INSTITUTO COSTARRICENSE DE ELECTRICIDAD
(ICE) AND SUBSIDIARIES
(An autonomous institution of the Government of Costa Rica)

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

(Translation into English of the Original Independent Auditors' Report Issued in Spanish)

KPMG

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Independent Auditors' Report

The Board of Directors
Instituto Costarricense de Electricidad (ICE)

We have audited the accompanying consolidated financial statements of Instituto Costarricense de Electricidad (ICE) and subsidiaries ("ICE Group"), which comprise the consolidated balance sheet as of December 31, 2015 and 2014, and the consolidated statements of profit or loss, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared by management of ICE Group in accordance with the accounting principles included in ICE's Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting principles included in ICE's Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As indicated in note 10, the consolidated financial statements for 2015 include, under the balance of *"Receivables for services rendered"*, items amounting to ¢18,182 (in millions) (2014: ¢19,109 [in millions]), corresponding to the Telecom segment, comprised of balances due from private individuals and companies derived from the billing of telephone and infocommunications services and receivable balances originating from the sale of mobile devices (terminals). Due to the existence of a number of unidentified items generated mainly by errors in the information system, the inadequacy of the information included in the subledgers, and that we were unable to perform alternative audit procedures, we were unable to satisfy ourselves as to the completeness, existence, accuracy, and presentation of those balances. Management is still in the process of analysis and review to correct the errors identified in the information system (correct and timely generation of information flows from the transaction systems to the accounting systems) of the accounts receivable from the Telecom segment, which is still in progress.

Qualified Opinion

In our opinion, except for the effects, if any, of the matter mentioned in the first paragraph of the "Basis for Qualified Opinion" section, the consolidated financial statements of Instituto Costarricense de Electricidad (ICE) and subsidiaries as of December 31, 2015 and 2014 and for the years then ended have been prepared, in all material respects, in accordance with the accounting principles included in ICE's Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica.

Emphasis of Matter

Basis of Accounting

Without modifying our opinion, we draw your attention to notes 2 and 3 to the consolidated financial statements, which describe the basis of accounting. This basis of accounting is not considered an internationally recognized comprehensive basis of accounting. The consolidated financial statements have been prepared with the purpose of complying with the accounting principles included in ICE's Accounting Policy Manual accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica as well as the requirements of current and future creditors and local regulators.

Additionally, without qualifying our opinion, we draw your attention to the matters indicated in the following notes:

- Note 14 "Project Design and Execution" indicates that the consolidated financial statements as of December 31, 2015 and 2014 present an asset in the amount of ¢82,006 (in millions) and ¢78,825 (in millions), respectively, comprised of the value of costs incurred during the investment phase (including the design of the works and technical, economic, and financial studies) of the El Diquís Hydroelectric Project (PHED), which is part of the National Power Generation Expansion Plan, declared to be a matter of public and national interest. As of the date of this report, ICE has yet to obtain the environmental permit required to begin construction of that project, since the environmental impact study that must be submitted to the National Technical Secretariat for the Environment (SETENA) (organization charged with reviewing, approving, and granting environmental permits) is still being finalized. ICE's Environmental Management Plan will include such environmental impact study and an indigenous consultation process. Furthermore, as mentioned in that note, two legal actions have been filed against the project by the Association for the Indigenous Development of Térraba (ADIT) related to an appeal claiming violation of constitutional rights against the Resolution that declares the works of PHED to be a matter of public and national interest, and an appeal for relief relating to the violation of the term granted to perform the indigenous consultation process. As mentioned in note 14, rulings have been handed down regarding the appeal claiming violation of constitutional rights, and the final resolution of the appeal for relief by the Constitutional Chamber is pending. As of the date of this report, no work schedule has been defined for the development of an indigenous consultation process. The responsibility of ICE, as developer of the project, will be to provide required information about the PHED as input for discussions between the Government of Costa Rica and indigenous peoples, for the indigenous consultation process.

- Note 26, "Retrospective adjustments" to the 2014 audited consolidated financial statements describes the effect of a number of changes in accounting policies and adjustments to prior periods that were identified in 2015. As a result of these changes in accounting policies and adjustments, the comparative figures of ICE Group presented in the accompanying consolidated financial statements were restated.

- Note 41 "Contingent assets and contingent liabilities" describes ICE Group's various legal proceedings as of December 31, 2015 and 2014, for which a final resolution has not been handed down.

Other matters

Our audit report on the consolidated financial statements as of December 31, 2014, dated April 28, 2015, was qualified because of the following situation:

- The consolidated financial statements for 2014 included, under the balance of *"Receivables for services rendered"*, items amounting to ¢37,410 (in millions), corresponding to the Telecom segment, comprised of balances due from the Government and mainly trade receivables in administrative and legal collection for which we had not been furnished with a report analyzing the aging of balances to determine the recovery level of those items. Consequently, we were unable to satisfy ourselves as to the sufficiency of the balance of the allowance for doubtful accounts related to such receivables, which as of December 31, 2014 amounted to ¢11,737 (in millions), and the valuation of such items as of that date. In 2015, ICE Group's management analyzed and reviewed the items included in that balance, which resulted in the identification and accounting of adjustments with retrospective effect that increased the allowance for doubtful accounts. Accordingly, ICE Group restated its consolidated financial statements as of December 31, 2014 (see note 26).

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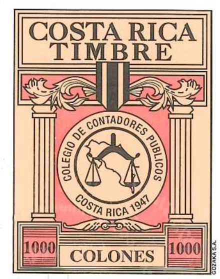

April 28, 2016

San José, Costa Rica
Carlomagno Suñol
Member No. 1868
Policy No. 0116-FIG-7
Expires 9/30/2016

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

Consolidated Balance Sheets
(In millions of colones)

As of December 31, 2015 and 2014

	Notes		2015	2014 (Restated)*
Assets				
Property, machinery and equipment:				
Operating assets, net	4	¢	3,700,272	3,630,190
Construction work in progress	5		412,325	578,514
Materials in transit for investment	5		19,446	34,184
Inventory for investment	5		125,523	159,871
Total property, machinery and equipment, net			**4,257,566**	**4,402,759**
Long-term assets:				
Long-term investments	6		206,049	53,778
Notes receivable	10		8,325	7,655
Total long-term assets			**214,374**	**61,433**
Current assets:				
Cash and cash equivalents	7		181,160	133,143
Temporary investments, net	8		106,525	64,333
Restricted funds	9		11,333	8,035
Accounts receivable, net	10		123,158	149,684
Notes receivable	10		2,276	3,007
Operating inventory, net	11		49,798	64,276
Prepaid expenses	12		89,829	103,047
Total current assets			**564,079**	**525,526**
Other assets:				
Non-operating assets, net	15		47,342	47,286
Service agreements	13		35,608	23,931
Project design and execution	14		92,965	110,620
Technical service centers			131	280
Amortizable items, net	18		4,019	4,154
Intangible assets, net	16		65,846	51,263
Securities received as guaranty deposits			7,292	6,266
Valuation of financial instruments			2,901	5,448
Guarantee and Savings Fund (restricted fund)	17		214,567	198,623
Transfer to Guarantee and Savings Fund			-	1,516
Operating inventory			30,584	41,879
Total other assets			**501,255**	**491,266**
Total assets		¢	**5,537,274**	**5,480,984**

* See note 26.

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

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

Consolidated Balance Sheets
(In millions of colones)

As of December 31, 2015 and 2014

	Notes		2015	2014 (Restated) *
Liabilities and equity				
Long-term liabilities:				
Securities payable	19	¢	1,105,467	1,128,172
Loans payable	20		797,217	722,620
Obligations derived from credit			153	154
Obligations for long-term finance leases	21		25,811	17,908
Security deposits			56,407	57,276
Accounts payable	22		7,398	6,048
Prepaid income	23		6,378	4,517
Provision for severance benefits	25		145,692	157,475
Total long-term liabilities			**2,144,523**	**2,094,170**
Short-term liabilities:				
Securities payable	19		26,891	-
Loans payable	20		90,945	114,871
Obligations for short- term finance leases	21		735	3,345
Accounts payable	22		111,305	83,306
Accrued finance expenses payable			25,268	22,488
Prepaid income	23		16,759	18,379
Deposits from private individuals or companies			5,322	3,620
Provision for severance benefits	25		21,877	10,932
Legal provisions	25		-	9,000
Accrued expenses for employer obligations	24		43,484	41,401
Total short-term liabilities			**342,586**	**307,342**
Other liabilities:				
Valuation of financial instruments			15,130	25,571
Accounts payable			1,988	3,182
Legal provisions	25		11,071	11,744
Guarantee and Savings Fund (restricted fund)	17		214,567	198,623
Total other liabilities			**242,756**	**239,120**
Total liabilities			**2,729,865**	**2,640,631**
Equity:				
Paid-in capital			156	156
Development reserve			1,596,476	1,499,000
Asset revaluation reserve			1,083,980	1,201,182
Profit or loss on valuation of financial instruments			(3,563)	(6,556)
Legal reserve			10,142	9,291
Project development reserve			71	71
Forest development reserve			548	989
Restricted earnings from capitalization of stake in subsidiary			62,380	62,380
Retained earnings			52,255	68,782
Minority interest			4,964	5,058
Total equity and minority interest			**2,807,409**	**2,840,353**
Total liabilities and equity		¢	**5,537,274**	**5,480,984**
Memoranda accounts	27	¢	**339,579**	**336,025**

* See note 26.

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

Francisco Garro Molina Corporate Administration and Finance Manager	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 Statements of Profit or Loss
(In millions of colones)

For the years ended December 31, 2015 and 2014

	Notes		2015	2014 *(Restated)**
Operating income:				
Electricity services	28	¢	747,777	789,213
Telecom services	28		578,907	579,962
Supplemental services	28		1,785	2,424
Government services	28		89	277
Total operating income			**1,328,558**	**1,371,876**
Operating costs:				
Operation and maintenance	29		251,482	283,507
Operation and maintenance of leased equipment	30		97,069	144,899
Depreciation of operating assets			285,315	266,706
Supplemental services and purchases	31		152,772	119,733
Production management			86,139	72,771
Total operating costs			**872,777**	**887,616**
Gross profit			**455,781**	**484,260**
Operating expenses:				
Administrative	32		105,337	94,500
Marketing	33		286,529	276,058
Preinvestment studies	34		4,917	5,775
Preliminary studies	35		25,704	23,235
Other	36		11,009	2,956
Total operating expenses			**433,496**	**402,524**
Operating profit			**22,285**	**81,736**
Other income:				
Finance income			32,598	24,539
Foreign exchange differences			21,038	24,030
Income from investments in other companies			326	628
Other income			92,015	336,468
Total other income	37		**145,977**	**385,665**
Other expenses:				
Interest			100,422	80,446
Commissions			10,004	14,665
Foreign exchange differences			5,103	151,577
Other expenses			63,696	327,129
Total other expenses	37		**179,225**	**573,817**
Profit (loss) before income tax and minority interest			**(10,963)**	**(106,416)**
Tax and minority interest:				
Income tax			(519)	-
Minority interest 1.4%			45	40
Net loss		¢	**(11,437)**	**(106,376)**

* See note 26.

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

Francisco Garro Molina
Corporate Administration and Finance Manager

Jesús Orozco Delgado
Head of Corporate Finance

Lizbeth Hernández Castillo
Accounting Process

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

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

For the years ended December 31, 2015 and 2014

	Note	Paid-in capital	Asset revaluation reserve	Result of valuation of financial instruments	Development reserve	Legal reserve	Project development reserve	Forest development reserve	Restricted earnings from capitalization of stake in subsidiaries	Retained earnings	Minority interest	Total equity and minority interest
Balance at December 31, 2013, previously reported		¢ 156	1,084,043	(10,944)	1,662,810	9,291	71	906	62,380	82,344	4,792	2,895,849
Accumulated effect of changes in accounting policies and adjustments from prior years	26	-	(312)	-	(138,993)	-	-	-	-	(613)	-	(139,918)
Effect of changes in accounting policies and adjustments for the year	26	-	-	-	(3,165)	-	-	-	-	-	-	(3,165)
Balance at December 31, 2013, adjusted		156	1,083,731	(10,944)	1,520,652	9,291	71	906	62,380	81,731	4,792	2,752,767
Effect of changes in accounting policies and adjustments for the year	26	-	14	-	(21,616)	-	-	-	-	(1,122)	-	(22,724)
Asset revaluation for the year		-	191,225	-	-	-	-	-	-	-	-	191,225
Effect of elimination for Government services from prior years		-	-	-	3,953	-	-	-	-	-	-	3,953
Prior period adjustments		-	188	-	(3,106)	-	-	-	-	1,489	-	(1,429)
Variations in severance benefits		-	-	-	-	-	-	-	-	(1,503)	-	(1,503)
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	83	-	-	-	83
Net loss before income tax and minority interest		-	-	-	(63,117)	-	-	-	-	(20,166)	-	(83,283)
Realization of asset revaluation reserve		-	(70,233)	-	62,235	-	-	-	-	7,998	-	-
Result of valuation of financial instruments:												
Derivative financial instruments		-	-	5,007	-	-	-	-	-	-	-	5,007
Investments		-	-	(619)	-	-	-	-	-	-	-	(619)
Retirement of assets for the year		-	(3,552)	-	-	-	-	-	-	429	-	(3,123)
Appropriation of minority interest		-	(191)	-	-	-	-	-	-	(75)	266	-
Balance at December 31, 2014, adjusted		¢ 156	1,201,182	(6,556)	1,499,000	9,291	71	989	62,380	68,782	5,058	2,840,353
Balance at December 31, 2014, previously reported		¢ 156	1,201,480	(6,556)	1,662,774	9,291	71	989	62,380	70,517	5,058	3,006,160
Accumulated effect of changes in accounting policies and adjustments from prior years	26	-	(312)	-	(142,158)	-	-	-	-	(613)	-	(143,083)
Effect of changes in accounting policies and adjustments for the year	26	-	14	-	(21,616)	-	-	-	-	(1,122)	-	(22,724)
Balance at December 31, 2014, adjusted		156	1,201,182	(6,556)	1,499,000	9,291	71	989	62,380	68,782	5,058	2,840,353
Asset revaluation for the year		-	(31,562)	-	-	-	-	-	-	-	-	(31,562)
Effect of elimination of Government services from prior years		-	-	-	3,739	-	-	-	-	-	-	3,739
Prior period adjustments		-	14	-	3,401	-	-	(526)	-	3,652	-	6,541
Appropriation to legal reserve		-	-	-	-	851	-	-	-	-	-	851
Adjustment from actuarial rate review on severance benefits		-	-	-	-	-	-	-	-	(886)	-	(886)
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	85	-	-	-	85
Net profit before income tax and minority interest		-	-	-	17,377	-	-	-	-	(28,340)	-	(10,963)
Income tax										(519)		(519)
Realization of asset revaluation reserve		-	(82,647)	-	72,959	-	-	-	-	9,688	-	-
Result of valuation of financial instruments:												
Derivative financial instruments		-	-	(549)	-	-	-	-	-	-	-	(549)
Investments		-	-	3,542	-	-	-	-	-	-	-	3,542
Retirement of assets for the year		-	(3,222)	-	-	-	-	-	-	(0)	-	(3,222)
Appropriation of minority interest		-	215	-	-	-	-	-	-	(121)	(94)	-
Balances at December 31, 2015		¢ 156	1,083,980	(3,563)	1,596,476	10,142	71	548	62,380	52,255	4,964	2,807,409

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

Francisco Garro Molina
Corporate Administration and Finance

Jesus Orozco Delgado
Head of Corporate Finance

Lizbeth Hernández Castillo
Accounting Process Coordinator

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

Consolidated Statements of Cash Flows
(In millions of colones)

For the years ended December 31, 2015 and 2014

	Notes		2015	2014 *(Restated)**
Sources (uses) of cash:				
Operating activities:				
(Loss), profit, net		¢	(11,437)	(106,376)
Items not requiring (providing) cash:				
Depreciation			307,581	309,138
Legal provisions			22,219	20,745
Statutory Christmas bonus			18,598	19,475
Back-to-school bonus			18,061	18,559
Accrued vacation			22,594	21,171
Provision for contingent liabilities			1,383	3,854
Allowance for doubtful accounts			16,866	19,998
Allowance for valuation of inventory			34,055	2,649
Expense on disposal of assets			22,732	4,502
Absorption of amortizable and intangible items			11,713	13,278
Foreign exchange differences			(13,357)	106,231
Valuation of financial instruments			(4,901)	3,411
			457,544	543,012
Changes in:				
Notes and accounts receivable			13,497	(19,967)
Operating inventory			(20,309)	(24,118)
Other assets			11,251	38,805
Accounts payable			30,583	(80,317)
Security deposits			(981)	560
Other liabilities			(86,444)	(64,192)
Net cash from operating activities			393,704	287,407
Investing activities:				
Increase in long-term investments			(152,271)	(6,175)
Additions to property, machinery and equipment			(228,351)	(217,554)
Increase in other assets			3,621	(18,934)
Increase (decrease) in temporary investments			(42,192)	(7,301)
Net cash used in investing activities			(419,193)	(249,964)
Financing activities:				
Increase in securities payable			12,068	28,606
Amortization of securities payable			(790)	(30,786)
Increase in loans payable			183,533	321,031
Amortization of loans payable			(126,597)	(307,558)
Decrease in obligations derived from credit			(1)	(108)
Increase in finance leases			5,924	-
Amortization of finance leases			(631)	(1,763)
Net cash from financing activities			73,506	9,422
Net increase in cash and cash equivalents			48,017	46,865
Cash and cash equivalents at beginning of the year			133,143	86,278
Cash and cash equivalents at end of the year	7	¢	181,160	133,143

* See note 26.

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

Francisco Garro Molina Corporate Administration and Finance Manager	Jesús Orozco Delgado Head of Corporate Finance	Lizbeth Hernández Castillo Accounting Process

Note 1. <u>Reporting entity</u>

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

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

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

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

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

(Continued)

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

Compañía Nacional de Fuerza y Luz, S.A. (CNFL) is a corporation organized through Law No. 21 "Electricity Agreement" of April 8, 1941, amended by Law No. 4977 of May 19, 1972 and in force until August 8, 2008. Accordingly, CNFL is subject to the regulations established by CGR, Articles 57 and 94 of Law No. 8131 "Public Administration and Budgets", ARESEP, and the framework of the General Internal Control Law and the Law against Corruption and Illicit Enrichment, among others. The Company has issued debt securities, and is therefore subject to the regulations established by CONASSIF and SUGEVAL. CNFL's main objective is the provision of electricity services in the local market.

- *Radiográfica Costarricense, S.A.*

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

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

- *Compañía Radiográfica Internacional Costarricense, S.A.*

Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA) was organized through Law No. 47 of July 25, 1921. Its main objective is development of the wireless communication concession. CRICSA does not currently have any officers or employees because ICE Group provides its accounting and administrative services.

- *Cable Visión de Costa Rica S.A.*

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

(Continued)

Composition of capital

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

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

Note 2. Basis of accounting

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles included in ICE's Accounting Policy Manual (version 6) accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica–the Lead Agency of the National Accounting Subsystem. ICE's Accounting Policy Manual includes the accounting policies applicable to booking transactions. Such policies were formally prepared and issued using "accounting criteria" with the stewardship and binding criteria of the Budget Accounting Division, the approval of General Corporate Financial Management, and acceptance of the National Accounting Department of the Ministry of Finance.

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

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

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

ICE made use of the extension granted; accordingly, the transition will take place in 2015.

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

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

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

Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on April 28, 2016.

(b) Basis of measurement

Transactions are initially booked on the historical cost basis according to Executive Order No. 34460-H of February 14, 2008. However, as of the date of issue of the accompanying consolidated financial statements, some items will be valued using other bases of measurement as detailed in ICE's Accounting Policy Manual (version 6).

(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 conformity with ICE's Accounting Policy Manual (version 6) approved by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

(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 39 - Institutional financial risk management.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year ending December 31, 2016 is included in the following notes:

- Note 10 - Allowance for doubtful accounts
- Note 11 - Allowance for obsolete inventory
- Note 25 - Recognition and measurement of provisions and contingencies.

(e) Changes in accounting policies

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

(i) Change in the methodology for valuation of financial investments

Starting in 2015, ICE changed the methodology used for the valuation of investments. Previously, in order to update financial investments to their market value only the historical cost was used (original cost of purchase of the instrument - total price). After the change, the carrying amount, which includes the original cost of the instrument and the amortization of premiums, discounts or transaction costs, is used to determine variations in the market values of these investments. The goal of the change is to apply best practices to its accounting, as per the recommendation of the Investments Committee on the valuation of financial investments.

The change in said methodology:

- allows recording the valuation of investments at market value, according to best practices.
- allows for valuation results that agree with the market's reality.
- facilitates decision-making regarding gains or losses generated in the process of liquidation of investments.

In conformity with ICE's Accounting Policy Manual, the modification implemented constitutes a change in the accounting policy. However, it did not have a retrospective effect on the presentation of consolidated financial statements from prior periods, given that the effect of the change was less than ¢3,000. The effect of the change was presented as movements during the period in the consolidated statement of changes in equity.

(Continued)

(ii) *Recognition as current assets - prepaid expenses corresponding to the mismatch of rates related to the costs for the purchase of energy from private independent power producers, pursuant to a ruling approved by ARESEP*

As of 2015, ICE implemented the accounting policy of recognizing as assets-prepaid expenses, the excess costs on the purchase of energy from private independent power producers (rate mismatch), which arise when ICE purchases that energy at a rate that differs from (is higher than) the rate at which it is authorized to sell energy to its clients at that time. The purpose of such change is to ensure, with the capitalization of such costs, an adequate relationship between the revenue generated when ARESEP recognizes, through an adjusted rate, the excess costs produced by such rate mismatch, and the amortization as an expense of the asset-prepaid expense, so that they are recognized in ICE's profit or loss in the same period that ARESEP recognizes them through an adjusted rate. Accordingly, the effect of the mismatch between the period in which such excess costs on the purchase of energy are incurred and the period in which the additional revenue is earned through the adjusted rate is eliminated.

The change in the accounting policy consists of booking the rate mismatch (excess costs) in the group of current assets under the "Prepaid expenses" account, and amortizing that asset during the period in which the future economic benefits will be received in accordance with the term established in ARESEP's ruling for rate approval. This accounting treatment is applicable only when the following conditions are met:

- The area in charge of requests for rate adjustments at ICE demonstrates the rate mismatch between the period in which the excess costs on the purchase of energy from private independent power producers are incurred and the period in which revenue is earned through the adjusted rate.
- ARESEP's ruling approving the recognition of the rate adjustments related to such excess costs (rate mismatch) is received in the same accounting period in which the costs are incurred.

The aforementioned change in accounting policies allows for a better matching of income and costs in the transactions for purchase of energy from independent power producers, related to the rate adjustment for such concept, approved by ARESEP in the same period in which such expense took place, which is booked as income in subsequent periods. The change in accounting policies did not have a retrospective effect on prior periods.

(iii) Change in the recognition and measurement of the provision for severance benefits

During 2015, in order to apply best practices to its accounting, ICE changed the accounting policy for recognition and measurement of the provision for severance benefits. The new accounting policy considers relevant factors to determine ICE's obligation toward its employees for severance benefits, including: retirement age, salary increases, and current value of future payments (see new accounting policy in note 3 (h)).

Previously, the measurement of the provision was based on a single percentage, 3.5% over the gross salary of permanent employees.

According to ICE's current regulations, since this corresponds to a change in the Accounting Policy it must be applied retrospectively; therefore, for purposes of the presentation of the financial statements it must be incorporated into the prior periods to comply with the comparability of information, as if the policy had always been applied.

Note 3. Significant accounting policies

The accounting policies set out below, included in ICE's Accounting Policy Manual in effect for the 2015 period (version 6), have been consistently applied to all periods presented in these consolidated financial statements and for all entities that comprise ICE Group, considering the changes in accounting policies described in note 2-(e).

Certain comparative amounts in the consolidated balance sheet and in the consolidated statement of profit or loss have been reclassified in order to adjust them to the presentation in the current period.

