I. no diversificado ins-liquidez d	SCR AAF 2
Safi Instituto Nacional de Seguros	BANCREDILASCcFI	F.I. no diversificado ins-liquidez público c	SCR AAF 2
Safi Instituto Nacional de Seguros	BANCREDILASD\$FI	F.I. no diversificado ins-liquidez público d	SCR AAF 2
Safi Scotiabank	ITFCPPU\$FI	F.I. no diversificado público d scotia	SCR AAF 3
Safi Scotiabank	ITFCPPU\$FI	F.I. no diversificado público d scotia	SCR AAF3
Safi Scotiabank	ITFCPPUcFI	F.I. no diversificado público scotia	SCR AAF2
The bank of Nova Scotia (Costa Rica)	00BNSCRE6236	Certificado de deposito a plazo (macrotítulo)	F1+ (cri)
The bank of Nova Scotia (Costa Rica)	00BNSCRE6541	Certificado de deposito a plazo (macrotítulo)	F1+ (cri)
The bank of Nova Scotia (Costa Rica)	CRBNSCRB0021	Bono nova scotiabank	AAA(cri)
The bank of Nova Scotia (Costa Rica)	CRBNSCRC0012	Papel comercial (privado)	F1+ (cri)

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Estimation of Potential Losses:

According to the methodology used in SUGEVAL, adjustments were made in the evaluation of the potential loss for ICE Group's investments. A risk rating and write-off percentage are assigned to each investment based on the maturity of the instrument, as follows:

International rating				
Term	Moody's	Standard & Poor's	Fitch	Weighting
Short term	-	A1+	F1+	0%
	P1	A1+	F1	1%
	P2	A2	F2	2.5%
	P3	A3	F3	5%
	-	B	B	7.5%
	C and other	C and other	C and other	10%
Long term	Aaa	AAA	AAA	0%
	Aa	AA	AAA	1%
	A	A	AAA	2.5%
	Baa	BBB	BBB	5%
	BA	BB	BB	7.5%
	B	B	B	9%
	Caa and other	CCC and other	CCC and other	10%

Local rating		
Term	rating	Weighting
Short term	1, 2, 3	7.5%
	otros	10%
Long term	AAA-A	7.5%
	BBB-B	9%
	CCC y otros	10%

Class	International rating		Local rating	
	Long term	Short term	Long term	Short term
1	AAA y AA	F1, A-1 Y P-1	-	-
2	A y BBB	F2, A-2 Y P-2	-	-
3	BB	F3 Y P-3	Scr-AAA y AAA (cri)	Scr-1 y F1(cri)
			scr-AA y AA(cri)	scr-2 y F2 (cri)

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

In the case of the Central Bank of Costa Rica, 0% write-off is applied; for Government and Finance Ministry investments, 0.5% write-off is applied; for repurchases, the counterparty rating is used; for investments without risk rating, these are classified under others with 10% write-off; for investments in US dollars, sovereign rating and write-off are applied according to the chart above. The final result corresponds to the “potential loss”.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Exposure to Liquidity Risk

The following are the contractual maturities of the financial liabilities, including interest:

Liabilities	Value on Books	Expected Cash Flow	12 months or less	1-2 years	2-5 years	More than 5 years
Long Term Liabilities						
Securities payable	¢ 1,148,110	1,864,052	-	92,242	944,930	826,880
Documents payable	900,562	1,114,227	-	98,516	474,403	541,308
Financial Lease Obligations	496,650	880,210	-	89,052	343,408	447,750
Accounts payable	8,750	8,543	-	8,057	486	-
Total Long Term Liabilities	2,554,072	3,867,033	-	287,867	1,763,227	1,815,938
Circulating						
Securities payable	25,000	38,541	38,541	-	-	-
Documents payable	97,499	128,683	128,683	-	-	-
Financial Lease Obligations	15,892	56,769	56,769	-	-	-
Accounts payable	120,283	120,283	120,283	-	-	-
Financial expenses payable	35,778	35,778	35,778	-	-	-
Total Short Term Liabilities	294,452	380,054	380,054	-	-	-
Total	¢ 2,848,524	4,247,087	380,054	287,867	1,763,227	1,815,938