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

(a) Basis of consolidation

(i) Business combinations

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

(In millions of colones)

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

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

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

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

"Goodwill" is recognized at cost less accumulated amortization.

(ii) *Subsidiaries*

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

Subsidiaries	**Country**	**Ownership interest as of December 31,**	
		2015	**2014**
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%

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

(Continued)

(iii) *Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss.

(iv) *Transactions eliminated on consolidation*

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.

(v) *Accounting period*

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

(vi) *Recognition criteria*

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

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

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

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

(vii) *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 in effect as of the immediately preceding year-end, based on the sell exchange rate set by Banco Central de Costa Rica [Central Bank of Costa Rica] (BCCR) for operations with the non-banking public sector. However, as of the current year-end, the balances derived from foreign currency transactions are translated into colones using the sell exchange rate set by BCCR for operations with the non-banking public sector corresponding to the last business day of December of the current year.

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.

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

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

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

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

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

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

Impracticability must be duly determined based on reliable arguments and the corresponding supporting documentation.

(ix) *Events subsequent to the reporting period*

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

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

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

(Continued)

- nature of the event
- estimate of the economic effect or an indication of the impossibility of performing such estimate.

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

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

Banks:

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

Temporary investments:

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

Restricted funds:

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

(b) Property, machinery, and equipment

Operating assets and other operating assets

(i) *Recognition and measurement*

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

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

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

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

Operating assets and other operating assets, as well as stock and tools used for the operation and maintenance that were transferred to ICE once the BOT (Build, Operate, Transfer) agreements were concluded, will be recorded at a symbolic value of ¢1.00 (one colon), given that the costs of such assets were recognized and depreciated by the third party during the term of the agreement, and were charged to ICE as part of the price of energy sold. In turn, ICE recognized the expense for the purchase of energy in profit or loss for the period during the term of the agreement.

Additions, improvements or retrofits and reconstruction, and price adjustments[1] that meet the recognition criteria for property, machinery, and equipment are treated as costs subsequent to the acquisition or construction of an asset and therefore are capitalizable, provided they are not recurring costs for day-to-day servicing.

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

Borrowing costs are capitalized if they are directly related to the acquisition, construction, or production of a qualifying asset. Capitalization of borrowing costs commences when the asset is financed during the design and planning stage of execution, and until the works are in construction or in contracts, until the asset is ready for its intended use.

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[1]Right granted by the Government Procurement Act to claim or request adjustments to quoted prices contractually agreed with management of ICE to safeguard the contractors’ equity or their rights to maintain the economic balance of contracts.

Reconstruction of an asset is booked as follows:

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

Significant spare parts and replacement equipment are capitalized and depreciated from the date that they are available for use (installed), over the same useful life of the element to which they are related, if and when the assets are in the location and condition necessary to operate in the manner intended by ICE.

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

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

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

(ii) <u>*Depreciation*</u>

Operating assets and other operating assets, except land, are depreciated using the straight-line method when they are brought to the location and condition necessary for operation, based on the estimated useful life of the respective assets. However, other depreciation methods can be used that reliably reflect the expected pattern of consumption of the future economic benefits embodied in the operating assets. Some asset categories included in the “Other operating assets” account, specifically those assets used to provide services and for project execution, are depreciated as of 2015 using the method based on use per hours, kilometers, or days, i.e. the expected use of the asset.

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

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

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

The allocation of the depreciable amount of the cost of operating and other assets is booked by ICE Group as "Accumulated depreciation of operating assets" and "Accumulated depreciation of other operating assets", using the straight-line method and based on use.

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

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

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

Significant spare parts and replacement equipment are capitalized and depreciated from the date that they are available for use (installed), over the same useful life of the element to which they are related, if and when the assets are in the location and condition necessary to operate in the manner intended by ICE.

(iii) <u>*Revaluation*</u>

In accordance with the Accounting Principles Applicable to the Costa Rican Public Sector, the balances of operating assets of the Electricity segment, land and buildings in the Telecom segment and their respective accumulated depreciation as of December 31 of the prior year are revalued on an annual basis using indexes established by ICE Group for each class of asset to maintain their fair value[2] which could either increase or decrease their carrying amount. If the variations in the values resulting from those revaluations are not significant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years.

[2]Restated value, updated using price indexes.

In accordance with the Accounting Principles Applicable to the Costa Rican Public Sector, the balances o balances of land and buildings in “Other operating assets” and “Other operating assets under finance leases” and their respective accumulated depreciation as of December 31 of the prior year, are revalued on an annual basis using indexes established by ICE to maintain their fair value, which could either increase or decrease their carrying amount. If the variations in the values resulting from those revaluations are not significant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years.

Revaluations are performed starting on the second accounting period based on the booking date using independent accounts for revalued cost and revalued accumulated depreciation.

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

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

The credit resulting from such revaluations is booked in the equity section as “Asset revaluation reserve”. When the carrying amount is reduced as a result of a revaluation, such decrease is charged directly to net equity against the asset revaluation reserve previously recognized in relation to the same asset, insofar as such decrease does not exceed the balance of the previously recognized asset revaluation reserve. In that case the excess amount is recognized in profit or loss for the period.

Other operating assets exposed to obsolescence or technological substitution, which due to their nature as personal property cannot increase their value over time and the market value remains the same or decreases, are not revalued and are booked at cost.

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

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Operating assets and other operating assets under finance leases

(i) Recognition and measurement

ICE books as Operating assets and Other operating assets under finance leases those tangible and intangible assets used in the production and provision of electricity and telecom services, in administrative or operating activities, that are expected to be used for more than one accounting period and for which ownership will be transferred to ICE after the agreed lease term, according to the contractual agreement of the parties and the express intention of ICE Group.

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

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

Assets or parts of assets received by ICE early with regard to the contractual date for beginning of the lease term are booked as Operating assets and Other operating assets under finance leases if and when the risks and rewards of such assets have been transferred to ICE and it can use them from the date of receipt and is responsible for their custody and use.

The cost of “Operating assets" and “Other operating assets under finance leases" received early is booked according to the calculation of the present value of each disbursement (delivery or receipt of the asset) at the time of receipt and when ready for operation, given that those assets are capitalized when they are at the location and condition necessary for operation as intended by management, generating the corresponding depreciation expense as of that moment.

The calculation of the present value is made using the implicit financial rate of the lease, if and when its determination is practicable; if not available, the interest rate determined by ICE for similar situations shall be used.

The implicit financial burden determined is charged monthly during the early term to the consolidated statement of profit or loss, with an offsetting entry in the Finance lease obligation.

(Continued)

If the financial burden determined is immaterial, due to the cost-benefit it is charged in the value of the asset and liability at the time of early receipt, situation that shall be determined based on the analysis of each specific case, providing a justification for the decision made.

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

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

Borrowing costs are capitalized if they are directly related to the acquisition, construction, or production of a qualifying asset. Capitalization of borrowing costs commences when the asset is financed during the design and planning of the execution, and until the works are in construction or in contracts, until the asset is ready for its intended use.

Significant spare parts and replacement equipment are capitalized and depreciated from the date that they are available for use (installed), over the same useful life of the element to which they are related, if and when the assets are in the location and condition necessary to operate in the manner intended by ICE Group.

(ii) *Depreciation*

“Operating assets” and “Other operating assets under finance leases", except land, are depreciated using the straight-line method when they are brought to the location and condition necessary for operation, based on the estimated useful life of the respective assets. However, other depreciation methods can be used that reliably reflect the expected pattern of consumption of the future economic benefits embodied in the operating assets and other operating assets. The revalued amount is depreciated over the remaining useful life of the respective assets starting on the date booked.

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

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

The allocation of the depreciable amount of the assets owned is booked by ICE Group as accumulated depreciation for assets under finance leases using the straight-line method and based on use.

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

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

(iii) *Revaluation*

In accordance with the Accounting Principles Applicable to the Costa Rican Public Sector, the balances of operating assets of the Electricity segment, land and buildings in the Telecom segment and Other operating assets under finance leases, and their respective accumulated depreciation as of December 31 of the prior year are revalued on an annual basis using indexes established by ICE Group for each class of asset to maintain their fair value,[3] which could either increase or decrease their carrying amount. If the variations in the values resulting from those revaluations are not significant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years.

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

[3] Restated value, updated using price indexes.

Revaluations are performed starting on the second accounting period based on the booking date using independent accounts for revalued cost and revalued accumulated depreciation.

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

The credit resulting from such revaluations is booked in the equity section as “Asset revaluation reserve”. When the carrying amount is reduced as a result of a revaluation, such decrease is charged directly to net equity against the asset revaluation reserve previously recognized in relation to the same asset, insofar as such decrease does not exceed the balance of the previously recognized asset revaluation reserve. In that case the excess amount is recognized in profit or loss for the period.

Partial or total retirement of “Operating assets” and “Other operating assets under finance leases” should decrease the balance of cost and revalued cost accounts, as well as their respective accumulated depreciation.

“Other operating assets under finance leases” exposed to obsolescence or technological substitution, which due to their nature as personal property do not gain value over time and the market value remains the same or decreases, are not revalued and are booked at cost.

If a component of “Other operating assets under finance leases” is revalued, all other components of a similar nature and use in the entity’s operations should also be revalued.

Construction work in progress

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Materials in transit for investment

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

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

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

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

(Continued)

Inventory for investment

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

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

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

Inventory, equipment or spare parts transferred to ICE once BOT agreements or operating lease agreements are concluded will be recorded at a symbolic value of ¢1.00 (one colon), given that the costs of such assets were incorporated in the amount for the purchase of energy or lease payments and were recognized by ICE during the term of the contract in profit or loss for the period.

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

Impairment of assets

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

(c) Investments and long-term accounts receivable

Long-term investments

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

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

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

<u>Long-term financial investments</u>

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

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

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

<u>Long-term notes receivable</u>

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

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

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

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

(d) <u>Current assets</u>

<u>Banks</u>

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

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

(Continued)

Temporary investments

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

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

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

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

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

Valuation of temporary investments

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

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

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

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

(Continued)

Restricted funds

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

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

Receivables

The right to demand payment from customers for electricity and telecom services, as well delinquent entries in administrative or legal collection, are booked as "Receivables for services rendered".

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

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

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

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

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

Allowance for doubtful accounts

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

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

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

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

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

Government accounts

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

Notes receivable

Loans extended to third parties with a term of one year or less are booked as "Notes receivable".

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

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

(Continued)

Operating inventory

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

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

Inventory, equipment or spare parts transferred to ICE once BOT contracts or lease agreements are concluded will be recorded at a symbolic value of ¢1.00 (one colon), given that the costs of such assets were incorporated in the amount for the purchase of energy or lease payments and were recognized by ICE during the term of the contract in profit or loss for the period.

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

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

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

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

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

(Continued)

Materials in transit for operations

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

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

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

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

Prepaid expenses

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

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

The total cost of fuel consumption to generate thermal power is booked as “Prepaid expenses” when the rate adjustments related to such cost are applied in the same accounting period in which they are requested and are a result of mismatches in connection with the Variable Fuel Cost (CVC) Methodology. Such cost is incurred and booked in the consolidated statement of profit or loss on a straight-line basis over the term established by the regulatory authority to recover such costs through rate adjustments. Such term may vary in accordance with subsequent communications from the regulatory authority.

The costs of imported electricity are booked as “Prepaid expenses” when the rate adjustments approved by the regulatory authority are applied in the same accounting period in which the expense was made. The related recognition should be deferred in the term established by the regulatory authority. Such cost is incurred and booked in the consolidated statement of profit or loss over the term established by the regulatory authority to recover such costs through rate adjustments. Such term may vary in accordance with subsequent communications from the regulatory authority.

Additional costs for the purchase of energy from independent power producers are booked as “Prepaid expenses” when the rate adjustments are applied in the same accounting period in which the expense was made. The related recognition should be deferred in the term established by the regulatory authority. Such cost is incurred and booked in the consolidated statement of profit or loss over the term established by the regulatory authority to recover such costs rate adjustments. Such term may vary in accordance with subsequent communications from the regulatory authority.

“Prepaid expenses” are booked at acquisition cost.

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

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

(e) Other assets

Service agreements

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

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

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

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

(Continued)

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

Project design and execution

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

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

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

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

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

Technical service centers-investment

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

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

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

Investment in reforestation agreements - non-operating assets

Amounts paid for acquisition of rights as owners of reforestation plantations and costs incurred in the development of plantation or renewal areas and their maintenance are booked as investments in reforestation agreements - non-operating assets by RACSA. The value of this investment is amortized as development revenues are realized. RACSA measures the investment in these assets at cost less accumulated amortization and any accumulated impairment losses.

RACSA also books a "Forest development reserve". The purpose of the reserve is to cover impairment losses and any potential losses associated with future use of investments in forestry agreements.

Non-operating assets

(i) *Recognition and measurement*

The following items are booked as "Non-operating assets":

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

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

Additions, improvements or retrofits, reconstruction and price adjustments are treated as costs subsequent to the acquisition or construction of an asset and are therefore capitalizable, provided they are not considered recurring costs for maintenance.

Price adjustments are capitalizable provided they are directly related to an item of other operating assets. Price adjustments may occur when the asset is classified as a non-operating asset. Such adjustments are depreciated over the remaining useful life of the corresponding asset.

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

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

(ii) <u>*Depreciation*</u>

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

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

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

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

The allocation of the depreciable amount of the cost of other non-operating assets owned by ICE Group is booked as “Accumulated depreciation of non-operating assets”, using the straight-line method and based on use.

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

(Continued)

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

(iii) *Revaluation*

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

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

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

The credit resulting from such revaluations is booked in the equity section as “Asset revaluation reserve”. When the carrying amount is reduced as a result of a revaluation, such decrease is charged directly to net equity against the asset revaluation reserve previously recognized in relation to the same asset, insofar as such decrease does not exceed the balance of the previously recognized asset revaluation reserve. In that case the excess amount is recognized in profit or loss for the period.

[4] Restated value, updated using price indexes.

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

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

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

Intangible assets

(i) *Recognition and measurement*

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

Pursuant to this policy, intangible assets are as follows:

- licenses and software
- systems and applications
- rights of way or easements on land
- goodwill (excess of the acquisition cost over the carrying amount (net equity) of the acquiree).

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

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

- research phase
- development phase.

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

Intangible assets resulting from the development phase are recognized as such if the following is demonstrated:

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

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

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

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

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

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

"Goodwill" is recognized at cost less accumulated amortization. Goodwill (excess of the acquisition cost over the carrying amount (net equity) of the acquiree) (see note 16 (2)).

(Continued)

(ii) *Amortization*

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

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

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

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

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

Rights of way or easements on land are not revalued.

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

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

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

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

(Continued)

Amortizable items

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

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

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

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

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

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

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

Securities received as guaranty deposits

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

Securities received as guaranty deposits are booked at face value.

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

<u>Valuation of derivative financial instruments</u>

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

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

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

<u>Guarantee and Savings Fund (restricted fund)</u>

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

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

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

<u>Transfers to ICE's Guarantee and Savings Fund</u>

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

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

(Continued)

(f) Long-term liabilities

Securities payable

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

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

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

Obligations arising from cash received by ICE Group from its customers to provide electricity and telecom services are booked as “Security deposits”.

Long-term loans payable

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

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

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

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

A partial or full decrease in “Long-term loans payable” is recognized when ICE Group reclassifies the short-term portion and amortizes or settles any amount owed.

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

(Continued)

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

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

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

Obligations derived from credit

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

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

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

Long-term finance lease obligations

Obligations assumed for more than one accounting period with entities, financing institutions, suppliers, lessors, or other, related to the receipt of assets under finance leases are recognized as “Long-term finance lease obligations”.

Finance lease obligations are booked at the face value of the contracts or, in the event of early receipt of the asset, the present value of each disbursement (receipt of the asset), until reaching the face value during the early term and until the start of the lease, which is established in the contract.

ICE Group books the portion of the long-term obligation expected to be settled in one year as short-term lease obligations.

A partial or full decrease in "Long-term finance lease obligations" is recognized when ICE reclassifies the short-term portion and when it amortizes or settles any amount owed.

Long-term accounts payable

Obligations assumed with different entities arising in the ordinary course of business with settlement dates of more than one year are booked as "Long-term accounts payable". The portion to be settled in one year is booked in the short-term section.

Long-term accounts payable are valued based on the total amount due under contractual obligations.

Long-term accounts payable are recognized as follows:

- Import purchase orders: the liability is recognized when the purchase order is issued.
- Local purchases: the liability is recognized upon acceptance of the CRM.
- Accounts payable on the transfer of assets (BOT): are recognized when ownership of the asset is transferred to ICE.

A partial or full decrease in "Long-term accounts payable" is recognized when ICE reclassifies the short-term portion and amortizes or settles any amount owed.

Security deposits

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

Security deposits are recognized at face value.

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

Prepaid income

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

(Continued)

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

Prepaid income decreases as the portion that is expected to be realized in income during the accounting period is reclassified to “Short-term prepaid income”.

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

(g) Short-term liabilities

Short-term securities payable

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

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

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

Short-term loans payable

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

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

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

Short-term finance lease obligations

The portion of long-term finance lease obligations expected to be settled in one year is booked as “Short-term finance lease obligations”.

Short-term finance lease obligations are valued based on the total amount payable under the contractual terms.

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

Short-term accounts payable

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

Short-term accounts payable are valued based on the total amount due under contractual obligations.

Short-term accounts payable are recognized as follows:

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

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

Accrued finance expenses payable

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

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

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

Prepaid income

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

The "Prepaid income" item is presented at the agreed value of the services rendered or at the fair value of the government grant received at the value determined and documented.

Prepaid income decreases as the services are rendered or the systematic allocation of government grants is realized in profit or loss based on the useful life of the main asset related to the grant received.

Deposits from private individuals or companies

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

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

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

Accrued expenses for employer obligations

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

Accrued expenses for employer obligations are recognized at historical cost.

(i) *Statutory Christmas bonus*

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

(Continued)

(ii) *Vacation*

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

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

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

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

The vacation accrual for RACSA is as follows:

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

CVCRSA books a monthly provision of 4.17% of pre-tax compensation to cover future disbursements related therewith.

(iii) *Back-to-school bonus*

ICE, RACSA, and CNFL follow the policy of recording an accrual for payment of back-to-school bonuses. The bonus corresponds to a percentage calculated on the monthly monetary salary of each employee, and is paid on an accrual basis in January of each year. In 2015, this accrual was calculated as 8.19% of pretax compensation for ICE and RACSA and 13% for CNFL, and is paid to all employees regardless of whether they have children or school-age children.

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

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

(Continued)

The subsidiary CVCRSA is not required to pay back-to-school bonuses; accordingly, it does not book a provision for that concept.

(h) Other liabilities

Legal provisions

The amount which ICE's Management estimates will be necessary to make payments to its employees for this concept, as well as accrued legal obligations and occupational hazard insurance is recognized as "Legal provisions", as a result of past events, which existence must be confirmed only through the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by ICE.

ICE records a provision for severance benefits, which is calculated as follows:

For permanent employees:

For employees with 10 or more years of service, the amount of the severance benefits obligation with each employee shall be calculated by multiplying the maximum amount of monthly salaries (24 salaries) to which an employee would have rights, according to the Personnel Statute in effect, by the monthly salary determined through a projection, from the balance sheet date until the date when the employee reaches the retirement age (60 years old for women, 62 years old for men), applying the estimated annual growth percentage for the projection period, and discounting the rate represented by the current value of future severance payments to be made.

For project employees

Project employees are hired to execute projects developed by ICE and are terminated once the work is completed. The provision calculated for these employees corresponds to 9% of the monthly salary.

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

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

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

In conformity with the Labor Code and several agreements of the Board of Directors, RACSA pays severance benefits to employees dismissed without just cause equivalent to 20 months' salary. In order to comply with such provision, an expense equivalent to 5.33% of monthly employee salaries is booked and that amount is fully transferred to the Employee Association as prepaid severance benefits. Such resources are managed by the Association for the benefit of its member employees. Upon termination of employment, employees are paid directly by the Association the portion corresponding to 5.33% of salaries; any additional amount that must be covered by RACSA in respect of the final severance benefits (calculated based on the labor rights mentioned above), is expensed for the period.

Additionally, RACSA pays post-employment benefits in the event of resignation by the employee. The Company has the policy of recording expenses for this concept based on the calculation of the employee's current salary, the accrued severance amount and the portion of that severance to which the employee has rights, according to the years of service and work conditions at the time of hiring.

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

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

<u>Provision for contingent liabilities</u>

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

- Litigation for which the estimate, amount, or unfavorable ruling amounts to ¢500 or more must be provisioned, except for notices of deficiency issued by the Tax Authorities, which should be fully provisioned (100%) regardless of the amount. However, if according to the expert opinion of the legal counsel there is uncertainty or an outflow of funds from ICE Group is unlikely in respect of such tax proceedings, no provision is recorded therefor.
- A provision for contingent liabilities is established for the estimate, amount or ruling of each lawsuit, divided by the expected resolution term (in years) determined by the Corporate Legal Department. Accordingly, the portion to be accrued each year during the term of the lawsuit is provisioned until 100% of the estimated amount for each lawsuit is reached. The lawsuits to be provisioned are determined by ICE’s Corporate Legal Department, in accordance with the criteria specified below. As an exception, notices of deficiency are fully provisioned starting on the date official notification is given by the Tax Authorities, and interest and penalties are included in profit or loss. Principal is included only if the notice of deficiency corresponds to the current period; if it corresponds to prior periods, the principal is charged against the “Development reserve”.

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

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

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

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

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

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

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

Valuation of derivative financial instruments

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

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

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

Guarantee and Savings Fund (restricted fund)

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

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

(i) Equity

Development reserve

The "Development reserve" includes ICE's profit or loss at each accounting year-end. Pursuant to Law No. 449, that reserve must be earmarked for development of electricity and telecom services.

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

Asset revaluation reserve

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

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

Result of the valuation of financial instruments

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

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

(Continued)

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

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

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

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

Surplus or loss

The result of eliminating "Income" and "Expenses" nominal accounts at year-end is booked under "Surplus or loss".

"Surplus or loss" is valued at profit or loss for the year.

ICE's "Surplus or loss" and the net surplus or loss of its subsidiaries at the end of the period is liquidated by transferring its balance to the "Development reserve" and "Retained earnings" in equity accounts, respectively.

Legal reserve

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

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

Project development reserve

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

Forest development reserve

RACSA books as "Forest development reserve" the sum equivalent to the cost of acquisition of forestry projects plus all costs incurred in the development of plantation or renewal areas and their maintenance, less any accumulated impairment losses. The purpose of the reserve is to cover any potential losses associated with future use of investments in forestry agreements.

Restricted retained earnings

Based on agreements reached at General Shareholders' Meetings, RACSA has restricted part of its earnings, which are recognized on a historical cost basis.

Retained earnings

Profit or loss of the subsidiaries of ICE at each accounting year-end is booked as "Retained earnings". Retained earnings are adjusted for the effects of changes in accounting policies, corrections of prior period misstatements, and equity adjustments.

(j) Memoranda accounts

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

Memoranda accounts are recognized at face value.

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

(k) Operating income

Income from services

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

(Continued)

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

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

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

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

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

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

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

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

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

- Income can be measured reliably.
- It is probable that ICE Group will receive the economic benefits derived from the transaction.

- Services are rendered in the reporting period, in accordance with the billing cycle.
- The level of realization of the transaction can be measured reliably.
- Costs incurred in rendering services and costs to be incurred until the transaction is completed can be measured reliably.

Income from government services

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

This item is booked at the agreed rate.

(l) Operating costs

Operation and maintenance costs

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

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

Operation and maintenance include the realized cost of fuels for thermal power generation, previously recognized as "Prepaid expenses", according to the systematic allocation established by the Production Business unit, based on the term indicated by the regulatory authority to recover such costs through the rate.

Operation and maintenance of leased equipment includes the realized cost of fuels for thermal power generation related to plants owned by third parties, according to the systematic allocation established by the Production Business unit, based on the term indicated by the regulatory authority to recover such costs through the rate.

Operation and maintenance costs are recognized at historical cost.

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

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

(Continued)

Depreciation of operating assets

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

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

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

Supplemental services and purchases

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

Electricity purchases include the realized cost of the rate mismatch previously recognized as "Prepaid expenses" by acquiring electricity services from third parties, related to the purchase of energy from private power producers and the import of energy.

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

Production management

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

Production management costs are recognized at historical cost.

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

(Continued)

Technical service centers-operations

Costs incurred by specialized technical operations units that provide services to other units of the same segment to which they belong, other ICE segments, and external entities, are recognized as "Technical service centers-operations".

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

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

(m) Operating expenses

Administrative expenses

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

Administrative expenses are booked at historical cost.

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

Marketing expenses

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

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

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

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

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

"Marketing expenses" are booked at historical cost.

<u>Preliminary studies</u>

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

These expenses are booked at historical cost.

<u>Pre-investment studies</u>

"Pre-investment studies" include expenses incurred in the pre-investment phase of projects for which execution is under analysis. This item includes feasibility studies for projects or works to be constructed.

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

These expenses are booked at historical cost.

<u>Other operating expenses</u>

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

(Continued)

Subsequent mitigation and social compensation costs that exceed the amounts established in the Environmental Management Plan and were not included in the "Baseline"[5] planned and controlled by ICE Group are booked as "Other operating expenses".

Other operating expenses are recognized at historical cost.

(n) Other income

Finance income

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

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

Income from investments in other companies

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

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

Other income

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

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

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

[5]Term used in the Environmental Management Plan that defines the current conditions that have an impact on the construction of works and where mitigation and social compensation measures, and the corresponding budget and schedule.

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

Foreign exchange differences

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

(o) Other expenses

Finance expenses

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

Finance expenses are booked at historical cost.

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

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

Other expenses

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

Foreign exchange differences

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

(Continued)

(In millions of colones)

Note 4. Operating assets

		As of December 31, 2015	2014
Cost:			
Operating assets	¢	3,907,073	3,536,989
Operating assets under finance lease agreements		31,211	27,632
Other operating assets		446,033	435,357
Total operating assets - cost		**4,384,317**	**3,999,978**
Revaluation:			
Operating assets		2,751,957	2,833,168
Operating assets under finance lease agreements		4,822	4,822
Other operating assets		65,402	61,250
Total operating assets - revaluation		**2,822,181**	**2,899,240**
Total cost - revaluation		**7,206,498**	**6,899,218**
Accumulated depreciation:			
Cost:			
Operating assets	¢	1,467,119	1,274,568
Operating assets under finance lease agreements		3,421	2,780
Other operating assets		287,869	283,860
Total accumulated depreciation of operating assets - cost		**1,758,409**	**1,561,208**
Revaluation:			
Operating assets		1,712,324	1,675,925
Operating assets under finance lease agreements		415	321
Other operating assets		35,078	31,574
Total accumulated depreciation of operating assets - revaluation		**1,747,817**	**1,707,820**
Total accumulated depreciation - cost and revaluation		**3,506,226**	**3,269,028**
Operating assets, net	**¢**	**3,700,272**	**3,630,190**

(Continued)

(In millions of colones)

Operating assets at cost

Operating assets at cost are as follows:

Cost		As of December 31, 2013	Additions and capitalizations	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2014	Additions and capitalizations	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2015
Plant and equipment - Electricity:												
Hydraulic power generation (1)	¢	670,967	158,574	(202)	-	(440)	828,899	154,327	(931)	(968)	-	981,327
Thermal power generation		81,994	2,187	-	-	(229)	83,952	97	(162)	-	-	83,887
Geothermal power generation		156,281	19,185	-	-	(133)	175,333	4,183	(115)	-	-	179,401
Wind power generation		7,389	36	-	-	-	7,425	-	(397)	-	-	7,028
Solar power generation		9,426	606	-	-	-	10,032	345	-	-	-	10,377
Micro hydro power generation		166	-	-	-	-	166	-	-	-	-	166
Substations		175,174	44,219	(1,447)	-	(1,099)	216,847	19,770	(561)	-	-	236,056
Transmission lines		143,787	15,038	(1,385)	-	(109)	157,331	39,774	-	-	-	197,105
Distribution lines (2)		305,795	32,638	(2,118)	-	960	337,275	47,056	(4,276)	-	-	380,055
Street lighting		17,801	2,185	(91)	-	(2)	19,893	3,501	(110)	-	(2)	23,282
Communication, control and infrastructure equipment		41,170	3,628	(71)	-	-	44,727	6,479	(67)	-	-	51,139
General equipment		26,096	1,178	(792)	-	40	26,522	1,315	(1,617)	-	-	26,220
Other		24,373	30,703	-	-	-	55,076	2,339	-	-	(4)	57,411
Equipment - Telecom:												
Transport		587,379	55,321	(615)	-	101	642,186	27,644	(7,442)	-	-	662,388
Access (3)		461,092	26,851	-	1,164	(143)	488,964	44,433	(538)	-	(4)	532,855
Civil and electromechanical		221,174	7,588	(7)	673	33	229,461	6,399	(29)	-	-	235,831
Platforms		146,789	20,703	(3)	12,660	(310)	179,839	16,780	(2,014)	17,087	(68)	211,624
Communication equipment		30,683	301	(4,169)	-	-	26,815	99	(2,253)	-	-	24,661
Submarine cable -Maya - Arcos - Pacific		16,612	-	-	(16,612)	-	-	-	-	-	-	-
General equipment		7,193	221	(2,139)	-	-	5,275	20	(6)	-	-	5,289
Other		971	-	-	-	-	971	-	-	-	-	971
Subtotal operating assets	¢	**3,132,312**	**421,162**	**(13,039)**	**(2,115)**	**(1,331)**	**3,536,989**	**374,561**	**(20,518)**	**16,119**	**(78)**	**3,907,073**
Operating assets and other operating assets under finance leases: (4)												
Access		-	-	-	-	-	-	2,593	-	-	-	2,593
Land		1,151	-	-	-	-	1,151	-	-	-	-	1,151
Buildings		25,315	-	-	-	-	25,315	-	-	-	-	25,315
Furniture and equipment		1,144	22	-	-	-	1,166	847	-	139	-	2,152
Subtotal Operating assets and other operating assets under finance leases	¢	**27,610**	**22**	**-**	**-**	**-**	**27,632**	**3,440**	**-**	**139**	**-**	**31,211**
Other operating assets		418,135	29,955	(6,088)	(6,607)	(38)	435,357	47,767	(21,145)	(16,121)	175	446,033
Subtotal Other operating assets	¢	**418,135**	**29,955**	**(6,088)**	**(6,607)**	**(38)**	**435,357**	**47,767**	**(21,145)**	**(16,121)**	**175**	**446,033**
Total ICE Group	¢	**3,578,057**	**451,139**	**(19,127)**	**(8,722)**	**(1,369)**	**3,999,978**	**425,768**	**(41,663)**	**137**	**97**	**4,384,317**

(Continued)

The main transactions for the period and the nature of "Operating assets" and "Other operating assets under finance leases" are described below:

(1) Hydraulic power generation:

It includes additions for ¢154,327, mainly related to capitalizations of the Cachí Hydroelectric Power Project, in the hydraulic pumping components, engine room and forced pumping for ¢117,920.

(2) Distribution:

It includes additions for ¢47,056, mainly related to capitalizations of components of civil works for distribution and lighting, and electric works for distribution, among other.

ICE Telecom

(3) Access:

It includes additions for ¢44,433, mainly related to capitalizations of components, mobile services, channeling of the access fiber network, primary and secondary networks, and fiber optic, among other.

(4) Operating assets and other operating assets under finance leases

On January 29, 2010, Banco de Costa Rica (BCR) and ICE agreed to create a "Securitization Trust", which involved execution of a trust agreement whereby ICE acts as the trustor and beneficiary and BCR as the trustee.

In December 2015, due to the recording of the entrance into operation of the RANGE asset of the Telecom segment, in the access component, the partial capitalization of 60 sites was performed in the amount of ¢2,593 (see note 2(v)).

Currently, the trust is authorized to issue public debt and has booked liabilities therefor as of December 31, 2015 and 2014.

The trust, as the owner of "Centro Empresarial La Sabana" and office furniture and equipment, leases such property to ICE for a 12-year term, at the end of which ICE may exercise a purchase option for US$1 (one U.S. dollar). ICE has classified this lease as a finance lease. In accordance with ICE's accounting policies, this trust is not required to be included as an entity in the financial statements of ICE.

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

- The purposes of the trust are as follows:

  a) Acquire the necessary goods and services for operating and maintaining the building that is the subject of the agreement, in accordance with the purchase plans provided by the beneficiary, where appropriate.

  b) Lease the building and its appurtenances to ICE, manage cash flows to repay the financing, and provide preventive and corrective maintenance to the facilities in accordance with the agreed terms.

  c) Become a vehicle to issue and place securities in accordance with the terms and conditions established in the prospectus and the agreement, provided that prior authorization is granted by SUGEVAL, which is the entity responsible for regulating the issue of debt securities. Securities may be issued and placed in rounds, in conformity with the projected payments, terms, and conditions. The trust may also sign loan agreements to obtain the necessary funding, based on financial market conditions.

- The funds received by the trust from the lease shall be used to pay the principal and returns on the securities placed in the securities market, as well as private placements and funds obtained from local and international bank loans.
- The term of the trust is 30 years.
- The trust equity will be used exclusively to comply with and attain the objectives of the trust agreement.

(In millions of colones)

Accumulated depreciation at cost

Accumulated depreciation of operating assets at cost is as follows:

Accumulated depreciation - cost		As of December 31, 2013	Depreciation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2014	Depreciation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2015
Plant and equipment - Electricity:												
Hydraulic power generation	¢	98,790	17,795	(60)	-	1,662	118,187	22,566	(171)	(386)	-	140,196
Thermal power generation		22,693	4,016	-	-	(65)	26,644	4,038	(111)	-	-	30,571
Geothermal power generation		46,505	5,726	-	-	(42)	52,189	6,557	(34)	-	(1)	58,711
Wind power generation		3,288	452	-	-	-	3,740	452	(217)	-	-	3,975
Solar power generation		1,085	500	-	-	-	1,585	466	-	-	-	2,051
Micro hydro power generation		25	4	-	-	-	29	6	-	-	-	35
Substations		40,875	7,719	(198)	-	(356)	48,040	9,263	(249)	-	-	57,054
Transmission lines		19,050	4,619	(720)	-	(1)	22,948	5,375	-	-	-	28,323
Distribution lines (2)		89,682	16,902	(591)	-	357	106,350	17,550	(876)	-	-	123,024
Street lighting		4,531	662	(55)	-	(1)	5,137	814	(52)	-	-	5,899
Communication, control and infrastructure equipment		10,203	1,802	(24)	-	-	11,981	1,611	(25)	-	-	13,567
General equipment		13,709	1,366	(651)	843	48	15,315	2,071	(1,145)	163	3	16,407
Other		3,455	342	-	22	151	3,970	1,069	-	11	-	5,050
Equipment - Telecom:												
Transport		310,273	55,197	(55)	-	(2)	365,413	40,587	(4,769)	-	-	401,231
Access (3)		202,872	40,759	-	299	(43)	243,887	43,083	(278)	-	41	286,733
Civil and electromechanical		131,195	12,741	(1)	242	(42)	144,135	12,172	(7)	-	(41)	156,259
Platforms		45,684	23,961	(1)	6,401	-	76,045	30,011	(934)	5,150	-	110,272
Communication equipment		29,570	1,069	2	(4,954)	-	25,687	567	(2,252)	-	2	24,004
Submarine cable -Maya - Arcos - Pacific		5,743	-	-	(5,743)	-	-	-	-	-	-	-
General equipment		3,265	472	18	(754)	-	3,001	455	(6)	-	(2)	3,448
Other		261	24	-	-	-	285	24	-	-	-	309
Subtotal operating assets	**¢**	**1,082,754**	**196,128**	**(2,336)**	**(3,644)**	**1,666**	**1,274,568**	**198,737**	**(11,126)**	**4,938**	**2**	**1,467,119**
Operating assets and other operating assets under finance leases:												
Buildings		1,773	507	-	-	-	2,280	506	-	-	-	2,786
Furniture and equipment		386	114	-	-	-	500	135	-	-	-	635
Subtotal Operating assets and other operating assets under finance leases	**¢**	**2,159**	**621**	**-**	**-**	**-**	**2,780**	**641**	**-**	**-**	**-**	**3,421**
Other operating assets (1)		249,540	44,326	(5,063)	(4,943)	-	283,860	26,691	(18,035)	(4,764)	117	287,869
Subtotal Other operating assets	**¢**	**249,540**	**44,326**	**(5,063)**	**(4,943)**	**-**	**283,860**	**26,691**	**(18,035)**	**(4,764)**	**117**	**287,869**
Total ICE Group	**¢**	**1,334,453**	**241,075**	**(7,399)**	**(8,587)**	**1,666**	**1,561,208**	**226,069**	**(29,161)**	**174**	**119**	**1,758,409**

(Continued)

Depreciation percentages used for the current and comparative year of operating assets, other operating assets, and operating assets and other operating assets under finance leases are based on the following useful lives estimated for each class of asset:

	Useful life (in years)
Buildings	40 to 50
Operaing assets - ICE Electricity	20 to 40
Operating assets - ICE Telecom	3 to 40
Machinery and equipment	1 to 20

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(1) Depreciation based on use:

During 2015 a change was made in the depreciation method of some categories of other operating assets from the straight-line method to depreciation based on use. The change was made based on a technical analysis prepared by the Engineering and Construction Business unit of the Electricity segment, considering those variables that best express the expected consumption pattern (hours, kilometers, days) and nature of the assets (see note 2(e)(*i*)).

(In millions of colones)

Revalued operating assets

Revalued operating assets are as follows:

Revaluation		As of December 31, 2013 (Restated)	Revaluation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2014 (Restated)	Revaluation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2015
Plant and equipment - Electricity:												
Hydraulic power generation	¢	1,237,200	160,438	(188)	-	-	1,397,450	(30,018)	(4,590)	(4,065)	-	1,358,777
Thermal power generation		87,365	13,777	-	-	-	101,142	(2,566)	(25)	-	-	98,551
Geothermal power generation		323,348	37,438	-	-	(12)	360,774	(6,636)	(198)	-	-	353,940
Wind power generation		4,811	1,045	-	-	-	5,856	(185)	(269)	-	-	5,402
Solar power generation		1,746	708	-	-	-	2,454	(88)	-	-	-	2,366
Micro hydro power generation		3	14	-	-	-	17	(3)	-	-	-	14
Substations		181,824	25,922	(1,050)	(1,710)	-	204,986	(5,059)	(1,102)	-	-	198,825
Transmission lines		101,284	12,627	(3,353)	-	-	110,558	(2,218)	-	-	-	108,340
Distribution lines		380,731	49,904	(3,447)	1,710	-	428,898	(9,070)	(4,985)	-	-	414,843
Street lighting		16,834	2,451	(224)	-	-	19,061	(430)	(134)	2	-	18,499
Communication, control and infrastructure equipment		38,703	5,130	(125)	-	-	43,708	(981)	(126)	-	-	42,601
Other		44,539	3,364	-	76	-	47,979	(833)	-	-	-	47,146
Equipment - Telecom:												
Access		6	-	-	-	(6)	-	-	-	-	-	-
Civil and electromechanical		93,061	7,294	-	-	-	100,355	-	-	-	-	100,355
Communication equipment		8,207	-	(575)	-	-	7,632	-	(7,634)	2	-	-
Other		2,298	-	-	-	-	2,298	-	-	-	-	2,298
Subtotal operating assets	**¢**	**2,521,960**	**320,112**	**(8,962)**	**76**	**(18)**	**2,833,168**	**(58,087)**	**(19,063)**	**(4,061)**	**-**	**2,751,957**
Operating assets and other operating assets under finance leases:												
Buildings		125	71	-	-	-	196	-	-	-	-	196
Furniture and equipment		2,981	1,645	-	-	-	4,626	-	-	-	-	4,626
Subtotal Operating assets and other operating assets under finance leases	**¢**	**3,106**	**1,716**	**-**	**-**	**-**	**4,822**	**-**	**-**	**-**	**-**	**4,822**
Other operating assets		56,002	5,254	(6)	-	-	61,250	-	(3)	4,057	98	65,402
Subtotal Other operating assets	**¢**	**56,002**	**5,254**	**(6)**	**-**	**-**	**61,250**	**-**	**(3)**	**4,057**	**98**	**65,402**
Total ICE Group	**¢**	**2,581,068**	**327,082**	**(8,968)**	**76**	**(18)**	**2,899,240**	**(58,087)**	**(19,066)**	**(4)**	**98**	**2,822,181**

(Continued)

(In millions of colones)

Indexes applied to revalue the cost of each group of assets are as follows:

Operating assets	As of December 31, 2015	2014
Electricity:		
Hydraulic power generation	(0.0149)	0.08766
Thermal power generation	(0.0139)	0.08155
Substations	(0.0130)	0.07733
Transmission lines	(0.0099)	0.06072
Distribution lines	(0.0130)	0.07834
Street lighting	(0.0145)	0.08328
Geothermal power generation	(0.0123)	0.07856
Wind power generation	(0.0147)	0.08556
Solar power generation	(0.0104)	0.06351
Micro hydro power generation	(0.0149)	0.08766
Communication and control equipment	(0.0115)	0.06870
Electricity and Telecom:		
Civil works	(0.802857)	0.058127
Land	(0.802857)	0.055932

As of December 31, 2015, the revaluation indexes for the Electricity segment are negative with respect to 2014, due to the behavior of the variables involved in the calculation, as follows: the sell exchange rate (colon-U.S. dollar) for non-banking public sector operations decreased by (-0.81%), from ¢542.22 to ¢537.81; The local (Costa Rica) annual inflation rate for the period was (-0.81%) less than that reported in 2014 (inflation of 5.13%); and the external (USA) inflation rate (Employment Cost Trends of the Bureau of Labor Statistics) decreased from 2.41% in 2014 to (-1.04%) in 2015.

Finally, by applying the revaluation methodology currently used, the result of the index for land and buildings is a negative value. This is due to external factors used in the methodology, mainly macro prices such as inflation and the exchange rate, which have decreased.

Operating assets in the Telecom segment are not revalued, except for land and civil works; instead, the indexes indicated in the chart above are applied (see note 3(b)(*iii*)).

(In millions of colones)

The revaluation indexes used by the subsidiary CNFL are as follows:

Operating assets	As of December 31, 2015	2014
CNFL:		
Hydraulic power generation	(0.009894)	0.069569
Distribution lines	(0.009894)	0.061499
Transmission lines	(0.008492)	0.105077
Substations	(0.010733)	0.065265
Street lighting	(0.010523)	0.067955
Land	(0.008006)	0.051277
Land improvements	(0.008006)	0.051277
Buildings	(0.008006)	0.051277
General equipment	(0.008006)	0.051277
Service connections	(0.013669)	0.080329
Communication systems	(0.009999)	0.061499
Communication and control equipment		
RACSA and Cable Visión: (*)		

In 2015 and 2014 no revaluation was performed on the assets of the subsidiaries RACSA and CVCRSA, as they are considered part of the assets of the Telecom segment.

(In millions of colones)

Accumulated depreciation of revalued operating assets

Accumulated depreciation of revalued operating assets is as follows:

Depreciation-Revaluation		As of December 31, 2013 (Restated)	Revaluation	Depreciation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2014 (Restated)	Revaluation	Depreciation	Disposals	Transfers	Adjustments and reclassifications	As of December 31, 2015
Plant and equipment - Electricity:														
Hydraulic power generation	¢	727,982	69,270	30,311	(59)	-	(22)	827,482	(13,410)	35,206	(3,148)	(2,427)	-	843,703
Thermal power generation		53,535	6,194	2,073	-	-	(25)	61,777	(1,223)	2,597	(19)	-	-	63,132
Geothermal power generation		136,843	14,401	10,684	-	-	1	161,929	(2,634)	12,045	(89)	-	-	171,251
Wind power generation		2,215	473	260	-	-	25	2,973	(93)	327	(155)	-	-	3,052
Solar power generation		599	107	75	-	-	-	781	(18)	108	-	-	-	871
Micro hydro power generation		(2)	3	1	-	-	3	5	-	1	-	-	-	6
Substations		119,619	11,342	5,968	(651)	-	(764)	135,514	(2,134)	6,992	(842)	-	1	139,530
Transmission lines		69,751	3,245	2,330	(1,655)	-	-	73,671	(527)	2,392	-	-	-	75,536
Distribution lines		240,293	23,854	13,088	(2,476)	-	768	275,527	(4,451)	15,588	(3,476)	-	-	283,188
Street lighting		11,704	1,153	352	(174)	-	-	13,035	(205)	422	(98)	-	-	13,154
Communication, control and infrastructure equipment		28,664	2,197	970	(89)	-	(1)	31,741	(425)	860	(95)	-	-	32,081
Other		10,722	693	463	43	-	-	11,921	(122)	524	-	19	-	12,342
Equipment - Telecom:														
Access		6	-	-	-	-	(6)	-	-	-	-	-	-	-
Civil and electromechanical		64,777	3,524	2,355	-	-	-	70,656	-	2,491	-	-	-	73,147
Communication equipment		8,207	-	-	(576)	-	-	7,631	(6,718)	-	(913)	-	-	-
Other		1,233	-	49	-	-	-	1,282	-	49	-	-	-	1,331
Subtotal operating assets	**¢**	**1,476,148**	**136,456**	**68,979**	**(5,637)**	**-**	**(21)**	**1,675,925**	**(31,960)**	**79,602**	**(8,835)**	**(2,408)**	**1**	**1,712,324**
Operating assets and other operating assets under finance leases:														
Buildings		148	112	61	-	-	-	321	-	94	-	-	-	415
Subtotal Operating assets and other operating assets under finance leases	**¢**	**148**	**112**	**61**	**-**	**-**	**-**	**321**	**-**	**94**	**-**	**-**	**-**	**415**
Other operating assets		28,809	1,697	1,071	(3)	-	-	31,574		1,077	-	2,427	-	35,078
Subtotal Other operating assets	**¢**	**28,809**	**1,697**	**1,071**	**(3)**	**-**	**-**	**31,574**	**-**	**1,077**	**-**	**2,427**	**-**	**35,078**
Total ICE Group	**¢**	**1,505,105**	**138,265**	**70,111**	**(5,640)**	**-**	**(21)**	**1,707,820**	**(31,960)**	**80,773**	**(8,835)**	**19**	**1**	**1,747,817**

(Continued)

(In millions of colones)

Note 5. Construction work in progress

As of December 31, 2015 and 2014, the movement in construction work in progress is as follows:

Construction work in progress		As of December 31, 2015	2014 *(Restated)**
Reventazón Hydroelectric Project (1)	¢	148,896	200,727
Las Pailas II Geothermal Project (2)		57,993	30,452
Cachí Hydroelectric Project (3)		24,301	118,140
Borinquen Geothermal Power Project (4)		22,648	-
Cóbano Transmission Line		15,773	11,449
Peñas Blancas - Garita Transmission Line		15,602	18,348
Anillo Sur Transmission Line		14,563	11,514
New Power Control Center		11,276	7,544
Coyol Transmission Line		10,564	2,094
Jacó Transmission Line		9,570	2,554
Management of network elements		8,517	6,733
Improvements to Telecom transport network		7,659	7,445
Cariblanco - Trapiche Transmission Line		6,367	36,585
Sustainability and Growth		5,025	-
Ongoing quality improvement (distribution)		4,839	10,789
Capillary network		4,312	299
Playa Ventanas Project		3,559	49
Reinforcement of distribution system		3,378	6,987
Río Macho Hydroelectric Project		3,219	3,820
Advanced mobile services		2,764	1,633
Real property management installation		2,638	16
Acquisition of assets - senior management		2,365	-
Network development		2,365	5,273
SIEPAC Transmission Line		2,308	2,117
Improvements to electricity transport network		2,093	1,049
Integral business customer services		1,782	2,721
Advanced connectivity fiber optic (FOCA)		1,759	5,263
Expansion and modernization of transport system		1,549	1,079
Basic engineering studies		1,226	733
Infrastructure maintenance and soundproofing		1,123	1,539
Construction and rehabilitation of civil and metallic works		1,108	15,435
Data center		1,086	650
Technical services for distribution projects		1,079	5,295
Universal service		1,039	82
Central Government agreements		1,006	12
Advanced cell evolution		630	9,934
P.E.S.S.O.		246	18,773
Advanced public terminals		43	6,198
Sundry projects		9,103	28,800
Less: **Government services		(3,048)	(3,617)
Total ICE Group	**¢**	**412,325**	**578,514**

* See Note 26.
** Internal consumption for electricity and telephone services incurred by different areas of ICE.