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the 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:

Millions Dollar		Book Value	Expected Cash Flows	6 months or less	6-12 months	1-2 year	2-5 years	More than 5 years
Cross currency swap								
Liabilities	¢	(5,564)	6,612	697	1,281	1,117	2,433	1,083
Cross currency swap								
Liabilities		1,839	4,877	514	945	824	1,794	799
Forward staring swap								
Liabilities		(1,929)	1,855	286	616	423	517	14
Plain vanilla swap								
Liabilities		(124)	127	127	-	-	-	-
Non delivery currency swap Tramo b-1								
Liabilities		(37)	56	56	-	-	-	-
Non delivery currency swap Tramo a-1								
Liabilities		(358)	1,102	173	154	267	367	142
Non delivery currency swap 7 años								
Liabilities		1,847	609	609	-	-	-	-
Cupon swap 3 años								
Liabilities		6	276	114	137	25	-	-
Cupon swap 3 años								
Liabilities		(190)	1,523	305	609	609	-	-
Cupon swap 3 años								
Liabilities		16	267	53	107	107	-	-
Cupon swap 3 años								
Liabilities		(92)	202	115	76	10	-	-
Cupon swap 3 años								
Liabilities		(287)	1,015	203	406	406	-	-
Cupon swap 3 años								
Liabilities		(222)	548	116	216	216	-	-
Total		(5,094)	19,070	3,368	4,547	4,005	5,112	2,037

From December 2016 to September 2017, no new commitments for credit lines with financial institutions used for working capital were booked.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Market Risk

Exposure to Currency Risk

As of September 30, 2017, ICE Group's exposure to foreign currency risk is the following:

	Balances in foreign currency					
	U.S. dollars		Yens		Euros	
	2017	2016	2017	2016	2017	2016
Assets						
Materials in transit for investment	27	44	4,760	5,118	1	2
Long-term investments	53	24	-	-	-	-
Notes receivable	2	6	-	-	-	-
Banks and temporary investments	77	71	-	-	-	-
Restricted funds	1	1	-	-	-	-
Receivables for services rendered	14	21	-	-	-	-
Non-trade receivables	19	18	-	-	-	-
Securities received as guaranty deposits	4	0	-	-	-	-
Materials in transit for operations	14	3	-	-	-	-
Valuation of derivative financial instruments	-	12	-	-	-	-
Total assets in foreign currency	211	200	4,760	5,118	1	2
Liabilities						
Securities payable	1,558	1,558	-	-	-	-
Long-term and short-term loans payable	1,270	1,289	15,732	14,846	-	-
Long-term Financial leases	449	429	-	-	-	-
Guaranty deposits	11	-	-	-	-	-
Accounts payable	111	87	4,642	5,055	3	5
Accrued finance expenses	48	32	-	-	-	-
Deposits from private individuals or companies	-	-	-	-	-	-
Valuation of derivative financial instruments	5	23	-	-	-	-
Result of the valuation of financial instruments	36	20	-	-	-	-
Total liabilities in foreign currency	3,488	3,438	20,374	19,901	3	5
Excess liabilities over assets	3,277	3,238	15,614	14,783	2	3

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, which as of September 30, 2017 was ¢572.32 (¢556.44 as of December 31, 2016).

The main exchange rates used are as follows:

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Name of currency	Exchange rate to U.S. \$	
	At September 2017	At 31 December 2016
Corona Sueca	8.16	9.11
Libra Esterlina	1.34	1.23
Franco Suizo	0.98	1.02
Euro	1.17	1.05
Colones	572.32	556.44
Yen Japonés	112.93	116.96

(Continues)

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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; these transactions are made at the exchange rate of the day set by the Central Bank.

Sensitivity Analysis

The table below shows the sensitivity as of September 30, 2017 and as of December 31, 2016; at an increase or decrease in the foreign exchange rate of the US dollar/colón. ICE Group applies a sensitivity index of 10%, which represents its best estimate of foreign exchange rate variations of the US dollar/colón.

dollars		September 2017	December 2016
	Sensitivity to an increase in the exchange rate:		
	Net dollar position (expressed in colones) at the exchange rates prevailing	¢ 1,875,493	1,716,617
	Net dollar position	USD 3,277	3,085
	10% increase in the exchange rate	¢ 2,063,042	1,888,279
	Loss	¢ (187,549)	(171,662)
	Sensitivity to a disminución in the exchange rate:		
	Net dollar position (expressed in colones) at the exchange rates prevailing	¢ 1,875,493	1,716,617
	Net dollar position	USD 3,277	3,085
	10% decrease in the exchange rate	¢ 1,687,943	1,544,956
	Gain	¢ 187,549	171,662

This analysis assumes that all other variables, particularly interest rates and the exchange rates, remain constant.

Exposure to Interest Rate Risk

ICE Group maintains important assets and liabilities, mainly represented by short-term investments, long term investments, as well as securities payable and notes payable, obtained for financing its commercial operations, which are subject to variations in the interest rates.

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With regards to financial assets and liabilities, a detail of the interest rates is included in the following notes:

	Note
Securities payable	15
Temporary investments	10
Notes payable	16
Long-term investments	6
Effects and receivables	7 y 12
Financial leasing payables	17

Sensitivity Analysis

In interest rate risk management, ICE Group tries to reduce the impact caused by short-term fluctuations in profits. Regarding short-term investments, long-term investments, as well as securities payable and notes payable, permanent changes in the interest rate would have an impact on profits.

During the year ended September 30, 2017, 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:

		Effect on income income-expenditure			
		At september, 2017		At December, 2016	
		Strengthening of 1%	Weakening of 1%	Strengthening of 1%	Weakening of 1%
Temporary investments	¢	894	(894) ¢	1,126	(1,126)
Long-term financial investments		1,549	(1,549)	1,137	(1,137)
Long-term receivables		72	(72)	81	(81)
Short-term receivables		418	(418)	24	(24)
Long-term securities payable		11,219	(11,219)	10,965	(10,965)
Short-term securities payable		250	(250)	619	(619)
Long-term payables		6,579	(6,579)	6,351	(6,351)
Short-term payables		2,680	(2,680)	2,520	(2,520)
Financial Lease Payable		5,125	(5,125)	5,094	(5,094)
Net effect group ICE	¢	28,787	(28,787) ¢	27,917	(27,917)

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Fair Value Measurements

- a) Fair value of ICE Group's financial assets that are recurrently measured at fair value.

Some of ICE Group's financial assets are measured at fair value at yearend. The following table provides information on how fair values of these financial assets are determined:

Financial Assets	Period				Fair Value Hierarchy	Valuation Techniques and Key Indicators
	As of September 30, 2017	Type	As of December 31, 2016	Type		
Short-term investments (see note 8)	¢ 89,381	Asset	¢ 112,639	Asset	Level 1	The valuation is made taking the yield rate, shown in the price vector of Proveedor Integral de Precios (PIPCA) as of 09/30/17.

- b) Fair value of ICE's financial assets and financial liabilities that are not measured at fair value recurrently.

Except for what is detailed in the following table, Management considers that the carrying amounts of financial assets and liabilities recognized in the financial statements are approximate to their fair value:

	As of September 30, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and accounts receivable:				
- Notes receivable	¢ 2,367	2,336	7,723	6,002
Financial liabilities				
Financial liabilities measured at amortized cost:				
- bank loans	¢ 1,895,817	1,949,881	1,840,860	1,881,852
- loans at other entities	41,571	46,191	46,807	39,895
- accounts payable	23,294	9,478	21,153	20,799
Financial leases payable	512,542	544,997	509,368	531,750

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Fair Value Hierarchy		
As of September 30, 2017		
	Level 1	Level 2
Financial assets		
Loans and accounts receivable		
Notes receivable	¢ -	2,336
Financial liabilities		
Financial liabilities measured at amortized cost:		
- bank loans	¢ 1,153,818	796,063
- loans at other entiteis	774	45,417
- accounts payable	9,478	-
Financial leases payable	43,536	501,461

Fair value of financial assets and liabilities included in Level 1 and Level 2 categories presented before has been determined according to generally accepted valuation models, which are based on a discounted cash flows analysis, with the most significant indicators, such as the discount rate, reflecting credit risk of the counterparts.