The nature and main transactions of construction work in progress during the period are described as follows:

(1) Reventazón Hydroelectric Power Project

The Reventazón Hydroelectric Power Project is located in the middle basin of the Reventazón River in Limón, Costa Rica and has a power output of 305 MW. The trust constitution agreement and the construction agreement have been subscribed and are in effect. The former agreement was authorized by the CGR. Financing is from ICE's own funds and funds from other financing schemes subscribed by ICE.

As of December 31, 2015 construction works were transferred to the Reventazón Trust, increasing long-term investments by ¢137,869 (see note 6).

(2) Las Pailas II Geothermal Power Project

This project consists of the execution of several construction works required to build a geothermal power plant with a power output of 55 MW. The project is located in Guanacaste, and is being built on the foothills of Rincón de la Vieja Volcano. It will complement the capacity generated by Las Pailas I Project.

(3) Cachí Hydroelectric Power Project

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

The works consist of the expansion of the current engine room, construction of an additional tunnel that will provide the plant with an additional power output of 20 MW, a surge tank, and two inspection openings.

(4) Borinquén Geothermal Power Project

The project is located on the Guanacaste mountain range, on the pacific slope of Rincón de la Vieja Volcano. It will have an estimated power output of 55 MW.

In December 2015 the accumulated costs of this project, booked in the Design and Planning account, were transferred to the Works in Construction account, in the amount of ¢22,209.

(In millions of colones)

The movement in construction work in progress, materials in transit, and inventory for investment as of December 31, 2015 and 2014 is as follows:

Account	December 31, 2013	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	December 31, 2014 *(Restated)**	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Warehoused	December 31, 2015
Construction work in progress	**762,316**	318,679	(409,378)	39,119	-	(128,605)	-	582,131	332,690	(535,712)	40,005	-	(3,741)	-	415,373
Less: Government services	(3,752)	-	-	-	-	135	-	(3,617)	-	-	-	-	569	-	(3,048)
Subtotal construction work in progress	**758,564**	**318,679**	**(409,378)**	**39,119**	**-**	**(128,470)**	**-**	**578,514**	**332,690**	**(535,712)**	**40,005**	**-**	**(3,172)**	**-**	**412,325**
Materials in transit for investment	110,290	25,681	(497)	-	(31,823)	(25,213)	(44,254)	34,184	27,674	(434)	-	(18,406)	(9,197)	(14,375)	19,446
Inventory for investment	138,045	9,713	(529)	-	82,548	(5,146)	(64,760)	159,871	33,424	(221)	-	78,181	(11,929)	(133,803)	125,523
Total ICE Group	**¢ 1,006,899**	**354,073**	**(410,404)**	**39,119**	**50,725**	**(158,829)**	**(109,014)**	**772,569**	**393,788**	**(536,367)**	**40,005**	**59,775**	**(24,298)**	**(148,178)**	**557,294**

* See note 26.
** Internal consumption for electricity and telephone services incurred by different areas of ICE.

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

Note 6. Long-term investments

Long-term investments are as follows:

		As of December 31,	
		2015	**2014**
Other investments valued at cost:			
Reventazón Hydroelectric Power Project (1)		137,869	-
Toro 3 Hydroelectric Power 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	-
Red Centroamericana de Fibras Ópticas, S.A. (5)		143	143
Cooperativa de Electrificación Rural, R.L.		43	43
Subtotal other investments valued at cost		**153,473**	**14,523**
Long-term financial investments: (6)			
Government (External debt bonds)		30,773	25,309
BCCR (Bond)		13,561	5,820
Other		8,242	8,126
Subtotal long-term financial investments		**52,576**	**39,255**
Total long-term investments ICE Group	**¢**	**206,049**	**53,778**

(1) Reventazón Hydroelectric Power Project Trust

The cost of investment of the Reventazón Hydroelectric Power Project (PHR) was estimated at US$1,379 million. The financing plan created divided the project into two parts, one in which the assets and liabilities of that part of the project belong to ICE Group, which entails direct financing to the entity in the amount of US$475 (in millions). The second part of the project involves the creation of a trust to raise funds and direct them to the construction of some of the works of the project, for US$904 (in millions).

The direct financing for US$475 (in millions) is comprised of external loans for US$298 (US$73 million from IDB and US$225 million from BCIE), and a direct contribution of US$177 million to the project by ICE Group. According to the constitution of the Trust assets, the works financed by ICE Group shall be contributed to the Trust as investment in the construction of the project. As of December 31, 2015, according to the financing plan, a partial recognition of the investment was made, as per the liquidation of works, in the amount of ¢137,869 (see note 5).

(2) Toro 3 Hydroelectric Power Project Trust

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

On January 26, 2012, the lessees (ICE and JASEC) agreed to sign an addendum to the trust contract whereby they commit to provide at least 20% of the funds necessary to finance the Toro 3 Hydroelectric Power Project, so that the Trust obtains the funds necessary to finance the remaining portion. In conformity with the addendum, ICE made a contribution in kind (construction materials and labor) equivalent to ¢11,203. This contribution represents 10% of the funds necessary to finance the Toro 3 Hydroelectric Power Project. The remaining 10% required to comply with the addendum was provided by JASEC.

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

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

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

ICE Group holds an ownership interest in Empresa Propietaria de la Red, S.A. (EPR), which was selected to execute the Sistema de Interconexión Eléctrica de los Países de América Central [Central American Electric Interconnection System] (SIEPAC) Project. Such investment is performed by ICE Group, along with the entities responsible for the management of electricity in the six Central American countries, and three additional entities located in Spain, Colombia, and Mexico. Each of the nine countries holds an 11.11% ownership interest in EPR and will not hold more than 15%.

EPR's share capital is comprised of 58,500 ordinary shares of US$1,000 (one thousand U.S. dollars) par value each. ICE and CNFL own 6,061 and 439 shares of US$1,000 (one thousand U.S. dollars) par value each, respectively, for a total of US$6.5 (in millions), equivalent to ¢3,124 (11.11% ownership interest) for ICE Group. The shares are valued at acquisition cost.

In June 2015 and 2014, EPR paid ICE Group returns on the investment.

(4) Tecomunica, S.A. - Nicaragua

ICE and ENATREL agreed to organize a company in Nicaragua named Tecomunica, S.A., with the purpose of selling and marketing telecommunication services. The share capital of Tecomunica, S.A. is comprised of 100 registered shares for a total of C$10,100,000 (ten million one hundred thousand córdobas), equivalent to US$400,000 (four hundred thousand U.S. dollars) of C$101,000 (one hundred one thousand córdobas, net) equivalent to US$4,000 (four thousand U.S. dollars) par value each. Of that total, ICE owns 50 shares (50% ownership interest) for a total of C$5,050,000 (five million fifty thousand córdobas, net) equivalent to US$200,000 (two hundred thousand U.S. dollars).

At meeting No. 6069 held on December 2, 2013, ICE's Board of Directors approved a first contribution in the amount of US$1 (in millions).

At meeting No. 6157 held on November 30, 2015, ICE's Board of Directors approved a second contribution in the amount of US$1 (in millions). As of December 31, 2015, the Board of Directors authorized contributions for a total of US$2 (in millions) (equivalent to ¢1,081).

(Continued)

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

In 2013, ICE Group acquired ownership interest in Red Centroamericana de Fibras Ópticas, S.A. (REDCASA), which is dedicated to developing, financing, constructing, operating, and commercially exploiting and providing maintenance to telecom services or services related to IT and communications. REDCASA's share capital is comprised of 2,700 ordinary shares of US$1,000 (one thousand U.S. dollars) par value each. ICE Group owns 300 shares (11.11% ownership interest), of which 93.24% are owned by ICE and 6.75% by CNFL. Currently, REDCASA has no commercial operations.

(6) Long-term financial investments

Investments in bonds and Central Bank bonds with returns that range between 6.58% and 11.46% per annum (2014: between 6.67% and 11.13% per annum) in colones and between 4.69% and 5.84% per annum (2014: 4.70% and 5.50% per annum) in U.S. dollars. Investments denominated in colones and U.S. dollars amount to ¢51,501 and ¢1,075, equivalent to US$2 (in millions), respectively (2014: ¢38,174 and ¢1,081, equivalent to US$2 (in millions), respectively) and mature between February 2016 and April 2028 (2014: February 2015 and July 2023).

Note 7. Cash and cash equivalents

		As of December 31,	
		2015	**2014**
Cash in vaults and banks	¢	10,160	10,135
Cash equivalents		171,000	123,008
Total ICE Group	**¢**	**181,160**	**133,143**

(In millions of colones)

The features of cash equivalents are as follows:

				As of December 31, 2015			
	Currency	Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
Uncommitted:							
Available-for-sale	**Colones**	Repurchase operations	Repurchase operations	¢ 25,054	25,233	4.22% - 4.91%	Nov 2015 - Jan 2016
		Banco Citibank (CMB Costa Rica)	Term certificate of deposit	6,000	6,000	4.00% - 4.50%	Oct 2015 - Feb 2016
		Financiera Desyfin	Term certificate of deposit	500	500	4.72%	Nov 2015 - Feb 2016
		Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	Mortgage Participation Certificate	2,000	2,022	4.00%	Dec 2015 - Feb 2016
		Banco de Costa Rica	Term certificate of deposit	6,500	6,571	3.62% - 4.29%	Oct 2015 - Jan 2016
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit	1,500	1,500	4.17%	Nov 2015 - Feb 2016
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	15			Demand
	U.S. dollars	Banco Internacional de Costa Rica	Overnight deposit	31,835	-	0.20%	Demand
		Repurchase operations	Repurchase operations	2,715	2,725	2.59% - 3.20%	Nov 2015 - Jan 2016
		Banco Internacional Costa Rica	Overnight BICSA in U.S. dollars	2,187	-	0.20%	Demand
Held-to-maturity	**Colones**	Banco de Costa Rica	Term certificate of deposit	4,431	4,431	0.69%	Dec 2015 - Jan 2016
		Banco de Costa Rica	Term certificate of deposit	1,870	1,870	1.47%	18 Dec 2015-18 Mar 2016
		Banco de Costa Rica	Term certificate of deposit	1,000	1,000	0.65%	18 Dec 2015- 04 Jan 2016
		Banco de Costa Rica	Term certificate of deposit	450	450	1.25%	04 Dec 2015- 20 Jan 2016
		Banco Nacional de Costa Rica	Short-term investment	12,786	12,786	0.75%	Dec 2015 - Jan 2016
		Government	Treasury note	10,000	10,016	2.00%	Dec 2015 - Jan 2016
		Government	Zero-coupon Central Bank global bond (over the counter)	10,047	10,050	2.42%	Oct 2015 - Jan 2016
		Banco Nacional de Costa Rica	Short-term investment	18,871	18,871	0.75%	Dec 2015 - Jan 2016
		Banco de Costa Rica	Term certificate of deposit	1,475	1,475	0.69%	Dec 2015 - Jan 2016
	U.S. dollars	Banco de Costa Rica	Term certificate of deposit	91	91	1.60%	16 Jun 2016- 16 Aug 2016
		BICSA	Term certificate of deposit	2,487	2,487	2.00%	18 Dec 2015- 14 Mar 2016
	Colones	SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones	8,359	-	2.72% - 3.06%	Demand
Fair value		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR - colones	6,310	-	2.55% - 3.30%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	2,959	-	2.74% - 3.10%	Demand
		SAFI Banco Popular	I.F. non-diversified BP money market	2,615	-	2.74%	Demand
		SAFI BAC San José	BAC San José liquidity in colones - non-diversified	682	-	2.23%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	9	-	1.52%	Demand
		Banco Nacional de Costa Rica	Investment fund (non-diversified Superfondo - colones)	10	-	2.65% - 3.04%	Demand
		Banco de Costa Rica	Investment funds	5	-	2.54% - 3.32%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	8	-	2.64% - 3.04%	Demand
		Banco Popular	I.F. BP money market - colones	2	-	2.74%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified BCR - public liquidity - U.S. dollars	79	-	1.77%	Demand
	U.S. dollars	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars	827	-	0.69% - 1.30%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified BCR - public liquidity - U.S. dollars	3,050	-	0.84% - 1.35%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	2,105	-	0.69% - 0.95%	Demand
		Banco Nacional de Costa Rica	Investment fund (non-diversified Superfondo - colones)	406	-	0.70% - 1.29%	Demand
		Banco de Costa Rica	I.F. non-diversified - public liquidity – U.S. dollars	1,754	-	0.82% - 1.35%	Demand
		Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	1	-	0.69% - 0.95%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified - public liquidity	5	-	0.94%	Demand
Total ICE Group				**171,000**	**-**		

(In millions of colones)

	Currency	Issuer	Type of financial instrument		As of December 31, 2014 Balance	Face value	Rate of return	Term in months
Uncommitted:								
Available-for-sale	**Colones**	Repurchase operations	Repurchase operations	¢	5,265	5,288	5.68% - 5.71%	Dec 2014 - Jan 2015
		Banco Citibank (CMB Costa Rica)	Term certificate of deposit		891	1,891	6.72%	Oct 2014 - Jan 2015
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds		15	-	-	Demand
	U.S. dollars	Banco Internacional de Costa Rica	Overnight deposit		39,701	0	0.20%	Demand
		Banco Internacional Costa Rica	Overnight BICSA in U.S. dollars		9,452	-	0.20%	Demand
		Repurchase operations	Repurchase operations		2,231	2,234	1.93% - 2.14%	Dec 2014 - Jan 2015
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Short-term investment		6,073	7,742	3.75%	Dec 2014 - Jan 2015
		Banco de Costa Rica	Term certificate of deposit		11,966	11,966	3.45%	Dec 2014 - Jan 2015
		Banco Nacional de Costa Rica	Short-term investment		6,378	6,378	3.75%	Dec 2014 - Jan 2015
		Banco de Costa Rica	Term certificate of deposit		5,800	6,378	3.45%	Dec 2014 - Jan 2015
		Government	Zero-coupon Central Bank global bond (over the counter)		2,522	2,534	5.75%	Nov 2014 - Jan 2015
		Government	Treasury note		2,003	2,007	4.96%	Dec 2014 - Jan 2015
	U.S. dollars	Banco Internacional de C.R. -Miami-	Term certificate of deposit (electronic over the counter)		13,556	13,556	1.00%	Dec 2014 - Jan 2015
		Banco Internacional de Costa Rica	Term certificate of deposit BICSA MIAMI		2,711	2,711	1.00%	Dec 2014 - Jan 2015
Fair value	**Colones**	SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones		33	-	3.64% - 4.46%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR - colones		487	-	4.31% - 5.20%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		1,710	-	4.55% - 5.59%	Demand
		Banco Popular	SAFI Banco Popular		174	-	4.24%	Demand
		SAFI BAC San José	BAC San José liquidity in colones - non-diversified		50	-	3.95%	Demand
		Scotiabank de Costa Rica	SAFI Scotiabank		2	-	2.98%	Demand
		Banco Nacional de Costa Rica	Investment fund (non-diversified Superfondo - colones)		13	-	4.46%	Demand
		Banco de Costa Rica	Investment funds		61	-	4.31% - 5.20%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		34	-	4.55% - 5.59%	Demand
		Banco Popular	Investment funds		5	-	4.24%	Demand
		Scotiabank de Costa Rica	SAFI Scotiabank		22	-	2.98%	Demand
	U.S. dollars	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars		1,901	-	0.89% - 1.27%	Demand
		Banco de Costa Rica	SAFI Banco de Costa Rica		4,797	-	0.97% - 1.06%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		4,612	-	0.95% - 1.96%	Demand
		Banco de Costa Rica	I.F. non-diversified - public liquidity - U.S. dollars		6	-	0.96%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified - public liquidity		537	-	0.86%	Demand
Total ICE Group				¢	**123,008**	-		

Note 8. Temporary investments

As of December 31, 2015, ICE Group holds held-to-maturity investments (term certificates of deposit) in the amount of ¢19,563, denominated in colones ¢12.006 and denominated in U.S. dollars ¢7.557 (2014, denominated in colones ¢3000) and available-for-sale investments (term certificates of deposit, zero-coupon monetary stabilization bonds, Central Bank bond, fixed-rate monetary stabilization bond, and mortgage participation certificates) in the amount of ¢84,019, of which ¢79,850 is denominated in colones and ¢4,169 is denominated in U.S. dollars (2014: ¢61,932, of which ¢61,389 is denominated in colones and ¢543 is denominated in U.S. dollars), bearing interest at rates ranging between 2.94% and 9.24% per annum (2014: between 2.94% and 8.80% per annum) and maturing between 4 and 12 months (2014: between 6 and 12 months).

(In millions of colones)

		As of December 31, 2015	2014
Held-to-maturity and available-for-sale investments	¢	103,582	64,932
Valuation of investments		2,943	(599)
Net, ICE Group	**¢**	**106,525**	**64,333**

Valuation of investments

As of December 31, 2015, ICE Group recognized a net unrealized gain in the amount of ¢2,943 (2014: net unrealized loss of ¢599) as a result of the valuation of available-for-sale temporary investments. Such unrealized gain is included under "Result of valuation of financial instruments" in the equity section (see note 2(e) *(i)*).

Note 9. Restricted funds

Restricted funds allocated to specific purposes are as follows:

		As of December 31, 2015	2014
Guarantees received from third parties:			
In U.S. dollars	¢	1,078	825
In colones		1,015	529
Specific purpose funds			
BCR Platinum (¢) - Cash for payments of ICE services		3,620	3,421
BNCR Gold - Cash for amortization of short-term debt		5,620	3,260
Total ICE Group	**¢**	**11,333**	**8,035**

(In millions of colones)

Note 10. Notes receivable

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

		As of December 31,			
		2015		2014	
		Long-term	Short-term	Long-term	Short-term *(Restated)**
Loan to autonomous entities (1)	¢	7,711	131	7,005	-
Private individuals or companies		-	1,768	-	2,582
In legal collections		-	47	-	108
Payment arrangements		-	309	-	225
CNFL-MINAET Agreement (Olivier Hydroelectric Project)		614	16	634	16
Other (2)		-	5	16	76
Total ICE Group	¢	**8,325**	**2,276**	**7,655**	**3,007**

* Restated due to reclassification.

(1) Loan to autonomous entities

911 Emergency system

An inter-institutional agreement between ICE and the 911 emergency system was subscribed on December 21, 2012 through the "Agreement to Pay Accounts due from the 911 Emergency System to ICE". In this agreement, the debt was expressly acknowledged and accepted, and a "payment arrangement" was formally subscribed by the 911 emergency system to settle such debt.

The original agreement was renegotiated to extend the recovery term to allow ICE to complete the corresponding collection process. As a result, the agreement was annulled.

The new conditions under the "Agreement to Restructure the Debt Related to Accounts due from the 911 Emergency System to ICE", subscribed on November 30, 2015, establish that the agreement will be repaid over 15 years starting on January 1, 2013, with a 3-year grace period for outstanding principal and interest.

The 911 Emergency System will honor this financial obligation with 30 half-yearly payments from April 30, 2016 to October 31, 2030. This balance will bear interest at the base deposit rate of BCCR in effect one week before the payment date. As of December 31, 2015, the balance amounts to ¢5,422 (2014: ¢4,565).

(Continued)

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

A loan agreement was subscribed between ICE Group and EPR to repay loan IDB No. 1908 for ¢2,420, equivalent to US$4.5 (in millions) (2014: ¢2,440). The total debt term is 25 years starting November 24, 2010, with a 5-year grace period, payable half-yearly, bearing a variable interest rate (3-month 0.32% rate + 0.05% funding margin + 1.15% IDB's lending spread as of 2015).

(2) Other – Subloan for development IDB-598

In September 2015, a final settlement in relation to the Subloan for development IDB-598 is received by electricity cooperatives and municipal companies that distribute electricity (balance amounting to ¢64 as of December 2014).

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

		As of December 31, 2015	2014 (Restated) *
Private individuals or companies	¢	47,310	52,290
In administrative and legal collections		50,834	42,344
Electricity services - consumers		20,415	21,693
Electricity cooperatives and municipal electricity distribution companies		10,315	9,437
Operators and service providers		5,056	5,253
Telephone administrations		2,596	2,316
Public agencies		2,449	3,166
Other		3,860	3,297
Total receivables for services rendered		**142,835**	**139,796**
Allowance for doubtful accounts		(52,717)	(40,255)
Accounts recevaibel for services rendered, net		**90,118**	**99,541**
Private individuals or companies (1)		24,544	45,638
Government taxes		7,272	6,236
Agreements, paid services and other		3,157	1,662
Damage to electrical installations		1,087	919
Sundry government services		112	638
Other		4,061	2,324
Subtotal non-trade receivables		**40,233**	**57,417**
Allowance for doubtful accounts		(7,193)	(7,274)
Non-trade receivables, net		**33,040**	**50,143**
Total receivables Group ICE		**183,068**	**197,213**
Allowance for doubtful accounts		(59,910)	(47,529)
Net receivables, ICE Group	¢	**123,158**	**149,684**

* See note 26.

(5) Non-trade receivables - Individuals

As of December 31, 2015, this item includes, among other, advance payments made by ICE Group to purchase fuel for the generation of energy in thermal power plants for ¢1,734 (2014: ¢6,617), advance payments to private individuals related to guarantees for ¢3,763 (2014: ¢1,744), interest and fees and commissions for ¢4,133 (2014: ¢2,182), receivables for unpriced services for ¢9,946 (2014: ¢28,780) (considering services to third parties provided by the Strategic Business Units), outstanding invoices for construction services related to the Reventazón Hydroelectric Power Project, and ICE Group's deposits in courts for ¢2,758 (201: ¢2,758).

The decrease in this account with respect to 2014 is due to a decrease in the account receivable P.H. Reventazón – ICE – Scotiabank in 2015.

(In millions of colones)

The movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts		**As of December 31, 2013 (Restated)***	**Prior period adjustments**	**Used**	**Recoveries**	**Expense**	**As of December 31, 2014 (Restated)***	**Used**	**Recoveries**	**Expense**	**As of December 31, 2015**
Receivables for services rendered	¢	29,460	882	(11,020)	936	19,997	40,255	(8,099)	3,696	16,865	52,717
Non-trade receivables		4,443	1,522	1,308	-	1	7,274	(82)	-	1	7,193
Total ICE Group	**¢**	**33,903**	**2,404**	**(9,712)**	**936**	**19,998**	**47,529**	**(8,181)**	**3,696**	**16,866**	**59,910**

* See note 26.

(Continued)

(In millions of colones)

Note 11. Operating inventory

Operating inventory is as follows:

		As of December 31,	
		2015	**2014**
Operating inventory	¢	69,189	56,858
Materials in transit for operations		20,766	19,020
Materials and equipment held in custody		3,538	656
Subtotal		**93,493**	**76,534**
Allowance for valuation of operating inventory		(43,695)	(12,258)
Total ICE Group	¢	**49,798**	**64,276**

The movement in the allowance for valuation of inventories is as follows:

		As of December 31						
		2013	**Used**	**Expenses**	**2014**	**Used**	**Expenses**	**2015**
Allowance for valuation of inventory	¢	10,956	(1,347)	2,649	12,258	(2,618)	34,055	43,695
Total ICE Group	¢	**10,956**	**(1,347)**	**2,649**	**12,258**	**(2,618)**	**34,055**	**43,695**

In December 2015, the allowance for valuation of inventories was increased based on a study performed by an interdisciplinary group created by the Inventories Commission. The study considered the following variables:

- lack of turnover: inventories with no movements for more than 24 months.
- overstock: inventories that will last for more than 48 months based on the consumption pattern and current stock.
- risk of lack of turnover: inventories with no movements for more than 13 months and less than 24 months.
- safety stock: Inventory items that are critical for business continuity in accordance with the technical criteria of the segments.

(Continued)

(In millions of colones)

This review process considered the risk of technological obsolescence to which ICE's inventories are exposed. The scope of the review requested was broader than prior-year scopes, when analyses were based on the "ABC Methodology" established by the Supply Chain Division. The 2015 study analyzed new evidence in light of ICE's current market conditions and competition. Accordingly, its accounting treatment consisted of changing to an accounting estimate with prospective effects.

Note 12. Prepaid expenses

Prepaid expenses are as follows:

		As of December 31, 2015	2014 *(Restated)**
Mobile terminals and devices	¢	39,164	41,617
Purchase of energy from private producers (1)		24,393	-
Use agreements (2)		19,966	19,082
Fuel (3)		-	12,891
Imports (4)		-	20,466
ING-0008 (U-500) insurance policy, net (5)		3,077	3,149
All-risk insurance policy - construction		623	2,367
Phone book		1,466	2,064
Other		1,140	1,411
Total ICE Group	**¢**	**89,829**	**103,047**

ING-0008 (U-500) insurance policy		As of December 31, 2015	2014 *(Restated)**
Opening balance	¢	3,149	4,448
Amount of premium		11,936	10,614
Amortization of premium		(12,008)	(11,913)
Total ICE Group	**¢**	**3,077**	**3,149**

* See note 26.

(1) Purchase of privately generated electricity

In ruling RIE-107-2015 of October 23, 2015, ARESEP approved ICE's request to recognize through an adjustment rate in favor of ICE, additional costs incurred to purchase energy from private independent power producers during 2015. The ruling established that additional costs should be reimbursed to ICE through a rate recognition starting January 1, 2016 and for the rest of that year. As a result of the adjusted rate, it is estimated that ICE will recover an amount of ¢24,393.

(2) Use agreements

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

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

(3) Fuel

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

(In millions of colones)

Through Decision RIE-034-2014 dated June 27, 2014, ARESEP approved the recognition of the rate adjustments related to the difference between estimated and real fuel expenses corresponding to February, March, and April in the amount of ¢37,167. ARESEP upheld ICE's request for quarterly recognition of ¢16,360 and ¢7,916 in the third and fourth quarters of 2014, respectively, and the remainder to be recognized quarterly in equal amounts in 2015. As of December 31, 2015, that balance is fully amortized (2014: ¢12,891) (see note 29).

(4) Imports

In September 2014, through Decision ARESEP RIE 061-2014, the request for rate adjustments was approved in respect of expenses for imported electric power in the amount of ¢31,045. Based on such decision and ICE's accounting policies, the aforementioned amount will be deferred over a 15-month term starting October 1, 2014, so that these costs are associated with revenue obtained through the rate applied during that term. As of December 31, 2014, the balance pending amortization amounts to ¢20,466.

(5) ING-0008 (U-500) insurance policy

The ING-0008 (U-500) all-risk policy is a contract at replacement value that is appropriate for ICE Group's needs and covers all risks of physical loss to property insured, such as fire, landslides, floods, hurricanes, lightning, etc. Policy coverage includes: equipment breakdown, business interruption, additional expenses, inland transit, robbery, wire theft, debris removal, errors and omissions, construction work in progress, sabotage, terrorism, catastrophic risks, etc.

Note 13. Service agreements

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

		As of December 31,	
		2015	**2014**
Reventazón Hydroelectric Project (1)	¢	35,075	23,337
Water supply system project		60	473
Other		498	122
Subtotal		**35,633**	**23,932**
* Elimination of Government services		(25)	(1)
Total ICE Group	¢	**35,608**	**23,931**

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

(1) Reventazón Hydroelectric Power Project

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

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

The estimated cost of the works amounts to US$1,379 (in millions).

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

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

- The purposes of the trust are as follows:

  a. Develop, continue the construction, lease, operate, and offer maintenance to the Reventazón Hydroelectric Power Project and subscribe the necessary financing to achieve those goals.
  b. Create autonomous and independent equity to secure and guarantee compliance with the Trust's obligations.
  c. Organize the Guarantee Trust to which the Trust Equity will be transferred, whereby this Trust will act as the trustor, the secured creditors as the beneficiaries, and this Trust's trustee as the trustee. The trustee of the Guarantee Trust is Banco Scotiabank.
  d. Comply with the Trust's obligations established in the transaction documents, including making payments to secured creditors that granted loans or invested in securities for the development, financing, construction, lease, operation, and maintenance of the Reventazón Hydroelectric Power Project.
  e. Once (i) the objectives of this Trust have been met, (ii) the obligations established in the transaction documents have been fulfilled, and (iii) the trustee receives written authorization from the representative of the secured creditors; transfer the Trust Equity to the Trustor, who also acts as the Main Beneficiary.

(Continued)

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.

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

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

- The UNO P.H. Reventazón Trust acts as the employer and ICE as the contractor responsible for the construction of the Reventazón Hydroelectric Power Project. The agreement amounts to US$693 (in millions).
- This agreement establishes that ICE should provide the UNO P.H. Reventazón Trust with a quarterly breakdown of the milestone payments that ICE considers has the right to charge and related supporting documentation. The trust will reimburse ICE once the detail of costs is reviewed and approved.

(In millions of colones)

ICE's main services under the agreement include engineering services related to the project's design, purchase of required materials, acquisition of required work force, and construction services for the project.

Lease agreement for the Reventazón Hydroelectric Power Project

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

As of December 31, 2015, the services agreement related to the Reventazón Hydroelectric Power Project increased by ¢11,738 with respect to December 31, 2014, mainly due to the costs associated with the project's execution. The balance of the "Service agreements" account of ¢35,075 corresponds to outstanding costs incurred that will be billed in accordance with the agreement.

As of December 31, 2015, ICE cedes land in the amount of ¢1,378 as trust property to the UNO P.H. Reventazón Trust (2014: ¢1,102).

Note 14. <u>Project design and execution</u>

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

		As of December 31,	
		2015	**2014**
El Diquís Hydroelectric Project (1)	¢	82,006	78,825
Borinquen Geothermal Project (2)		2	21,852
Refitting of south-center transmission line		4,990	4,823
Verbena transmission line		2,142	2,011
La Carpio Deviation		1,942	1,399
Transmission lines		488	640
Other		1,499	1,192
Subtotal		**93,069**	**110,742**
* Elimination of Government services		(104)	(122)
Total ICE Group	¢	**92,965**	**110,620**

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

The nature and main transactions of the project design and execution works are described as follows:

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

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

As of December 31, 2015, PHED includes costs incurred prior to construction and disbursements made during the investment phase, which encompasses the design of the works, and technical, economic, and financial studies for a total of ¢82,006 (2014: ¢78,825) that were required to complete the Environmental Feasibility Studies and the final Environmental Impact Study. PHED's Environmental Impact Study is in its final stages and will be submitted to Secretaría Técnica Nacional Ambiental [National Technical Secretariat for the Environment] (SETENA), which is the entity charged with issuing the environmental feasibility permit or environmental permit required to begin construction of the project.

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

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

Status of legal proceedings involving PHED:

- Administrative Litigation

PHED is the defendant in Lawsuit No. 11-001691-1027-CA filed by Asociación de Desarrollo Integral del Territorio Indígena de Térraba [Association for the Comprehensive Development of the Térraba Indigenous Reservation] (ADIT) with the Sixth Section of the Administrative Litigation Court requesting the nullity of Decree No. 34312-MP-MINAE of 2008, which declares PHED works and studies and its transmission works to be a matter of public and national interest, as well as eviction from the indigenous territories allegedly occupied by ICE. During the feasibility stage that implied alleged cultural damages and occupation of indigenous territories by ICE, the plaintiff is seeking compensatory damages for a reasonable estimate of US$200 (in millions) or its equivalent in colones.

On November 17, 2015, through Vote No. 0006194-2015 issued by the Administrative Litigation Court, judicial proceedings No. 11-0016911027-CA are partially admitted as follows:

- ✓ In the case ICE decides to reopen or resume in the short, medium, or long term, the geological investigation phase in the Térraba site prior to the execution of PHED, it must begin the respective environmental assessment procedure in accordance with the regulations in effect at the time the request is submitted. ICE must also obtain from the competent entities and bodies the authorizations or permits required by law to perform activities including tree cutting, earth movements, excavation, and construction of works on the riverbed, such as dams or gabion walls.

- ✓ In the case the aforementioned investigation is resumed, SETENA is ordered to establish the environmental assessment instrument required from ICE, in accordance with the provisions of current regulations and with the parameters established for purposes of the classification performed, as well as the environmental importance of each of the significant works or activities to be conducted.

- ✓ Until the indigenous consultation is performed and the environmental assessment instrument is obtained, ADIT and ICE are ordered to abstain from adopting an administrative position in respect of the PHED's investigation or investment phase, which may affect the environment or biodiversity of that indigenous reserve.

- ✓ The proceedings are decided without any special order to pay costs.

- Constitutional Chamber

In December, 2014, an appeal under file No. 14-019128-0007-CO was filed by ADIT against Decree No. 34312-MP-MINAE of 2008, which declared PHED's activities to be a matter of public interest and national convenience, claiming violation and non-compliance with Ruling No. 2011-01275 as a result of constitutional motion No. 08-009215-0007-CO, which granted a 6-month period to perform the indigenous consultation. As of the date of this report, this case is pending resolution.

- Consultation with indigenous peoples

ICE is waiting for the response from the Presidency of the Republic to the Ombudsman on the recommendations given by the latter in the report “The right of consultation of indigenous peoples within the framework of El Diquís Hydroelectric Project”, dated June 3, 2015, sent through official letter No. 05271-2015-DHR-(PE). The recommendations consist of a) defining, as a matter of priority, the government entity responsible for organizing consultation processes that need to be performed in Costa Rican indigenous territories; b) defining, in consensus with indigenous peoples, a consultation guide that establishes the appropriate parameters, conditions, and procedures to be followed in consultations regarding projects, legislation, or administrative measures that affect indigenous rights, and c) after the government entity and consultation guide are defined for each indigenous territory, performing the consultation process, which should be carried out by the new responsible ministry or office, with respect to the El Diquís Hydroelectric Project in the indigenous territories that are likely to be affected.

The opinion of ICE’s legal counsel is that the Government of the Republic is the sole party responsible for performing such consultation process, in accordance with the international guidelines that have been declared as Law of the Republic. As previously reported, the outcome of this consultation process is binding for the issue of the Environmental Permit.

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

(2) Borinquén Geothermal Power Project

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

(In millions of colones)

As of December 31, 2015, costs incurred in the amount ¢22,209 were transferred to the "Construction work in progress" account to begin the project (see note 5).

Note 15. Non-operating assets

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

		As of December 31, 2013	Additions and capitalizations	Disposals	Transfers	As of December 31, 2014	Additions and capitalizations	Disposals	Transfers	As of December 31, 2015
Historical cost:										
Land	¢	24,041	2,716	-	(5)	26,752	2,077	-	1	28,830
Buildings		4,895	1	(132)	-	4,764	10	-	-	4,774
Land and rights of way		-	28	-	(28)	-	-	-	-	-
Artwork and collector's items		23	-	-	-	23	-	-	-	23
Substations		1,963	-	-	-	1,963	26	-	-	1,989
Hydroelectric power plants		674	-	-	-	674	-	-	-	674
General equipment		899	-	-	-	899	-	(866)	-	33
Surco Tico, S.A.- Forestry project		927	83	-	-	1,010	84	-	(546)	548
Other assets		145	-	-	-	145	-	-	-	145
Total cost ICE Group		**33,567**	**2,828**	**(132)**	**(33)**	**36,230**	**2,197**	**(866)**	**(545)**	**37,016**
Accumulated depreciation - cost:										
Land and land improvements		44	8	-	-	52	80	-	-	132
Buildings		798	234	(32)	-	1,000	286	-	-	1,286
Substations		246	63	-	-	309	63	-	-	372
Hydroelectric power plants		134	31	-	-	165	42	-	-	207
General equipment		2	-	-	-	2	-	-	-	2
Other assets		14	-	-	-	14	1	-	-	15
Total depreciation ICE Group		**1,238**	**336**	**(32)**	**-**	**1,542**	**472**	**-**	**-**	**2,014**
Revaluation:										
Land		7,495	1,739	-	(1)	9,233	-	-	9	9,242
Buildings		2,906	404	(160)	-	3,150	-	-	-	3,150
Substations		174	165	-	-	339	-	-	-	339
Hydroelectric power plants		7,536	402	-	-	7,938	-	-	-	7,938
General equipment		1	-	-	-	1	-	-	-	1
Other assets		168	15	-	-	183	-	-	-	183
Total revaluation ICE Group		**18,280**	**2,725**	**(160)**	**(1)**	**20,844**	**-**	**-**	**9**	**20,853**
Accumulated depreciation - revaluation:										
Land and land improvements		230	22	-	-	252	67	-	-	319
Buildings		2,208	68	(106)	132	2,302	100	-	-	2,402
Substations		18	6	-	20	44	12	-	-	56
Hydroelectric power plants		5,344	248	-	-	5,592	85	-	-	5,677
General equipment		1	-	-	-	1	-	-	-	1
Other assets		52	3	-	-	55	3	-	-	58
Total depreciation revaluation ICE Group		**7,853**	**347**	**(106)**	**152**	**8,246**	**267**	**-**	**-**	**8,513**
Total non-operating assets ICE Group	**¢**	**42,756**	**4,870**	**(154)**	**(186)**	**47,286**	**1,458**	**(866)**	**(536)**	**47,342**

The methodology and rates used in the revaluation of operating assets are applied for the revaluation of non-operating assets.

(Continued)

(In millions of colones)

Note 16. Intangible assets

Intangible assets are as follows:

		As of December 31, 2015	2014
Intangible assets:			
Licenses, systems and applications	¢	105,497	81,116
Rights of way and easements (1)		25,576	24,974
Rights guaranteed by law		2	2
Goodwill (2)		5,863	5,863
Total cost ICE Group		**136,938**	**111,955**
Accumulated amortization:			
Licenses, systems and applications		70,491	60,392
Goodwill		601	300
Total amortization ICE Group		**71,092**	**60,692**
Net total ICE Group	¢	**65,846**	**51,263**

Amortization method

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

(1) Rights of way and easements

Rights of way and easements correspond to payments made to the owners of land that ICE Group is required to access to develop its various projects and to provide electricity and telecom services. In accordance with the terms and conditions of the agreements, ICE Group has rights of way and easements that do not entail the purchase of land or assignment of property to ICE Group.

(Continued)

Right of way agreements do not establish a term (in years) to exercise the right but contemplate a permanent easement instead. Such rights of way mainly derive from the existence of transmission lines. Accordingly, these intangible assets meet the requirements to have an indefinite useful life because there is no defined term for the assets to continue generating cash flows to the entity; accordingly, they are not amortized.

(2) Goodwill

Goodwill corresponds to the excess of the acquisition cost over the carrying amount (net equity) of the subsidiaries acquired in 2013, i.e. CVCRSA and EVCSA (merged with CNFL in 2014) and is amortized over a 20-year term (see note 3 (a) *(i)*).

The movement in intangible assets is as follows:

(In millions of colones)

		Licenses, systems and applications		Rights of way and easements		Rights guaranteed by law		Goodwill		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cost											
Opening balance	¢	81,116	84,089	24,974	23,777	2	-	5,863	5,372	111,955	113,238
Additions		29,128	17,004	668	1,200	-	2	-	491	29,796	18,697
Transfers		(500)	(9,402)	-	6	-	-	-	-	(500)	(9,396)
Disposals		(4,260)	(11,006)	(66)	-	-	-	-	-	(4,326)	(11,006)
Adjustments		13	431	-	(9)	-	-	-	-	13	422
Total cost ICE Group	**¢**	**105,497**	**81,116**	**25,576**	**24,974**	**2**	**2**	**5,863**	**5,863**	**136,938**	**111,955**
Accumulated amortization											
Opening balance	¢	60,392	53,203	-	-	-	-	300	-	60,692	53,203
Amortization - expense		11,713	12,973	-	-	-	-	301	300	12,014	13,273
Amortization - investment		195	1,316	-	-	-	-	-	-	195	1,316
Reclassifications		7	-	-	-	-	-	-	-	7	-
Transfers		-	(4,514)	-	-	-	-	-	-	-	(4,514)
Disposals		(1,816)	(2,586)	-	-	-	-	-	-	(1,816)	(2,586)
Total amortization ICE Group		**70,491**	**60,392**	**-**	**-**	**-**	**-**	**601**	**300**	**71,092**	**60,692**
Net total ICE Group	**¢**	**35,006**	**20,724**	**25,576**	**24,974**	**2**	**2**	**5,262**	**5,563**	**65,846**	**51,263**

(Continued)

Note 17. Guarantee and Savings Fund (restricted fund)

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

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

The balance of the employer contribution transferred by ICE Group to the Employee Guarantee and Savings Fund amounts to ¢214,576 (2014: 198,623).

(Continued)

(In millions of colones)

Note 18. Amortizable items

Amortizable items are as follows:

Cost:	Term	Method		As of December 31, 2013	Write-offs	Increase	As of December 31, 2014	Write-offs	Increase	As of December 31, 2015
Projects	1 a 480 months	Straigth line	¢	749	-	-	749	-	-	749
Transactions costs - investments	30 a 180 months	Efective interest		1,738	(388)	502	1,852	(386)	421	1,887
Commissions for financing agreements	12 a 180 months	Efective interest		6,859	(1,701)	-	5,158	(828)	398	4,728
Total cost - ICE Group				**9,346**	**(2,089)**	**502**	**7,759**	**(1,214)**	**819**	**7,364**

Amortization:	Term	Method		As of December 31, 2013	Write-offs	Amortizations	As of December 31, 2014	Write-offs	Amortizations	As of December 31, 2015
Projects	1 a 480 months	Straigth line		476	-	26	502	-	15	517
Transactions costs - investments	30 a 180 months	Efective interest		395	(277)	634	752	(235)	348	865
Commissions for financing agreements	12 a 180 months	Efective interest		3,468	(1,875)	758	2,351	(828)	440	1,963
Total amortization - ICE Group				**4,339**	**(2,152)**	**1,418**	**3,605**	**(1,063)**	**803**	**3,345**
Net total - ICE Group			¢	**5,007**	**63**	**(916)**	**4,154**	**(151)**	**16**	**4,019**

(Continued)

(In millions of colones)

Note 19. Securities payable (bonds)

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

		As of December 31,										
Securities payable		2013	Amortization	Foreign exchange differences	Disbursements	2014	Amortization	Foreign exchange differences	Disbursements	2015	Long-term	Short-term
Internal debt:												
Securities - INS (1)	¢	531,833	-	24,171	27,131	583,135	-	(2,682)	12,000	592,453	565,562	26,891
External debt:												
Bond placement - Credit Suisse First Boston		30,554	30,148	(406)	-	-	-	-	-	-	-	-
International bond issue (2)		502,470	-	39,750	-	542,220	-	(4,410)	-	537,810	537,810	-
Other:												
Premium bond issue		7,742	803	(3)	1,475	8,411	985	-	68	7,494	7,494	-
Discount bond issue		(5,759)	(165)	-	-	(5,594)	(195)	-	-	(5,399)	(5,399)	-
Total ICE Group	¢	**1,066,840**	**30,786**	**63,512**	**28,606**	**1,128,172**	**790**	**(7,092)**	**12,068**	**1,132,358**	**1,105,467**	**26,891**

(Continued)

(In millions of colones)

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

Securities payable			
Creditor	**Term**	**Annual interest rate**	**Currency**
Internal debt:			
Bond issue	Maturing between December 14, 2017 and July 30, 2035.	Variable between 3.21% and 10.20% Fixed between 10.30% and 11.45%	¢
Bond issue	Maturing between May 20, 2016 and September 7, 2027.	Fixed between 5.71% and 7.65%	US$
External debt:			
Bond issue	Maturing between November 9, 2021 and May 14, 2043.	Fixed between 6.38% and 6.95%	US$

ICE's bond issues

As of December 31, 2015, the main characteristics of ICE's bond issues are as follows:

Internal debt:

Series	Date of issue	Date of maturity	Nominal interest rate per annum	In millions of colones						
					Authorized and issued	Placed by series	Balance available		Premium in bond issue	Discounts in bond issue
A1	9/30/2009	9/30/2021	Variable 8.30%	¢	50,000	50,000	-	¢	102	-
A2	11/6/2009	11/6/2024	Variable 8.50%		50,000	50,000	-		76	828
A3	11/3/2010	11/3/2020	Fixed 11.41%		20,000	20,000	-		3	63
A4	12/14/2010	12/14/2017	Fixed 10.30%		10,000	10,000	-		-	9
A5	12/16/2010	12/16/2025	Variable 8.75%		20,000	20,000	-		-	-
A6	8/11/2011	8/11/2023	Variable 8.90%		50,000	25,107	24,893		96	-
F3	4/3/2012	4/3/2023	Variable 10.20%		50,000	27,407	22,593		1,315	-
				¢	**250,000**	**202,514**	**47,486**	**¢**	**1,592**	**900**

Series	Date of issue	Date of maturity	Nominal interest rate per annum	In millions of U.S. dollars						
					Authorized and issued	Placed by series	Balance available		Premium in bond issue	Discounts in bond issue
B1	11/17/2009	11/17/2021	Fixed 7.65%	US$	75	75	-	US$	110	-
B2	5/20/2010	5/20/2016	Fixed 5.71%		50	50	-		40	-
B3	6/24/2010	6/24/2022	Fixed 7.18%		75	75	-		856	-
E1	11/12/2010	11/12/2020	Fixed 5.98%		75	75	-		122	-
E2	12/12/2011	12/12/2024	Fixed 7.61%		125	125	-		-	164
F1	2/13/2012	2/13/2019	Fixed 5.97%		100	33	67		-	124
F4	9/7/2012	9/7/2027	Fixed 7.61%		175	175	-		254	163
				US$	**675**	**608**	**67**	**US$**	**1,382**	**451**

(Continued)

Internal debt:

1) Bond issues

(i) **Series F3-2015 Bonds**: In February 2015, ICE placed ¢1,000 at a variable rate (base deposit rate + 3%) of 9.38% per annum over 8 years.

(ii) **Private FGA Bonds**: As of December 2015, disbursements are made in the amount of ¢11,000 at a variable rate (base deposit rate + 2.35%) of 9.10% per annum over 20 years.

External debt:

2) ICE's international bond issues

In November 2011 and May 2012 and 2013, ICE held an auction for bonds in the international market. In 2014, the total raised amounts to US$1,000 (in millions) equivalent to ¢542,220. Bonds were issued at 10 to 30 year terms. As of December 31, 2015, the balance payable amounts to ¢537,810.