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Note 38. Contingent Assets and Liabilities

Current judicial proceedings involving ICE Group as of September 30, 2017 are as follows:

Proceedings	Number of cases	Estimated amount of the claim	As of September 30, 2017 Litigation provision	As of December 31, 2016
<u>Contingent assets - lawsuits filed by ICE Group:</u>				
Arbitration (1)	2	4,592	-	-
Ordinary (Administrative) (2)	38	8,219	-	-
Other	136	747	-	-
Total contingent assets	176	13,558	-	-
Proceedings	Number of cases	Estimated amount of the claim	As of September 30, 2017 Litigation provision	As of December 31, 2016
<u>Contingent liabilities - lawsuits filed against ICE Group:</u>				
Administrative proceedings (3)	30	2,947	1,470	1,342
Ordinary (Administrative) (4)	10	42,523	21	-
Administrative and Civil Court of Finance (5)	141	9,769	69	142
Execution of judgment (Administrative)	4	41	41	41
Other	152	7,638	1,640	1,183
Total contingent liabilities	337	62,919	3,241	2,708
Less reclassification of not current portion			973	232
Current			2,268	2,476

The following is a definition of the main types of proceedings jurisdictions recognized by ICE:

- a) Arbitration: the resolution of a litigation without going to an ordinary jurisdiction. The parties, by mutual consent, decide to appoint a third independent party, referred to as arbitrator, or an arbitral tribunal, who will be in charge of the dispute resolution. The arbitrator will be, in turn, limited to the agreements reached by the parties to issue the arbitral award in accordance with the laws chosen by the parties, or even based on simple equity, if agreed.
- b) Contentious: a judicial proceeding to review a conduct under the guardianship of the Contentious Jurisdiction. The Contentious-Administrative Jurisdiction is aimed at protecting the legal situations of every person, guarantee or reestablish the lawfulness of any conduct of the Public Administration subject to the Administrative law, and to

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hear and resolve different aspects of the legal-administrative relationship (Article 1 of the Contentious-Administrative Procedural Code).

- c) Administrative: an administrative proceeding is processed at an administrative court and must comply with the provisions contained in the General Public Administration Law, article 214 paragraph one, to ensure the best compliance with the purposes of the Government and with the subjective rights and legitimate interests of citizens in accordance with the legal system.

Large claims related to contingent assets and liabilities are as follows:

- (1) ICE awarded Verizon, through bidding, the development of the phone books. Due to a breach of contract, ICE filed a complaint at an administrative court in 2005 for damages and requested as interim relief to attach the funds deposited by ICE. The current status of the Proceeding is as follows: "Through a ruling by the First Chamber of the Supreme Court, the defendant is ordered to pay damages caused by the breach of contract, according to the aforementioned estimate." The estimated amount of the complaint as of September 30, 2017 and as of December 31, 2016 is ¢3,781.
- (2) Enforcement of contentious ruling ordering RECOPE to pay to ICE for damages caused by the surcharge resulting from diesel power generation in the Output Centers of Garabito, Orotina and Guápiles due a late delivery of fuel. The amounts awarded in ruling number 133-2016 by the Contentious-Administrative Court. The estimated amounts as of September 30, 2017 and as of December 31, 2016 are ¢7,038 and ¢5,723, respectively.
- (3) Call My Way NY S.A., filed a complaint at SUTEL against ICE, arguing that ICE is implementing anti-competitive practices that generate entry barriers in the telecom market for new competitors and which encourage the exit of existing competitors. This is based on the fact that the promotions launched by ICE cannot be reproduced by them nor can they be sustainable for ICE because they are below the costs. Currently, the case is pending resolution by SUTEL. The estimated amount of the proceeding as of September 30, 2017 amounts to ¢8,868.
- (4) Through Ruling Number 150-2016, dated October 14, 2016, ICE was ordered to pay ¢964 for contingencies in the stock sale agreement of Cable Visión de Costa Rica, S.A. Moreover, ICE filed a petition for cassation at the First Chamber of the Supreme Court.
- (5) The main proceedings of a Contentious and Civil Jurisdiction are related to one of the subsidiaries:

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- i. Instalaciones Inabensa, S.A. – File Number 5-1194-163-CA: proceeding to collect penalties related to the implementation of the underground electrification project in San José, for an estimated amount of ¢11,138. The plaintiff is seeking the collection of claims and refund of penalties submitted during the implementation stage of the aforementioned project.
- ii. Ghella Spa Costa Rica - File Number 10-3471-1027-CA: the complaint is aimed at declaring the nullity of the limitations set forth in Addendum No. 01 to the Agreement for the design, construction, equipment, and implementation of El Encanto Hydroelectric Project, at an estimated amount of ¢21.047.
- iii. Grupo Corporativo SARET: The plaintiff filed for an early interim relief against Compañía Nacional de Fuerza y Luz, S.A., because the performance bond was enforced to collect penalties. Moreover, the plaintiff filed a formal complaint for actual damages, lost profits and lost opportunities. The estimated amount of the proceeding is ¢8.109.

These legal proceedings are against the subsidiary Compañía Nacional de Fuerza y Luz, S.A. This subsidiary has appealed and as of September 30, 2017, there are not sufficient evidence to establish a final resolution. Due to this uncertainty, the Management of this subsidiary has deemed it necessary to register any accumulations to cover possible losses that might derive from such resolution.

As of September 30, 2017 ICE's Legal Department is processing 187 lawsuits for expropriations to enter into possession. There are also 56 lawsuits for forced expropriation to enter into possession and legalize the properties needed for the different works under development.

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

Note 39. **Balances and Transactions with Related Parties**

The balances and transactions with related parties are detailed as follows:

Business and Financial Transactions:

During the year, the Institute performed the following business transactions with related parties:

		Sale of goods and services	Purchase of goods and services
		For the period ended September 30, 2017	
Construction services:			
Uno P.H. Reventazón, Trust/Scotiabank/2013	¢	1,497	1,665
Other related parties		6	-
Advisory services:			
CONAVI		775	1,077
MINAE-SENARA		660	1,767
Interest:			
State-owned financial entities		4,381	6,565
Government entities		3,921	-
Other services:			
Autonomous institutions		-	565
Government entities		1,268	186
Other related parties		1,745	444
Total	¢	14,253	12,269

The sales of goods and services to related parties are made at the list prices of ICE Group.
The purchases are made at the market price to reflect the amount of assets purchased the relationships between the parties.

The following balances receivable and payable were outstanding at the end of the period to be informed about:

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		Balances due from related parties		Balances due to related parties	
		30/09/2017	31/12/2016	30/09/2017	31/12/2016
Government entities	¢	2,078	3,109	-	-
Other related parties		-	-	44	-
Total	¢	2,078	3,109	44	-

The balances do not include expenses from public services (electricity, water, telecommunications, social security, and tax burdens), respectively.

The outstanding amounts are not guaranteed and are expected to be settled in cash. No guarantees have been granted or received. No expenses have been recognized in the current period or previous periods regarding doubtful accounts related to the amounts owed by related parties.

In addition, as of September 30, 2017, notes receivable on the long term remained with related autonomous entities for a total of ¢2,297, (¢7,294 as of December 31, 2016) (Note 7).

As of September 30, 2017, there were notes payable with state-owned financial entities amounting to ¢135,031 (¢127,248 as of December 31, 2016) (nota 16).

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

		As of september 30, 2017	As of December 31, 2016
Cash equivalents	¢	92,702	37,860
Held to maturity		76,526	52,833
Restricted funds		26,463	28,518
Total	¢	195,691	119,211

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As of September 30, 2017, interest receivable from state-owned financial entities on securities amounts to a total of ¢2,416 (¢2,121 as of December 31, 2016).

As of September 30, 2017, there are investments in the interests of autonomous and non-governmental entities amounting to a total of ¢30,671 (¢30,671 in 2016) (note 6).

Compensation of Management's Key Staff

The compensation of directors and other key members of management during the 2017 and 2016 periods was as follows:

		As of September 30, 2017	As of December 31, 2016
Short-term benefits	¢	4,339	5,619
Post-employment benefits		549	162
Saverance benefits		617	715
Total	¢	5,505	6,496

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

Note 40. Information by Segment

(a) Segmentation bases

- The Telecom Segment includes ICE-Telecommunications Sector, Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA) and Cable Visión de Costa Rica, S.A. (CVCRSA).
- The Electricity Segment includes the ICE-Electricity Sector and Compañía Nacional de Fuerza y Luz, S.A. (CNFL).