(In millions of colones)

Note 20. Loans payable

As of December 31, 2015, the movement in loans payable is as follows:

		As of December 31,								
		2014	Amortization	Foreign exchange differences	Disbursements	2015	Long-term	Short-term		2015 (in U.S. dollars)
Internal debt:										
Loans payable:										
Non-restructured debt - Tranche V	₡	120	120	-	-	-	-	-		-
Banco Nacional de Costa Rica (B.N.C.R)		70,436	2,109	(320)	3,492	71,499	67,995	3,504		132.94
Scotiabank		10,167	2,711	(61)	-	7,395	4,706	2,689		13.75
Supplier credit		26,079	9,679	(150)	1,636	17,886	8,294	9,592		33.26
Chiripa Wind Consortium		3,888	3,888	-	-	-	-	-		-
Scotia Leasing		1	1	-	-	-	-	-		-
BAC Leasing		66	16	-	-	50	-	50		0.09
Banco Popular y de Desarrollo Comunal (1)		-	-	-	44,929	44,929	41,464	3,465		83.54
Banco de Costa Rica		40,016	899	-	1,318	40,435	39,525	910		75.18
Ministry of Finance		7,043	4,698	-	-	2,345	1,333	1,012		4.36
External debt:										
Loans payable:										
CABEI (2)		137,156	5,152	(1,608)	65,765	196,161	196,161	-		364.74
IDB (3)		265,416	30,591	(2,128)	33,889	266,586	233,324	33,262		495.69
BNP Paribas		774	774	-	-	-	-	-		-
M&T Bank		1,932	1,257	(8)	-	667	-	667		1.24
Banistmo, S.A.		53,901	11,478	(513)	-	41,910	30,303	11,607		77.93
EIB (4)		-	-	(44)	5,422	5,378	5,378	-		10.00
Andean Development Corporation (CAF)		38,407	4,518	(276)	-	33,613	29,131	4,482		62.50
Citibank		4,281	4,263	(18)	-	-	-	-		-
Japan Bank For International Cooperation (5)		51,357	4,458	(311)	12,345	58,933	52,705	6,228		109.58
Cisco Systems		19,412	4,655	(121)	-	14,636	10,179	4,457		27.21
Multibank INC.		287	287	-	-	-	-	-		-
Scotiabank		48,800	13,928	(300)	-	34,572	30,961	3,611		64.28
Global Bank Corporation (6)		10,844	10,844	-	-	-	-	-		-
Instituto Crédito Oficial Reino de España		12,490	685	(105)	-	11,700	11,012	689		21.75
Deutsche Bank, Sociedad Anónima Española		694	683	(11)	-	-	-	-		-
Kreditanstal Fur Wiederaufbau		8,581	1,929	(78)	-	6,574	4,638	1,936		12.22
Banco Internacional de Costa Rica (BICSA)		7,229	470	(61)	-	6,698	6,205	493		12.45
National Bank for Economic and Social Development of Brazil (BNDES)		18,113	1,141	(126)	4,915	21,761	19,470	2,291		40.46
Scotiabank		-	-	-	4,434	4,434	4,434	-		8.24
Lines of credit:										
Global Bank Corporation		-	5,363	(25)	5,388	-	-	-		-
Total internal debt - ICE Group	₡	**157,816**	**24,121**	**(531)**	**51,375**	**184,539**	**163,317**	**21,222**	**US$**	**343.12**
Total external debt - ICE Group	₡	**679,674**	**102,476**	**(5,733)**	**132,158**	**703,623**	**633,901**	**69,723**	**US$**	**1,308.29**
Total debt - ICE Group	₡	**837,491**	**126,597**	**(6,265)**	**183,533**	**888,162**	**797,217**	**90,945**	**US$**	**1,651.41**

(Continued)

(In millions of colones)

In 2015, the general features of loans payable classified as internal and external debt are as follows:

General characteristics of debt (U.S. dollars and colones, as indicated)			
	Interest rate	**Currency**	**Term**
Internal debt:			
Banco Nacional de Costa Rica	Variable between 5.25% and 10.50%	¢- US$	Maturing between August 31, 2025 and September 13, 2043
Banco Popular y de Desarrollo Comunal	Variable between 2.75% and 9.20%	¢	Maturing between September 04, 2045 and December 15, 2045
Banco de Costa Rica	Variable between 2.00% and 9.70%	¢	Maturing between July 06, 2032 and October 1, 2045
Ministry of Finance	Variable 14,00%	¢	Maturing on December 30, 2024
Commercial banks:			
Scotiabank	Variable between 2.65% and 4.76%	US$	Maturing between July 23, 2018 and December 15, 2022
Scotia Leasing	Variable 6.25%	US$	Maturing on May 06, 2015
BAC Leasing	Variable 6.25% Fixed 8,50%	US$	Maturing between August 26, 2019 and July 10, 2020
Supplier credit	Fixed between 4.95% and 5.45%	US$	Maturing between June 1, 2016 and July 22, 2020
External debt:			
Multilateral organizations:			
Central American Bank for Economic Integration (CABEI)	Variable between 5.12% and 5.83% Fixed 6.40%	US$	Maturing between November 27, 2028 and September 27, 2033
Interamerican Development Bank (IDB)	Variable between 1.52% and 4.89%	US$-JPY-EURO	Maturing between February 15, 2018 and October 15, 2037
European Investment Bank (EIB)	Fixed 4.03%	US$	Maturing on September 15, 2038
Bilateral organizations:			
Andean Development Corporation (CAF)	Variable 2.03%	US$	Maturing on April 9, 2023
Japan Bank For International Cooperation	Fixed between 0.60% and 2.20%	JPY	Maturing between April 20, 2026 and August 20, 2054
Commercial banks:			
Citibank	Variable 8.25%	US$	Maturing on December 19, 2015
M & T Bank	Variable between 2.35% and 2.59%	US$	Maturing between December 11, 2015 and September 30, 2016
Cisco Systems	Fixed between 2.95% and 3.39%	US$	Maturing between September 13, 2018 and October 8, 2020
M & T Bank	Variable 2.23%	US$	Maturing on December 11, 2015
Banistmo, S.A.	Fixed between 4.15% and 4.95%	US$	Maturing between December 6, 2018 and December 12, 2020
Scotiabank	Fixed between 5.40 and 5.60%	US$	Maturing between December 17 and 18, 2021
Instituto Crédito Oficial Reino de España	Fixed 0.70%	US$	Maturing on September 25, 2032
Deutsche Bank, Sociedad Anónima Española	Fixed 5.86%	US$	Maturing on April 20, 2015
Kreditanstal Fur Wiederaufbau (K.F.W.)	Variable 3.80%	US$	Maturing between September 31, 2018 and March 30, 2020
Banco Internacional de Costa Rica (BICSA)	Fixed between 4.50% and 5.00%	US$	Maturing between May 27, 2025 and December 08, 2026
National Bank for Economic and Social Development of Brazil (BNDES)	Fixed 4.50%	US$	Maturing on March 19, 2025

(In millions of colones)

As of December 31, 2014, the movement in loans payable is as follows:

		As of December 31,							
		2013	Amortization	Foreign exchange differences	Disbursements	2014	Long-term	Short-term	2014 (in U.S. dollars)
Internal debt:									
Loans payable:									
Non-restructured debt - Tranche V	¢	333	222	9	-	120	-	120	0.22
Banco Nacional de Costa Rica		59,733	1,880	2,123	10,460	70,436	66,655	3,781	129.90
Scotiabank		15,523	6,243	887	-	10,167	7,456	2,711	18.75
Banco de Costa Rica		40,428	412	-	-	40,016	39,389	627	73.80
Supplier credit		30,502	8,189	1,941	1,825	26,079	16,534	9,545	48.10
Chiripa Wind Consortium		-	-	-	3,888	3,888	3,888	-	7.17
Scotia Leasing		5	4	-	-	1	-	1	0.00
BAC Leasing		48	4	1	21	66	-	66	0.12
Liability restructuring		155	-	(155)	-	-	-	-	-
Secured Financing Agreement (CONAVI-BNCR)		188	-	(188)	-	-	-	-	0.00
Ministry of Finance		-	-	-	7,043	7,043	6,652	391	12.99
Lines of credit:									
Scotiabank		18,089	73,298	1,947	53,262	-	-	-	-
External debt:									
Loans payable:									
CABEI		64,448	4,397	7,585	69,520	137,156	132,005	5,151	252.95
IDB		234,396	25,223	17,542	38,701	265,416	235,686	29,730	489.50
BNP Paribas		2,150	1,490	114	-	774	-	774	1.43
Nordea Export & Project Finance		3,815	3,815	-	-	-	-	-	-
M&T Bank		2,957	1,189	164	-	1,932	672	1,260	3.56
Banistmo, S.A.		61,553	11,944	4,292	-	53,901	41,221	12,680	99.41
Andean Development Corporation (CAF)		39,779	4,187	2,816	-	38,407	33,889	4,518	70.83
Citibank		7,934	4,124	471	-	4,281	-	4,281	7.90
Japan Bank for International Cooperation		58,834	4,703	(2,774)	-	51,357	46,899	4,458	94.72
Cisco Systems		20,779	3,386	1,427	592	19,412	14,754	4,658	35.80
Multibank INC.		798	553	42	-	287	-	287	0.53
Scotiabank		-	-	-	48,800	48,800	34,857	13,943	90.00
Global Bank Corporation		-	-	-	10,844	10,844	-	10,844	20.00
Instituto Crédito Oficial (Spain)		12,218	704	976	-	12,490	11,796	694	23.03
Deutsche Bank, Sociedad Anónima Española		1,930	1,394	158	-	694	-	694	1.28
Kreditanstal für Wiederaufbau		9,759	1,964	786	-	8,581	6,629	1,952	15.83
Banco Internacional de Costa Rica (BICSA)		8,554	3,639	668	1,646	7,229	6,428	801	13.33
National Bank for Economic and Social Development of Brazil (BNDES)		11,523	-	978	5,612	18,113	17,210	903	33.41
Finance Ministry (9)									
Lines of credit:									
Citibank		7,035	16,079	-	9,044	-	-	-	-
Bladex		50,246	60,295	-	10,049	-	-	-	-
Global Bank Corporation		5,025	21,964	(123)	17,062	-	-	-	-
Mercantil Commercebank		12,562	46,256	1,032	32,661	-	-	-	-
Total internal debt - ICE Group		**165,004**	**90,252**	**6,565**	**76,499**	**157,816**	**140,574**	**17,242**	**US$ 291.06**
Total external debt - ICE Group		**616,295**	**217,306**	**36,154**	**244,532**	**679,675**	**582,046**	**97,629**	**US$ 1,253.50**
Total debt - ICE Group	¢	**781,299**	**307,558**	**42,719**	**321,031**	**837,491**	**722,620**	**114,871**	**US$ 1,544.56**

(In millions of colones)

In 2014, the general features of loans payable classified as internal and external debt are as follows:

General features of debt (U.S. dollars and colones, as indicated)	Interest rate	Currency	Term
Internal debt:			
Restructured - Tranche V	Fixed 6.75%	US$	Maturing on May 21, 2015
Banco Nacional de Costa Rica	Variable between 5.25% and 10.50%	¢-US$	Maturing between March 13, 2019 and October 1, 2033
Commercial banks:			
Scotiabank	Variable between 4.76% and 6.00%, fixed between 1.26% and 5.60%	US$	Maturing between January 12, 2015 and December 18, 2021
Scotia Leasing	Variable 6.25%	US$	Maturing on May 6, 2015
BAC Leasing	Variable 6.25% Fixed 8.50%	US$	Maturing between August 26, 2019 and July 10, 2020
Supplier credit	Fixed between 4.95% and 5.45%		Maturing between June 1, 2016 and August 12, 2019
Multilateral organizations:			
Central American Bank for Economic Integration (CABEI)	Variable between 4.69% and 7.68%, Fixed between 4.03% and 8.50%	US$	Maturing between October 21, 2015 and November 22, 2038
Interamerican Development Bank (IDB)	Variable between 1.16% and 4.71%, Fixed 2%	US$-JPY-EURO-GBP	Maturing between September 9, 2015 and October 15, 2037
External debt:			
Bilateral organizations:			
Andean Development Corporation (CAF)	Variable 2.03%	US$	Maturing on April 9, 2023
Japan Bank For International Cooperation	Fixed 2.20%	JPY	Maturing on April 20, 2026
Multilateral organizations			
Interamerican Development Bank (IDB)	Variable between 4.08% and 4.71%	US$	Maturing between February 15, 2018 and February 15, 2023
Commercial banks			
Banco de Costa Rica	Variable between 2.00% and 3.00%	¢	Maturing on July 6, 2032
Citibank	Variable 8.25%	US$	Maturing on December 19, 2015
M & T Bank	Variable between 2.23% and 2.53%	US$	Maturing between December 11, 2015 and September 30, 2016
Multibank INC	Variable 4.83%	US$	Maturing on June 20, 2015
BNP Paribas	Variable 1.48%	US$	Maturing on June 20, 2015
Global Bank	Fixed 1.25%	US$	Maturing on January 12, 2015
Ministry of Finance	Variable 12.68%	¢	Maturing on December 30, 2024
Nordea Export & Project Finance	Fixed 2.51%	US$	Maturing between February 28, 2014 and December 8, 2014
Cisco Systems	Fixed between 2.95% and 3.39%		Maturing between April 6, 2013 and October 8, 2020
M & T Bank	Variable 6M LIBOR + 1.85%	US$	Maturing on December 11, 2015
Banistmo, S.A.	Variable 5.17% Fixed between 4.15% and 4.95%		Maturing between December 6, 2013 and December 12, 2020
Scotiabank	Fixed 5.40%	US$	Maturing on December 17, 2021
Instituto Crédito Oficial Reino de España	Fixed 0.70%	US$	Maturing on September 25, 2032
Deutsche Bank, Sociedad Anónima Española	Fixed 5.86%	US$	Maturing on April 20, 2015
Kreditanstal Fur Wiederaufbau (K.F.W.)	Variable 3.68%	US$	Maturing between September 30, 2018 and March 30, 2020
Banco Internacional de Costa Rica (BICSA)	Fixed between 4.50% and 5.00%	US$	Maturing between May 25, 2013 and December 8, 2014
National Bank for Economic and Social Development of Brazil (BNDES)	Fixed 4.50%	US$	Maturing on March 19, 2023
Global Bank Corporation	Fixed 3.61%	US$	Maturing on August 10, 2015

(Continued)

As of December 31, 2015, new operations and the most significant disbursements of loans payable are as follows:

- <u>Banco Popular y de Desarrollo Comunal:</u>

As of December 2015, disbursements amount to ¢44,929, bearing variable interest at rates ranging between 2.75% and 9.20% per annum, for 10-to-30 year terms.

- <u>CABEI:</u>

As of December 2015, disbursements amount to US$121 (in millions), equivalent to ¢65,765, bearing interest at rates ranging between 5.12% and 6.40% per annum, for 15- to 20- year terms.

- <u>IDB:</u>

As of December 2015, disbursements amount to US$63 (in millions), equivalent to ¢33,889, bearing interest at rates ranging between 1.52% and 4.89% per annum, for a 20- to 25- year terms.

(4) <u>European Investment Bank (EIB):</u>

As of November 2015, disbursements amount to US$10 (in millions), equivalent to ¢5,422, bearing fixed interest at 4.03% per annum, for a 25-year term.

(5) <u>Japan Bank for International Cooperation:</u>

As of December 2015, disbursements amount to US$22.8 (in millions), equivalent to ¢12,345, bearing fixed interest at rates ranging between 0.60% and 2.20%, for a 40-year term.

Loans payable settled as of December 31, 2015 are as follows:

(6) <u>Global Bank Corporation:</u>

Loans in the amount of US$20 (in millions), equivalent to ¢10,844 were settled in January 2015.

<u>Financial covenants:</u>

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

Some of the loan agreements include the following clauses:

a) *Cross Default:* these clauses establish that upon execution of a loan agreement, ICE expressly and irrevocably accepts that noncompliance with obligations, payments, and/or other terms and conditions of the loan agreement and/or loan agreements subscribed by ICE and other creditors will result in early termination of the corresponding loan and all other loan agreements in effect with the same creditor.

b) *Pari Passu:* according to this clause, ICE commits that the obligations and guarantees under the corresponding agreements will have equal claim on payment rights (*pari passu*) with respect to other present or future obligations derived from ICE's debt (except for debt commitments given preference by law).

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

a) ICE will not, and will not permit any of its subsidiaries to, merge or consolidate with another private entity, except that: (a)any subsidiary of the Borrower (ICE) may merge or consolidate with any other subsidiary of the Borrower; (b) any subsidiary of the Borrower may merge with the Borrower, and (c) the Creditor (Bank) may approve a merger or consolidation provided that, in each case, no instances of noncompliance have occurred or continue to occur at the time of the proposed transaction, and the merger or consolidation is not the result of such noncompliance.

b) ICE will not, and will not permit any of its subsidiaries to, sell, lease, transfer, or otherwise dispose of assets, grant any option or other rights to purchase, lease, or otherwise acquire assets, except for (1) sales of inventory in the normal course of business, (2) in a transaction authorized by the Bank, and (3) sales of assets at fair value for an amount not exceeding US$20 (in millions) (or its equivalent in other currencies) in any year.

(Continued)

c) ICE will not subscribe any agreement whereby ICE agrees or commits to share with a third party the income earned, either directly or indirectly, from the works built using the financing provided by the entities shown in the above table.

d) ICE will not, and will not permit any of its subsidiaries to, create or allow encumbrances on any of its assets, either those owned now or acquired in the future, and will not, and will not permit any of its subsidiaries to, assign any rights to obtain income from works financed by the Bank.

e) ICE will, and will cause each of its subsidiaries to, obtain insurance policies from responsible and reputable insurance associations or companies, in such amounts and covering such risks as are generally carried by companies engaged in similar businesses and that own similar properties in the same general areas where the Borrower or its subsidiaries operate.

f) ICE will, and will cause each of its subsidiaries to, substantially comply with the applicable Laws, Statutes, Regulations, and Orders, and such compliance shall include, among other, compliance with Environmental Laws, except to the extent that noncompliance is not reasonably expected to have a Substantial Negative Impact.

As of December 31, 2015, financial covenants in connection with loan agreements meet the established limits, except for the following:

Noncompliance with the terms and conditions of loan agreements - CAF

As a result of the steps taken by ICE in April 2016 and through a letter dated April 21, 2016 responding to the request for approval of the waiver of noncompliance as of December 31, 2015 with clause 6.01 “Affirmative covenant” established in the loan agreement subscribed in April 2008 for a total of US$100 (in millions) and in the amendment to such agreement signed on March 30, 2012, requiring an EBITDA/debt service ratio equal to 5.0 times (ICE’s ratio was 5.7 times as of December 31, 2015).

The waiver of noncompliance as of December 31, 2015 with the aforementioned financial ratio established in Clause 6.01 “Affirmative covenants” of the loan agreement for US$100 (in millions) and the amendment to that agreement, subscribed by ICE and CAF in 2008 was authorized by CAF. The next compliance review will be made according to the clauses of the agreement.

(In millions of colones)

Note 21. Finance lease obligations

As of December 31, 2015, the movement in finance lease obligations is as follows:

		As of December 31,							
		2014	Amortization	Disbursements	2015	Long-term	Short-term		Equivalence in U.S. dollars
Internal debt:									
Finance lease obligations									
Banco de Costa Rica (1)	¢	21,253	631	5,924	26,546	25,811	735		49.36
Total ICE Group	**¢**	**21,253**	**631**	**5,924**	**26,546**	**25,811**	**735**	**US$**	**49.36**

In 2015, the general characteristics of finance lease obligations is as follows:

General characteristics of finance lease obligations (U.S. dollars and colones, as indicated)			
	Interest rate	Currency	Term
Internal debt:			
Banco de Costa Rica	Variable between 9.55% and 11.09%	¢	Maturing between June 15, 2030 and June 30, 2034.

As of December 31, 2014, the movement in finance lease obligations is as follows:

		As of December 31,						
		2013	Amortization	2014	Long-term	Short-term		Equivalence in U.S. dollars
Internal debt:								
Finance lease obligations								
Banco de Costa Rica (1)	¢	23,016	1,763	21,253	17,908	3,345		39.20
Total ICE Group	**¢**	**23,016**	**1,763**	**21,253**	**17,908**	**3,345**	**US$**	**39.20**

(Continued)

(In millions of colones)

In 2014, the general characteristics of finance lease obligations is as follows:

General characteristics of finance lease obligations (U.S. dollars and colones, as indicated)			
	Interest rate	**Currency**	**Term**
Internal debt:			
Banco de Costa Rica	Variable 9.55%	¢	Maturing June 15, 2030

(1) Banco de Costa Rica

(i) **Telecommunications Building Trust:** The amount of this trust corresponds to the liability arising from the Securitization Trust to acquire the property known as "Centro Empresarial La Sabana" and office furniture and equipment.

(ii) **RANGE Trust:** The amount of this trust corresponds to the liability arising from the trust to execute Stage I of the New Generation Access Network (Red Acceso de Nueva Generación (RANGE)) project. As of December 31, 2015, disbursements amounting to ¢5,924 are made.

Note 22. Accounts payable

Accounts payable are as follows:

		As of December 31,	
		2015	**2014**
Materials suppliers	¢	30,786	35,022
Taxes		14,975	14,564
Payroll and employee withholdings		8,377	6,664
Other creditors		64,565	33,104
Total ICE Group		**118,703**	**89,354**
Less reclassification of long-term portion	**¢**	**(7,398)**	**(6,048)**
Short-term	**¢**	**111,305**	**83,306**

(In millions of colones)

As of December 31, 2015, ICE entered into a factoring arrangement with Banco Nacional de Costa Rica under which ICE sold certain invoices due from its subsidiary CNFL, in the amount of ¢19,000. As a result, ICE Group recognized a liability with Banco Nacional de Costa Rica in that amount, which is included as part of the balance of the "Other creditors" account.

Note 23. Prepaid income

Short- and long-term prepaid income is as follows:

Prepaid income		As of December 31, 2015		2014	
		Long-term	Short-term	Long-term	Short-term
Prepaid mobile services (1)	¢	-	6,259	-	7,760
Government grants (2)		6,378	307	4,517	304
Transfer in Property Spare Parts - Materials (3)		-	8,775	-	8,456
Other		-	1,418	-	1,859
Total ICE Group	**¢**	**6,378**	**16,759**	**4,517**	**18,379**

The nature of the main prepaid income booked by ICE Group is described as follows:

(1) Prepaid mobile services:

These services correspond to prepaid income related to the sale of prepaid mobile services that have not been used up by customers as of the cut-off date. Income from prepaid mobile services is recognized in the consolidated balance sheet when the money is received by ICE Group from customers and wholesalers, and income and expenses are recognized in the statement of profit or loss as end users use the services.

(In millions of colones)

(2) Government grants:

Within the framework of the Japanese initiative known as Cool Earth Partnership, the Government of Japan donated ICE an amount of approximately US$10.5 to build the Photovoltaic System located in Sabana Norte, with a power output of 3 kW, which is expected to generate 3.5 Kh, and the Miravalles Solar Park, located in La Fortuna de Bagaces, with a power output of 1 MW, which is expected to generate 1.2 GWh. Local or international government grants are recognized by ICE Group in the consolidated balance sheet when they are granted, and they are transferred to the consolidated statement of profit or loss systematically according to the useful life of the asset related to the grant received.

Additionally, funds from the Project Management Trust and Programs from the Fondo Nacional de Telecomunicaciones [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 Services Area.

(3) Transfer of spare parts and materials:

This transfer in favor of ICE Group corresponds to costs related to spare parts, assets, and tools required for maintenance of Toro 3 and Garabito Power Plants, on which ICE Group made no expenditure. This income is realized in the consolidated statement of profit or loss when the contractually established maintenance services are rendered and inventories ceded to ICE Group are used.

Note 24. Accrued expenses for employer obligations

Accrued expenses for employer obligations are as follows:

		As of December 31,	
		2015	**2014**
Back-to-school bonus	¢	21,476	21,702
Vacations		19,906	14,568
Statutory Christmas bonus		2,102	2,141
Work mobility compensation		-	2,990
Total ICE Group	¢	**43,484**	**41,401**

(In millions of colones)

The movement in accrued expenses for employer obligations is as follows:

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Third biweekly and fifth	Work mobility compensation	Total
2015							
Opening balance	¢	2,141	21,702	14,568	-	2,990	41,401
Expensed - investments		12,000	3,487	11,092	7,153	2,815	36,547
Expensed - operations		18,598	18,061	22,594	-	-	59,253
Used		(30,637)	(21,774)	(28,348)	(7,153)	(5,805)	(93,717)
Total ICE Group	**¢**	**2,102**	**21,476**	**19,906**	**-**	**-**	**43,484**

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Third biweekly and fifth	Work mobility compensation	Total
2014							
Opening balance	¢	1,780	21,034	14,661	-	-	37,475
Expensed - investments		9,843	3,610	11,187	9,841	2,990	37,471
Expensed - operations		19,475	18,559	21,171	-	-	59,205
Used		(28,957)	(21,501)	(32,451)	(9,841)	-	(92,750)
Total ICE Group	**¢**	**2,141**	**21,702**	**14,568**	**-**	**2,990**	**41,401**

Note 25. Legal provisions

Severance benefits are as follows:

		As of December 31,					
		2015			2014		
		Long-term	Short-term	Total	Long-term	Short-term	Total
					*(Restated)**		
Severance benefits	¢	145,692	21,877	167,569	157,475	10,932	168,407
Total ICE Group	**¢**	**145,692**	**21,877**	**167,569**	**157,475**	**10,932**	**168,407**

* See note 26.

(In millions of colones)

Legal provisions are as follows:

Legal provisions		As of December 31, 2015	2014
Occupational hazards	¢	8,862	7,893
Provision for contingent liabilities (note 41)		2,026	12,743
Employee Protection Law		133	-
Cash shortages and cash accounts		7	7
Other provisions		43	101
Total ICE Group	¢	**11,071**	**20,744**
Less: current portion		**-**	**(9,000)**
Long-term legal provisions	¢	**11,071**	**11,744**

The movement in legal provisions is as follows:

		Severance benefits (Restated)*	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Other provisions	Total
2015								
Opening balance	¢	168,407	7,893	12,743	-	7	101	189,151
Expensed - investment		7,602	3,871	4	2,131	14	-	13,622
Expensed - operation		22,219	-	1,383	-	-	-	23,602
Used		(30,659)	(2,902)	(12,104)	(1,998)	(14)	(58)	(47,735)
Total ICE Group	¢	**167,569**	**8,862**	**2,026**	**133**	**7**	**43**	**178,640**

		Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Other provisions	Total
2014								
Opening balance	¢	172,698	5,756	17,074	197	6	201	195,932
Expensed - investment		9,178	4,770	5,189	568	14	-	19,719
Expensed - operation		20,745	-	3,854	-	-	-	24,599
Used		(34,213)	(2,633)	(6,331)	(765)	(13)	(100)	(44,055)
Transfers		-	-	(7,043)	-	-		(7,043)
Total ICE Group	¢	**168,408**	**7,893**	**12,743**	**-**	**7**	**101**	**189,152**

* See note 26.

(In millions of colones)

Starting in 2015, ICE implemented a new accounting policy to recognize and measure the provision for severance benefits of its employees (see notes 2(e) *(iii)* and 26).

Sensitivity analysis

According to the new policy adopted by ICE and the policy followed by the subsidiary CNFL (see note 3(h)), the calculation of the provision for severance benefits is particularly sensitive to changes in key assumptions. The results of the calculation of such provision in the event of changes in discount rates and inflation are as follows:

Sensitivity of the discount rate- ICE Group

Percentage	Provision amount	Difference	Difference %
Between 9.97% and 10.30%	156,257	(13,052)	-7.71%
Between 8.97% and 9.30%	169,309	-	-
Between 7.97% and 8.30%	184,285	14,976	8.85%

Salary increase- ICE Group

Percentage	Provision amount	Difference	Difference %
Between 2.50% and 5.00%	184,476	15,167	8.96%
Between 1.50% and 4.00%	169,309	-	-
Between 0.50% and 3.00%	155,963	(13,346)	-7.88%

RACSA’s estimated liability corresponding to post-employment benefits in the event of resignation by the employee is calculated based on the employee’s current salary, the accrued severance amount, and the portion of that severance to which the employee has rights at the close of the reporting period, according to the years of service and work conditions at the time of hiring. This calculation does not consider variables that are sensitive to changes in key assumptions.

(In millions of colones)

Note 26. <u>Retrospective adjustments</u>

For the year ended December 31, 2015, the figures as of December 31, 2014 and for the year then ended were restated due to a number of adjustments with retroactive effect and changes in the accounting policies (see note 2(e)). Retrospective adjustments applied to ICE Group figures as a result of the above are as follows:

		Construction work in progress (note 5)	Accounts receivable, net (note 10)	Prepaid expenses (note 12)	Prepaid income (note 23)	Provision for severance benefits - long-term (note 25)	Provision for severance benefits - short-term (note 25)	Development reserve	Asset revaluation reserve	Retained earnings
Balances as of December 31, 2014, previously reported	¢	578,506	166,354	106,523	18,596	11,830	10,689	1,662,774	1,201,480	70,517
<u>Accumulated effect due to changes in accounting policies and adjustments for corrections prior to 2014:</u>										
Adjustment to allowance for doubtful accounts due to balance aging (1)		-	(997)	-	-	-	-	(997)	-	-
Change in policy for recognition and measurement of the provision for severance benefits (3)		-	-	-	-	142,360	212	(137,903)	-	(1,410)
Realization of remaining surplus (prior to 2001) (4)		-	205	-	-	-	-	-	(312)	312
Adjustment to correct difference between General ledger and subledger of Receivables from customers (4)		-	-	-	-	-	-	-	-	205
Reversal of deferred income from gain on sale of assets (4)		-	-	-	(281)	-	-	-	-	281
Total effect of adjustments for changes in accounting policies and for corrections prior to 2014		-	(792)	-	(281)	142,360	212	(138,900)	(312)	(613)
<u>Accumulated effect due to changes in accounting policies and adjustments for corrections in 2014:</u>										
Adjustment to allowance for doubtful accounts due to balance aging (1)		-	(15,047)	-	-	-	-	(15,046)	-	-
Adjustment to correct the distribution of the payment of the U-500 all-risk policy premium - 2014 (2)		8	-	(3,476)	-	-	-	(3,467)	-	-
Change in policy for recognition and measurement of the provision for severance benefits (3)		-	-	-	-	3,285	31	(6,361)	-	(215)
Realization of remaining surplus (prior to 2001) (4)		-	-	-	-	-	-	-	14	(14)
Reversal of deferred income from gain on sale of assets (4)		-	-	-	64	-	-	-	-	(64)
Increase in the allowance for doubtful accounts due to insufficiency (4)		-	(830)	-	-	-	-	-	-	(830)
Total effect of adjustments for changes in accounting policies and for corrections in 2014		8	(15,877)	(3,476)	64	3,285	31	(24,874)	14	(1,122)
Subtotal adjustments		8	(16,669)	(3,476)	(217)	145,645	243	(163,774)	(298)	(1,735)
Balances as of December 31, 2014, adjusted	¢	578,514	149,684	103,047	18,379	157,475	10,932	1,499,000	1,201,182	68,782

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

		Operation and maintenance (note 29)	Operation and maintenance of equipment under operating leases (note 30)	Production management	Administrative expenses (note 32)	Marketing expenses (note 33)	Preliminary studies (note 35)	Preinvestment studies (note 34)	Other operating expenses (note 36)	Non-controlling interest	Deficit, net
Balances as of December 31, 2014, previously reported	¢	279,199	144,200	72,041	92,982	260,353	23,073	5,769	2,951	22	(83,261)
Accumulated effect due to changes in accounting policies and adjustments for corrections prior to 2014:											
Adjustment to allowance for doubtful accounts due to balance aging (1)		-	-	-	-	15,046	-	-	-	-	(15,046)
Adjustment to correct the distribution of the payment of the U-500 all-risk policy premium - 2014 (2)		2,973	494	-	-	-	-	-	-	-	(3,467)
Change in policy for recognition and measurement of the provision for severance benefits (3)		1,335	205	730	1,518	659	162	6	5	18	(4,602)
Total effect of adjustments for changes in accounting policies and for corrections prior to 2014		4,308	699	730	1,518	15,705	162	6	5	18	(23,115)
Subtotal adjustments		4,308	699	730	1,518	15,705	162	6	5	18	(23,115)
Balances as of December 31, 2014, adjusted	¢	283,507	144,899	72,771	94,500	276,058	23,235	5,775	2,956	40	(106,376)

(Continued)

(1) Adjustment to the allowance for doubtful accounts due to balance aging

This adjustment was made to increase the allowance for doubtful accounts due to insufficient collection of the client portfolio, since, due to an error, no periodic review had been performed to ensure coverage of the potential uncollectibility despite the fact that information and trustworthy variables were available to book the allowance for doubtful accounts.

(2) Adjustment to correct the amortization of the payment of the U-500 all-risk policy premium

This adjustment was made to correct the amortization of the prepaid expense for payment of the premium on the U-500 all-risk policy for the 2014-2016 period. Due to an error, it was booked based on the payments made without considering the installments to complete the policy amount, deferrable over 24 months starting from its booking in 2014.

(3) Change in the recognition and measurement of the provision for severance benefits

This adjustment was made due to the change in the accounting policy to recognize and measure the provision for severance benefits. The new accounting policy considers relevant factors to determine ICE's obligation toward its employees for severance benefits, including: retirement age, salary increases, and current value of future payments (see new accounting policy in note 3(h)). The former accounting policy considered the realization of a provision for severance benefits equivalent to 3.50% of permanent employees' salaries.

(4) Other adjustments

ICE Group's other retrospective adjustments are as follows:

- Adjustment of realization of surplus from periods prior to 2001.
- Adjustment to correct the difference between the accounting balance and the subledger of accounts due from clients associated with income not recognized in prior periods.
- Adjustment for reversal of deferred income from gain on the sale of assets.
- Adjustment for increase in the allowance for doubtful accounts due to insufficiency determined in the recalculation.

(Continued)

(In millions of colones)

Note 27. Memoranda accounts

		As of 2015	2014
Guarantees received:			
Performance bonds (1)	¢	277,835	274,606
Collection agentes (2)		3,597	3,289
Bid bonds (3)		4,362	2,777
Tenders		8	8
Guaranty deposits		211	292
Subtotal		286,013	280,972
Other guarantees received - Sundry services		1,072	827
Credit memoranda accounts - Other - Surety		1,461	1,374
Contingent assets:			
Savings and loan fund		29,701	29,066
CNFL Employees Association (ASEFYL)		13,786	13,898
Performance bonds - procurement		5,475	7,792
Materials in transit		59	374
Materials loan		1,002	926
Employee guarantees		114	127
Materials loan		213	187
Rental of posts		141	141
Performance bonds - labor		165	95
Guaranty deposits (electricity consumption)		264	138
ICE easement - Cote Plant		7	7
Valle Central Wind Power Plant		78	79
Subtotal		51,005	52,830
Contingent liabilities:			
Payment arrangement - financing of appliances		28	22
Total ICE Group	¢	**339,579**	**336,025**

(Continued)

(1) Performance bonds

Performance bonds correspond to bonds issued to guarantee that the goods and services offered by a supplier will be delivered or rendered to ICE in accordance with the agreed terms and that, in the event of noncompliance, ICE will be compensated. The main bonds are as follows:

ICE-JASEC surety

ICE and JASEC subscribed a business partnership agreement for the joint construction of the Toro 3 Hydroelectric Power Project. For this purpose, in a meeting held on April 26, 2010, the Board of Directors of ICE authorized the provision of the joint and several surety bond to JASEC for a maximum amount of US$30 (in millions), plus interest derived from the investment's principal until maturity.

On February 22, 2012, the Board of Directors of ICE unanimously authorized the provision of the joint and several surety bond to the Toro 3 Hydroelectric Power Project Trust for a maximum amount of US$180 (in millions), plus finance charges derived therefrom until settlement (maximum term of 3 years).

On October 28, 2013, the principal and interest related to the loan granted for the Toro 3 trust were paid-off, releasing ICE's surety related thereto.

(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

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.

(Continued)

Note 28. <u>Income from services</u>

Regulation on Electricity Services

Law No. 7593 "Law on the Costa Rican Public Service Regulatory Authority (ARESEP)" of August 9, 1996 establishes that "the Regulatory Authority will set prices and rates, and enforce compliance with standards of quality, quantity, reliability, continuity, timeliness, and optimum rendering of public services", specifically with respect to the generation, transmission, distribution, and sale of electric power.

On March 19, 2012, through Decision RJD-017-2012 published in Official Gazette No. 74 dated April 17, 2012, the Regulatory Committee published the methodology to the extraordinary adjustment of electricity rates related to fuel expenses, based on the CVC methodology. ARESEP applied this methodology since January 1, 2013.

This methodology allows for a faster recovery of the difference between the estimated and actual prices of fuels for thermal power generation because such methodology involves a quarterly review in order to perform the necessary adjustments to the rate schedules to be applied in the following quarter.

Regulation on Telecom Services

Article 50, "Prices and rates", of Law No. 8642 "General Telecommunications Law" dated May 14, 2008 states that "rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations."

Through Decision No. RSC-295-2012, SUTEL authorizes operators to modify the modality under which prepaid mobile internet data transfer services are charged. Also, as published in Official Gazette dated April 25, 2013, SUTEL excluded information services (multimedia messaging, text messaging, and video calling) from the current rate schedule, granting operators legal authority to review and adjust the rates applicable to such services.

(Continued)

(In millions of colones)

Note 29. Operation and maintenance costs

Operation and maintenance costs include among others costs related to fuel consumption to generate power by owned or leased plants, as follows:

		For the year ended on december 31, 2015	2014
Thermic plant:			
Garabito	¢	15,495	63,452
Moín II		3,170	18,875
Moin III		2,719	16,432
Moín I		554	3,573
Pujol - Pococi Plant		486	3,297
Pujol - Orotina Plant		374	2,590
Others		250	795
Total ICE Group	**¢**	**23,048**	**109,014**

Fuel expenses in 2015 decreased with respect to 2014 mainly due to favorable weather conditions for electricity generation from renewable energy sources. During the summer season, rainfalls occurred as a result of "El Niño" (a recurring weather pattern that entails changes in the temperature of water in the Central and Eastern Pacific region). This situation maintained dams at their maximum levels for hydroelectric power generation. More wind power was also generated due to strong winds occurring during the period, in addition to the contribution of the geothermal park. All of the above resulted in the generation of 220 days of clean energy.

Through Decision RIE-034-2014 dated June 27, 2014, ARESEP approved the recognition of the rate adjustments related to the difference between estimated and actual fuel expenses corresponding to February, March, and April in the amount of ¢37,167.

ARESEP upheld ICE's request for quarterly recognition of ¢16,360 and ¢7,916 in the third and fourth quarters of 2014, respectively, and the remaining to be recognized quarterly in equal amounts in 2015. Based on such decision, as of December 31, 2014, ICE books the balance pending recovery through the rate adjustment as assets under "Prepaid expenses" in the amount of ¢12,891 (see note 12 (3)).

(Continued)

(In millions of colones)

Note 30. Operation and maintenance costs of leased equipment

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

		For the period ended on December 31,	
		2015	**2014** *(Restated)**
ICE Group:			
Thermic generation	¢	50,143	97,149
Hydraulic generation		24,908	26,757
Geothermal generation		10,673	9,305
Substations		6,558	6,721
Transmission lines		3,215	3,192
Telecommunications rented		3,452	3,637
Sub total ICE Group		**98,949**	**146,761**
**Elimination of institutional services		1,880	1,862
Total ICE Group	¢	**97,069**	**144,899**

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

* See note 26

In 2015, costs for the operating leases of the plants mentioned above amount to ¢70,719 (2014: ¢68,905), as follows:

The lease agreements for telecommunications equipment, transmission equipment and power plants, excluding agreements that comply with the policy on operating assets and other operating assets under finance 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 December 31, 2015**	**Paid in 2015**	**No. of installments**	**Amount of installment**	**Purchase option**		**Expense in 2015**	**Expense in 2014**	**Frequency**	**Subject of the agreement**
ICE Group																	
1691	Peñas Blancas Securitization Trust (1)	16-Aug-00	31-Jan-08	1-Jul-15	US$	119	119	-	4	155	Between US$875 and US$725 (in thousands)	19	¢	2254	4,233	Monthly	Electricity infrastructure
Sin orden	Cariblanco Securitization Trust (1)	16-Aug-00	29-Feb-08	31-Dec-19		304	205	99	25	147	US$2	8		13,450	12,646	Monthly	Lease for Cariblanco Hydroelectric Power Plant
Sin orden	Garabito Thermal Project Trust (1)	5-Nov-07	1-Jul-10	31-Mar-22		743	345	397	63	142	US$5	213		32,990	31,712	Monthly	Lease for Garabito Thermal Power Plant
333059	Las Pailas Geothermal Power Plant (2)	7-Mar-07	28-Mar-12	31-Dec-23		240	70	171	19	24	US$8	-		10,263	8,793	Half-yearly	Lease for Las Pailas Geothermal Power Plant
351643	Administrative Board of Cartago's Electricity Service (JASEC) (3)	14-Apr-10	4-Dec-13	14-Apr-22		25	6	19	2	20	Between US$1,637 and US$854 (in thousands)	-		921	901	Half-yearly	Infrastructure for Tejar Step-down Substation/Easements and expansion tower sites for Río Macho Transmission Line
Sin orden	Toro 3 Power Plant Trust (1) and (4)	1-Jul-13	30-Jun-13	30-Nov-24		131	25	106	9	142	US$1	-		5,106	4,766	Monthly	Lease for Toro 3 Power Plant
343012	Huawei Technologies Consortium	10-Feb-09	25-Feb-10	26-Mar-15		233	233	-	-	20	First phase: US$8; second phase: US$4 (in thousands)	23		-	108	Quarterly	3G wireless system
Subtotal - Operating leases - U.S. dollars					**US$**	**1,795**	**1,003**	**792**	**122**				**¢**	**64,984**	**63,159**		
						In millions of colones											
General features of the agreement																	
ICE Group																	
350702	Cooperativa de Electrificación Rural Guanacaste (5)	16-Feb-10	6-Apr-10	6-Sep-21	¢	87,848	34,953	52,895	5,735	138	Variable between ¢617 and ¢473	Approximately ¢3,541	¢	5,735	5,746	Monthly	Infrastructure for electricity transmission line Liberia, Papagayo - Nuevo Colón
Subtotal - Operating leases - colones					**¢**	**87,848**	**34,953**	**52,895**	**5,735**				**¢**	**5,735**	**5,746**		
Total - Operating leases - ICE Group													**¢**	**70,719**	**68,905**		

The main operating lease agreements held by ICE Group are described as follows:

(1) Securitization Trusts

ICE, BCR, and Banco Nacional de Costa Rica subscribed Securitization Trust agreements whereby ICE acts as the trustor and beneficiary and the corresponding Banks are named as the trustees. The purpose of the agreements is the independent generation and management of the necessary financial resources to build the Peñas Blancas, Cariblanco, and Toro 3 Hydroelectric Power Plants, and the Garabito Thermal Power Project.

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization. Currently, the trusts are authorized to issue public debt and have liabilities booked therefor in their financial statements as of December 31, 2015 and 2014.

The trusts contract ICE to build the aforementioned plants given its experience in the development of this type of projects. In their capacity as 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 will be comprised of the following:

  a) The liquid assets generated by the trusts from the issue and placement of debt securities.

  b) The trustor's movable property and tangible and intangibles assets (deemed essential to the agreement's purposes) transferred in trust; civil works; equipment; facilities; repair shops; vehicles; equipment and materials; office and computer equipment (including software, licenses, and other assets acquired with trust funds to develop the projects and operate and provide maintenance to the plants); rights to use the land owned by the trustor required to develop the projects; and all written information and studies conducted for and during the development of works managed by the trusts.

c) The agreed-upon income from the lease of power plants.
d) Any other income obtained by the trusts in the normal course of business.

- Trust assets may only be used by the trustee as expressly stipulated in the trust agreements and according to the instructions of the trustor. The trustee's power to dispose of the trust assets and the trustor's power to issue instructions concerning such assets is limited to actions that are strictly necessary to comply with the trust agreement's purpose.

- The trust's financial policy will be to allocate the resources obtained from the securitization process and temporary investments to construction of the projects, debt servicing, and covering the trust's operating costs. Upon compliance with such obligations, all of the trust assets will become the property of the trustor ipso jure.

- The trustor will appoint the Manager of the Executing Unit, who must be accepted by the trustee (the Manager's hierarchical superior), with all the corresponding rights and responsibilities.

- The trustor and trustee agree that ICE will be contracted by the trust through a construction and engineering agreement to undertake construction of the projects.

- Upon expiration of the trust agreements, all of the trust assets, without exception, delay, or condition, will be automatically transferred ipso jure to the trustor, who will become the legitimate owner.

- The Peñas Blancas trust is for a term of 20 years and the Cariblanco, Garabito, and Toro 3 trusts are for terms of 30 years.

Option to purchase of the Peñas Blancas lease

On June 30, 2015, the option to purchase established in the lease agreement subscribed by ICE and Banco Nacional de Costa Rica was exercised in the amount of US$19 (in millions). The amount was paid in July 2015, corresponding to the acquisition of the Peñas Blancas Hydroelectric Power Plant.

(2) Las Pailas Geothermal Power Plant

In December 2006, ICE's Board of Directors approved the development of the Las Pailas Geothermal Power Project under a "non-traditional" execution-financing structure, whereby ICE acts as the builder and CABEI as the investor, developer, and owner.

Subsequently, ICE, as the lessee, will be responsible for technical and commercial operation of the infrastructure for a 12-year term, at the end of which ICE may exercise a purchase option for the plant.

In March 2007, ICE and CABEI subscribed a lease agreement with an option to purchase the Las Pailas Geothermal Power Plant. The main clauses of the lease agreement are summarized below:

- The lease will be for a term of 12 years with an option to purchase the Las Pailas Geothermal Power Plant, starting from the date of satisfactory receipt of the plant by ICE.

- The total amount of the lease is US$240 (in millions), including lease installments and maintenance fees.

- At the end of the lease term, the amount of the purchase option will be equivalent to 15% of the total cumulative investment made at the end of the construction phase.

- CABEI will make an investment of up to US$130 (in millions) in construction of the plant.

- CABEI agrees that ICE will carry out construction of the entire plant and its interconnection to the National Interconnected System. The total cumulative investment at the end of the construction phase will have been made in U.S. dollars, comprised of the following:

  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 agrees to lease the plant and act as the "lessee". ICE 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 elect not to exercise the purchase option, the parties may agree to extend the lease agreement for up to 6 years, which will require an extension to the agreement. ICE may exercise the purchase option prior to expiration of the agreement for an amount equivalent to CABEI's investment not yet recovered.

(3) Tejar Step-down Substation - JASEC

In April 2010, ICE and JASEC subscribed a lease agreement with an option to purchase the Tejar Step-down Substation as well as easements and sites for towers for the expansion of the Rio Macho del Este transmission line to 230 kW. ICE acts as the lessee and JASEC as the lessor. The works are located in the district of San Isidro, El Guarco Canton, Cartago.

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

(4) Toro 3 Hydroelectric Power Project

ICE and JASEC subscribed a partnership agreement for the joint development of the Toro 3 Hydroelectric Power Project, whereby BCR acts as the trustee and ICE and JASEC as trustors.

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

The partnership agreement subscribed by those entities involves equal participation in respect of rights and obligations and benefits derived from the construction and commercial exploitation of the Toro 3 Hydroelectric Power Project over its useful life. Both entities will participate in the development of the Project, with an ownership interest of fifty percent (50%).

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

On February 16, 2010, ICE and Cooperativa de Electrificación Rural de Guanacaste, R.L. (Coopeguanacaste) subscribed a lease agreement with an option to purchase the infrastructure of the power transmission Liberia-Papagayo-Nuevo Colón. ICE acts as lessee and Coopeguanacaste as lessor. The term of the agreement is 137 months and monthly lease payments are as follows:

- Monthly payments in colones that the lessor must make to its creditors (BCR and Banco Popular y de Desarrollo Comunal as a result of the loans granted to Coopeguanacaste), and

- Amounts payable by the lessor for monthly infrastructure maintenance costs.