The information by segment is submitted to the highest authority in charge the operational decision making of the Group with the purpose of allocating resources and evaluating

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the performance of each segment; it is focused on the different sectors of the Institute (business segment) exposed to risks and different yields.

The results, assets, and liabilities of the segment includes items directly attributable to a segment as well as those that can be reasonably attributed. The information related to each segment is shown below.

(b) Products and services that generate income from the segments that need to be reported

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

(c) Income and results by segment

An analysis of the income and the results of ICE Group from the operations by segment to be informed is as follows:

For the periods ended September 30, 2017 and 2016							
Profit and loss by segment	<u>Electricity</u>		<u>Telecom</u>		<u>Consolidated total</u>		
	2017	2016*	2017	2016*	2017	2016*	
Profit by segment	¢ 568,212	619,125	439,787	431,297	1,008,000	1,050,422	
Depreciation of operating assets	112,131	113,450	84,273	92,455	196,404	205,905	
Other income	30,490	31,522	14,179	14,656	44,669	46,178	
Foreign exchange differences, net	50,827	60,495	4,316	4,594	55,143	65,089	
Finance expenses	117,558	75,045	9,066	10,119	126,624	85,164	
Other expenses	5,500	1,201	2,491	2,767	7,991	3,968	
Other foreign exchange expenses	55,990	69,963	5,392	5,630	61,382	75,593	
Consolidated profit (deficit), net	(70,129)	(15,433)	22,207	8,225	(47,921)	(7,208)	

* Restated, see note 24.

The income by segment as informed in the foregoing paragraphs accounts for the income generated by external clients

The income of the segments is as follows:

- The income from service sales of the Electricity segment to the Telecommunications segment amounts to ¢4,605 for 2017 (¢4,824 in 2016).
- The income from service sales of the Telecommunications segment to the Electricity segment amounts to ¢1,681 for 2017 (¢1,993 in 2016).

The accounting policies of the segments that are informed are the same as the accounting policies of the Group. The profits by segment represent the profits earned by each

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segment without an interest in the results of the period, the financial income, other profits or losses, as well as the financial costs that cannot be allocated to a specific segment. This represents the measurement informed to the decision maker of the operating area for the purposes of allocating the resources and assessing the performance of the segments.

(d) Assets and Liabilities by Segments

Assets and liabilities by segment	As of September 30, 2017 and December 31, 2016					
	<u>Electricity</u>		<u>Telecom</u>		<u>Consolidated total</u>	
	2017	2016	2017	2016	2017	2016
Assets	¢ 4,671,906	4,658,371	1,284,709	1,250,010	5,956,616	5,908,381
Liabilities	2,847,767	2,776,802	535,947	504,225	3,383,714	3,281,027

To monitor the performance of the segments and allocation of resources among segments:

- there are any assets and liabilities that are not allocated to the segments.
- all the assets and liabilities jointly used by the segments that have to informed are allocated according to the methodology to allocate the expenditures of the Corporation to the Business where the financing percentages are established according to the conductors defined by each unit for the different services provided by the administrative centers and the Service Centers to each business unit. Each service has a specific measurement unit and the allocation is based on the consumption of the services, and the ABC Costing (Activity-Based Costing) is used and approved by the Board of Directors.

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(e) Other information on the segment

	Depreciación and amortización		Additions to non-current assets	
	Year ended September 30, 2017	Year ended September 30, 2016	Year ended September 30, 2017	Year ended September 30, 2016
Telecom	96,510	104,671	77,561	46,759
Electricity	122,551	123,363	116,933	68,229
	219,061	228,034	194,494	114,988

(f) Income from the main products and services

The Group's income from the main products and services of the operations are as follows:

	Year ended September 30, 2017	Year ended September 30, 2016
Telphony, data and internet services ¢	371,557	374,012
Electricity services	556,053	597,279
Other services and products	80,390	79,131
Total ¢	1,008,000	1,050,422

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