(In millions of colones)

Note 31. Supplemental services and purchases

Supplemental services and purchases are as follows:

		For the year ended on December 31,	
		2015	2014
Telecommunications:			
National traffic operators	¢	21,188	19,561
Telephone participation		5,990	10,416
Others		3,588	2,803
Total Telecommunications		**30,766**	**32,780**
Electricity:			
Import:			
Regional Operating Entity (EOR)		31,019	4,695
San Diego S.A		1,796	-
Poliwatt		256	1,357
Mercado Eléctrico de El Salvador		27	2,222
Others		364	2,732
Subtotal import		**33,462**	**11,006**
Cogenerators:			
Consorcio Eólico Chiripa S.A. (Contrato B.O.T)		10,589	3,211
Unión Fenosa Generadora La Joya S.A. (Contrato B.O.T)		9,069	8,345
Unión Fenosa Generadora Torito S.A. (Contrato B.O.T)		7,708	-
Planta Eólica Guanacaste, S.A. (Contrato B.O.T)		7,605	8,562
Hidroenergía Del General (HDG), S.R.L. (Contrato B.O.T)		6,643	7,360
Hidroeléctrica Doña Julia S.A.		4,080	3,751
Hidroeléctrica Platanar, S.A.		2,876	2,669
Proyecto Hidroeléctrico Río Volcán, S.A.		2,818	2,231
Plantas Eólicas, S.A.		2,596	3,171
Molinos de Viento Del Arenal, S.A.		2,557	2,934
Proyecto Hidroeléctrico Pedro, S.A.		2,511	1,806
Planta Eólica Tilawind S.A.		2,248	-
Hidroeléctrica Río Lajas, S.A.		1,874	1,754
Hidroeléctrica Aguas Zarcas, S.A.		1,789	1,833
Azucares el Viejo S.A		1,615	2,269
Planta Eólica Orosi Dos, S.A. (Contrato B.O.T)		1,577	-
Geoenergía de Guanacaste Ltda.		1,439	8,311
Ingenio Taboga, S.A.		1,407	1,813
Others		6,420	5,727
Subtotal cogenerators		**77,421**	**65,747**
Purchases for export:			
Regional Operating Entity (EOR)		11,123	10,200
Total Electricity		**122,006**	**86,953**
Total ICE Group	¢	**152,772**	**119,733**

(Continued)

(1) <u>Independent power producers</u>

ICE executed agreements with several independent power producers for the purchase of electric power pursuant to Law No. 7200 "Law Authorizing the Autonomous or Parallel Generation of Electricity", which declares the purchase of electricity by ICE from private companies that meet the conditions established in that Law to be a matter of public interest. This Law provides for two systems or chapters: Chapter I, "Autonomous or Parallel Generation", and Chapter II, "Purchase of Power under the Competition System", which give rise to BOO (Build, Own and Operate) and BOT (Build, Operate, and Transfer) agreements, respectively.

As of December 31, 2015, ICE has subscribed six power purchase agreements under Chapter II that correspond to BOT (Built, Operate, and Transfer) agreements with the following independent power producers: 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., and Eólicas de Orosí Dos, S.A. Additionally, the Chucás and Capulín Hydroelectric Power Projects are 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. At the end of the term of those agreements, the ownership, management, and operation of the plants will be automatically transferred to ICE, free of any liens and encumbrances. The corresponding independent power producers or ICE may request the early transfer of the power plants.

Some of the most significant terms and conditions established in the aforementioned agreements are as follows:

- The independent power producers will be responsible for the financing, design, purchase of supplies, construction, tests, start-up of operations, and maintenance of the plants. The independent power producers also agree to deliver all the power generated during the term of the agreement subscribed with ICE.

- The independent power producers will generate electric power in accordance with the operating quality and standards established in each agreement and will deliver all the power generated to ICE, except for the power required to feed the auxiliary equipment and operate the plants, in accordance with the agreements.

- The independent power producers assume the risks of damages to, loss, or destruction of equipment and facilities during the term of the agreements due to any reason or cause that is directly attributable to the independent power producer, its contractors, subcontractors, or suppliers, excluding force majeure.

- The purchase price for electricity generated is established in each agreement based on the bid price and the price awarded in the corresponding tender processes. The agreements include formulas for price adjustments corresponding to inflation rates that are applied to operating and maintenance costs.

Once the plants launch commercial operations, the independent power producers must obtain and maintain, at their own expense, a minimum of the following insurance policies, based on market availability: occupational hazard and all-risk insurance for physical loss.

ICE may suspend the delivery of energy from the independent power producers and shall be released from payment for power during the suspension period for the following reasons:

- Alteration of meters;
- Noncompliance in relation to a condition at the point of delivery that is the responsibility of the independent power producer;
- The inability of the independent power producer to supply power in accordance with the stipulated operating parameters;
- Failure to renew performance bonds;
- Failure to renew insurance policies.

The current agreements are in effect for terms that range between 15 and 20 years and expire between September 2016 and October 2033.

For independent power producers who have subscribed agreements under Chapter I of Law No. 7200, the following three types of agreements are in effect:

- Class A: Applicable to hydroelectric power plants with a power output of less than 5 MW;
- Class B: Applicable to hydroelectric power plants with a power output greater than 5 MW; and
- Class C: applicable to wind power generation plants.

The general terms of these agreements establish that, during the life of the agreement, ICE will purchase any surplus electric power that the independent power producer may supply once its own energy needs are met, up to the maximum power output agreed. The independent power producer commits to operate the plant so that the power output delivered to ICE at the point of measurement does not exceed the power output agreed. ICE will not make any payments for the power delivered by the independent power producer exceeding of the maximum power output agreed. Electricity received in light of these agreements is paid at the rates in effect set by ARESEP upon delivery.

Since enactment of Law No. 7200 in 1990, ICE subscribed agreements in accordance with Chapter I of that Law. Starting 2009, after the expiration of the agreements subscribed in the 1990s, for which the maximum maturity terms were 15 years, ICE renewed such agreements for the remaining term of the concession agreements (20 years). Currently, agreements are being renewed when companies are awarded concessions to use water for hydroelectric power generation and concessions awarded by ARESEP to offer public electric power generation services. Currently, agreements are subscribed with 24 companies, i.e. three wind power, two sugar refinery, and 19 hydroelectric power agreements.

Additionally, starting in 2012, once the rates for new plants were published by ARESEP and the new regulations to Chapter I of Law No. 7200 were also published, ICE started the process of selection of projects for which new agreements were to be signed. Through Meeting No. 01-2012 published in June 2012, five wind and six hydroelectric power projects were selected, of which only one agreement was signed with the wind power project known as Tilawind in Tilarán. This project started-up operations in the first quarter of 2015.

Meeting No. 02-214 was published in February 2014, and its result was confirmed on August 29 once general management rejected the appeal filed by one of the participants. Through this second meeting, 2 wind and 4 hydroelectric power projects were selected, of which one refused the selection. In December 2015, the Vientos del Este Wind Power Plant begins operations and generates 9 MW.

<u>Rate adjustments for private generation plants</u>

Ruling RIE 037-2015 dated March 27, 2015 was published in the Official Gazette on April 8, 2015, whereby ARESEP authorizes a rate adjustment for existing private generation plants that sell power to ICE generated with hydroelectric and wind power sources under Law No. 7200. This adjustment is equivalent to a 3.4% increase compared to the prior rate.

(Continued)

Ruling RIE 107-2015 dated October 23, 2015 was published in the Official Gazette on October 30, 2015, whereby ARESEP authorizes an adjustment to recognize to ICE (Generation Business Unit) an amount of ¢24,393 to cover the difference in purchases from private independent power producers in the 2015 period. The amount is expected to be recovered through a rate during the period between January 1 and December 31, 2016 (see note 2 (e)(*ii*) and note 12 (1)).

Ruling RIE 124-2015 dated December 11, 2015 was published in the Official Gazette on December 16, 2015, which authorizes a rate setting for the company Hidroeléctrica Platanar, S.A. and the rest of existing private independent power producers pursuant to the "*Rate setting methodology for private independent power producers (Law No. 7200) that subscribe new electricity purchase agreements with ICE*".

<u>*Transfer of the Geoenergía de Guanacaste Ltda. Hydroelectric Power Plant to ICE*</u>

On March 25, 2015, the Miravalles 3 Geothermal Power Plant was transferred to ICE. The plant operated under a BOT agreement for a 15-year term, since the start of operations by Geoenergía de Guanacaste Ltda.

The purchase of energy from private independent power producers under Law No. 7200 increased mainly due to favorable weather conditions for hydroelectric power generation and to more wind power generation caused by strong winds occurring in the period. Additionally, in ruling RIE-107-2015 dated October 23, 2015, ARESEP approved a rate adjustment in favor of ICE to recognize expenses for the purchase of energy from private independent power producers (see note 12(1)).

(In millions of colones)

Note 32. Administrative expenses

Administrative expenses are as follows:

		For the year ended December 31,	
		2015	**2014**
ICE Group:			
Salaries	¢	64,392	61,331
Services		15,134	15,109
Use of service centers		8,506	3,125
Current transfers		2,051	1,728
Depreciation of other operating assets		1,914	2,286
Others		13,687	11,246
Subtotal ICE Group		**105,684**	**94,825**
* Elimination of Government services		347	325
Total ICE Group	¢	**105,337**	**94,500**

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

(In millions of colones)

Note 33. Marketing expenses

Marketing expenses are as follows:

		For the year ended December 31, 2015	2014 *(Restated) **
ICE Group:			
Salaries	¢	74,043	69,690
Materials and supplies		70,233	63,764
Services		55,041	54,808
Use of service centers		46,580	41,458
Current transfers		8,454	9,314
Depreciation of other operating assets		4,463	4,111
Others		30,349	34,511
Subtotal ICE Group		**289,164**	**277,656**
* Elimination of institutional services		2,635	1,598
Total ICE Group	¢	**286,529**	**276,058**

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

(*) See note 26.

(In millions of colones)

Note 34. Preinvestment studies

Costs incurred for preinvestment studies are as follows:

		For the year ended December 31, 2015	2014 *(Restated)* *
ICE Group:			
Los Llanos (1)	¢	3,934	-
Ayil Hydroelectric Project (2)		557	4,007
Savegre		151	782
Tejona II Hydroelectric Proyect		-	124
Other		275	862
Total ICE Group	**¢**	**4,917**	**5,775**

* See note 26.

(1) Los Llanos

The Los Llanos Hydroelectric Power Project is located on the Naranjo River basin. If the project's feasibility is approved, this project contemplates the addition of the waters of Brujo River to increase the power output to 126 MW, provided that environmental issues under analysis are surpassed.

(6) Ayil Hydroelectric Power Project

An agreement was subscribed with the indigenous communities in respect of the Ayil Hydroelectric Power Project, which will be located in the Cabécar indigenous territory in Bajo Chirripó, Matina, Limón, whereby a term of 3 years is granted to perform project studies related to pioneer roads that require the construction of several bridges.

(In millions of colones)

Note 35. Preliminary studies

Preliminary studies are as follows:

		For the year ended December 31, 2015	2014 *(Restated)* *
ICE Group:			
Salaries	¢	13,119	12,147
Service centers		8,630	7,611
Services		929	864
Current transfers		699	559
Depreciation		354	411
Materials and supplies		197	207
Other		1,947	1,576
Subtotal ICE Group		**25,875**	**23,375**
** Elimination of Government services		171	140
Total ICE Group	**¢**	**25,704**	**23,235**

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

(*) See note 26.

(In millions of colones)

Note 36. Other operating expenses

Other expenses incurred by ICE to ensure the quality of the construction and operation of works owned by third parties are recognized as "Other operating expenses". Additionally, this item includes subsequent mitigation and social compensation costs that exceed the amounts established in the Environmental Management Plan and were not included in the "Baseline" planned and controlled by ICE Group. Other operating expenses are as follows:

		For the year ended December 31, 2015	2014 *(Restated)* *
ICE Group:			
Project Support Center (CAP)	¢	4,634	-
International markets		634	-
Chucas Hydroelectric Project		606	376
Advance mobile services		519	580
Research and development		481	-
Underground exploitation		481	-
Design		481	-
Construction		481	-
Advanced Connectivity Fiber Optic (FOCA)		466	-
Orosi Wind Project		461	469
Torito Hydroelectric Project		294	485
Chapulín Hydroelectric Project		237	-
Other		1,234	1,046
Total ICE Group	¢	**11,009**	**2,956**

(*) See note 26.

(In millions of colones)

Note 37. <u>Other expenses and other income</u>

Other expenses and other income are as follows:

Other income		For the year ended December 31, 2015	2014
ICE Group:			
Construction services (1)	¢	50,415	300,539
Interest and other finance income (2)		32,695	24,539
Foreign exchange differences (3)		21,038	24,030
Investments in other companies		326	628
Other income (4)		41,503	35,929
Total ICE Group	¢	**145,977**	**385,665**

Other expenses		For the year ended December 31, 2015	2014
ICE Group:			
Interest and other finance expenses (5)	¢	110,426	95,111
Agreements for civil and electromechanical works (1)		52,577	301,131
Foreign exchange differences (3)		5,103	151,577
Other expenses		11,119	25,998
Total ICE Group	¢	**179,225**	**573,817**

The main transactions are as follows:

(1) This item includes invoices for percentage of completion or completed works related to agreements subscribed for engineering, design, construction, or other specialized services provided to ICE by third parties for projects under construction, such as the Reventazón Hydroelectric Power Project. The costs related to these construction agreements are booked under “Agreements for civil and electromechanical works”.

(2) Interest includes income on external sector securities.

(3) As a result of foreign currency transactions, during the year ended December 31, 2015, a valuation is performed of assets and liabilities denominated in foreign currency that gives rise to the recognition of foreign exchange income and expenses in the amount of ¢21,038 and ¢5,103 (2014: ¢24,030 and ¢151,577), respectively. Monetary assets and liabilities denominated in foreign currency are valued at the exchange rate of ¢537.81 (2014: ¢542.22).

(4) During the year ended December 31, 2015, ICE Group recognized gains on the following items:

- collection of administrative penalties in the amount of ¢5,212
- third-party power plant leasing and maintenance in the net amount of ¢2,057
- absorption of guarantee deposits received from inactive clients in the amount of ¢2,883
- ICE-ALCATEL litigation compensation in the amount of ¢4,239.

(5) During the year ended December 31, 2015, ICE Group recognized finance expenses mainly corresponding to interest on bank obligations and loans and fees and commissions on management of derivative financial instruments in the amount of ¢110,426 (2014: ¢95,111).

Note 38. Tax regulations

(a) Tax obligations

ICE Group is subject to tax obligations governed by the Income Tax Law (Law No. 7092) and regulations thereto, the Regulations to the Income Tax Law and amendments thereto, the General Sales Tax Law (Law No. 6826) and amendments thereto, the Regulations to the General Sales Tax Law and amendments thereto, the General Customs Law and regulations and amendments thereto, the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8660), and the General Telecommunications Law (Law No. 8642).

(b) Income Tax

As a for-profit entity that obtains income from its activities, ICE is subject to payment of income tax. Article 17 of Executive Order No. 449 to create ICE states that "ICE's financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry."

In addition, Law No. 7722 entitled "Government Institutions Subject to Payment of Income Tax" stipulates that "excess of income over expenses constitute taxable income and shall be calculated as gross income less costs, productive expenditures, and investment reserves or development funds that are necessary and relevant to production of that income."

Given that ICE must reinvest the total net profit it obtains, no taxable income is produced and, therefore, it has no income tax liability. However, the Costa Rican Internal Revenue Service normally imposes income tax withholdings that are subsequently applied as a credit to the sales tax liability.

According to the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8660), ICE and its subsidiaries will be subject to payment of income and sales tax, excluding income tax on the delivery of traditional basic telephone services, when they begin to act as operators or providers of telecom and electricity services and products in competitive local markets. The other exemptions granted through Executive Order No. 449 of April 8, 1949 and any other exemptions granted by the legal system will remain in effect (see note 42).

ICE Group's subsidiaries are subject to payment of income tax pursuant to Law No. 7722, which specifically lists State-owned institutions subject to such tax. In accordance with an executive decree published in Official Gazette No. 185 dated September 23, 1999 and Law No.7722, income or benefits generated by entities from services provided and their economic and financial activities are to be included, whether exempt or not, under the provisions of prior laws.

Only the costs, expenses, investment reserves, and development funds that are necessary and relevant to production of that income are deductible.

For the subsidiaries, income tax includes current tax. Income tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rate in effect at the cut-off date. As of December 31, 2015 and 2014, deferred tax in respect of temporary differences is adjusted in ICE Group's consolidated financial statements due to the alignment of the subsidiaries' accounting policies with those of ICE Group.

(Continued)

(c) General sales tax

ICE Group also pays general sales tax pursuant to the General Sales Tax Law (Law No. 6826). This is a value-added tax on the sale of merchandise and certain services. For the sale of energy for residential electricity consumption, the tax rate is 5% on amounts consumed in excess of 250 kW per month versus 13% for commercial consumption and the provision of telecom services.

Because it is a value-added tax, ICE pays sales tax on the merchandise and services required to develop its economic activity. Pursuant to article 14 of the General Sales Tax Law, sales tax paid on merchandise and inputs that are used to produce energy and telecom services can be applied as a credit to the sales tax liability for the period.

(d) Special quasi-fiscal tax paid by telecom operators and providers to FONATEL (General Telecommunications Law No. 8642)

Article 39 of the General Telecommunications Law (Law No. 8642) creates a quasi-fiscal tax to finance the Fondo Nacional de Telecomunicaciones [National Telecommunications Fund] (FONATEL) to ensure compliance with the principles of universal access, universal service, and cooperation. Such quasi-fiscal tax is to be levied on gross income directly earned by operators of public telecom networks and providers of public telecom services who generate the taxable event by performing the aforementioned activities and receiving the specific benefit from State activities.

This tax is defined in an affidavit issued for periods of one calendar year. The affidavit must be filed by March 15 of each year and the tax is paid in four equal installments on the 15th day of March, June, September, and December of each year following the corresponding tax year-end.

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3% and the definition of the final rate will be based on SUTEL's estimates of the income and costs of the projects to be executed in the following budget year. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period will be used.

(Continued)

(e) Red Tax on Mobile and Conventional Telephony Services to Finance the Costa Rican Red Cross (Law No. 8690)

This tax was created by Law No. 8690. The Red Tax corresponds to 1% of billings for telephone services starting at ¢5,000 in colones, not to exceed ¢500 in colones per telephone line. The tax will be adjusted in January of each year based on the national inflation rate determined by BCCR.

(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 taxes

According to customs legislation, the customs tax obligation consists of customs duties and internal charges, and must be paid in full in order for goods to clear customs. The tariff on imports (known by the Spanish acronym "DAI") constitutes an ad valorem tax, which is set based on the established customs classification and coding system. Internal charges include the excise tax (rate based on the merchandise), the tax corresponding to Tax Law No. 6946 (1%), general sales tax (13%), and other specific taxes for the Agrarian Development Institute (IDA), the Institute for Municipal Development and Technical Assistance (IFAM), and the Golfito Duty Free Zone, among others. ICE must pay customs duties on imports based on the type of merchandise and specific exemptions in order for them to clear customs.

(h) Other obligations

ICE Group is also an income tax withholding agent in accordance with the Income Tax Law. In this role, taxes are withheld from the taxpayer and ICE holds joint and several liability. Among its responsibilities as a withholding agent, ICE must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

(Continued)

- Wages, non-salary payments, compensation for personal services, and per diem allowances.
- Remittances or credits paid to non-domiciled individuals or entities for services such as transportation, communications, technical-financial advisory services, personal services, and other services, based on the rates and categories defined in articles 55 and 59 of the Income Tax Law.

Note 39. <u>Financial risk management</u>

ICE Group is exposed to the following risks from financial instruments: credit risk (risk of economic loss derived from payment default by customers or counterparties), liquidity risk (entity's 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, credit risk is regulated by the Investment Committee through a rigorous analysis of the issuers and of CAMELS ratings; liquidity risk is managed by controlling treasury cash flows for the Telecom and Electricity segments; and market risk is hedged with financial derivatives. As a result, risk exposure is controlled through the Investment Committee.

ICE Group's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE's Electricity and Telecom segments. This is the body to which the Financial Corporate 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, and risk levels for the portfolio composition.

The Investment Committee approves the Investment Strategy document (which is reviewed on a yearly basis) and the Management Limits document for ICE's investment portfolios (which is reviewed as determined by the Committee). It also has the Financial Investment Policy Manual and the procedure for making international investments, which seeks greater and better diversification of temporary investments. Additionally, the risk level is monitored through Value at Risk (VaR) indicators, duration, modified duration, concentration indicators, credit risk indicators, liquidity, etc. Stress testing and back testing are used to measure the efficacy of the model used.

Pursuant to the Risk Committee's Internal Regulations, the coordination of ICE Group's Risk Committee is transferred to the Executive Office of the President, since the General Management disappears.

The Corporate Policy for Financial Risk and Financial Hedging Management, effective since 2011, was updated in January 2016.

The purpose of the 2016 update 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 investment.

Each year, the Financial Corporate Division develops a financial risk map for ICE together with other ICE departments and management of the subsidiaries and follows-up on controls and action plans on an annual basis.

Additionally, the Financial Corporate Division has made efforts to determine action plans and goals to meet the 2013-2021 financial plan and strategy. Accordingly, this Division submits management reports to senior management.

(a) Credit risk

Credit risk represents the potential loss due to failure of a customer or counterparty to comply with the contractual terms of operations, mainly cash, cash equivalents, receivables, and investments.

In order to mitigate this risk, the risk ratings assigned to investments by rating agencies are monitored and tracked. Also, investment limits have been established for the portfolio by market (local and international), sector (public, other public sector, and private), instrument, issuer, and issue. ICE does not receive collateral guarantees for this risk.

In the case of CNFL, credit risk is the risk of default on principal and/or interest payments as a result of internal and external factors that negatively affect the realization of cash flows, operating results, and revenue outlooks. A shortage of liquidity is not expected to have a negative effect on the CNFL's exposure to credit risk.

(i) *Accounts receivable*

Accounts receivable are controlled directly by the Electricity and Telecom segments. The procedure followed by each segment for recovering receivables is summarized below:

- In the Telecom segment, issue of the bill and collections procedure via messaging to remind the customer of the outstanding payment.

- Immediate suspension of electricity and telephone services after the bill's due date. The average collection periods for the Telecom and Electricity segments are 29 days and 31 days, respectively. Collection periods are determined by each segment (Collections Management Policy).

- Online collection process through contracts with external collection agents and banks, or internal collection through ICE's cashier windows.

- In the event that the balance outstanding is not recovered, the administrative collection process begins 35 days after the services have been suspended. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protector thereof so that the situation is included in the customer's credit history. For such purposes, ICE uses companies dedicated to collections or coordinating payment arrangements with customers to mitigate arrears.

- As a last resort, any residual past due accounts are processed by ICE's Legal Division and collection is pursued by legal action.

Note 3 "Significant accounting policies" explains in detail the accounting policy for booking the allowance and the administrative and legal collection processes.

(ii) *Investments*

In the case of credit or counterparty risk, the ratings given to ICE Group's investments are monitored and tracked based on the Investment Strategy and risk profile determined by the Investment Committee.

Financial risks are identified for all financial operations related to financial instruments, such as: short-, medium-, and long-term financing and all aspects of treasury management, including lines of credit, bank letters of credit, buying and selling of currency, investments, issue of securities, raw material purchases, etc.

At Board of Directors' meeting No. 6148 held on September 7, 2015, a guideline was approved to authorize the Financial Corporate Division to designate financial derivatives, in accordance with the Risk Management and Financial Risk Hedging Strategy, to mitigate the effects of currency and interest rate risks in financial operations. As a result, the agreement issued by the Board of Directors at meeting No. 6063 dated October 23, 2013, establishing a limit for a total of UD$970 (in millions) solely for colón/U.S. dollar hedges, is nullified.

Investment guidelines are approved by the Board of Directors and the Financial Investment Policy Manual is approved by General Corporate Financial Management. That manual contains all regulations concerning issuers, instruments, and permitted sectors, as well as rules to be observed in respect of brokerage firms and custodians.

(iii) *Impairment losses*

"Trade receivables" are aged as follows:

		As of December 31,	
		2015	**2014**
Current	¢	92,001	97,452
Administrative and legal collections		50,834	42,344
Total ICE Group	**¢**	**142,835**	**139,796**

The movement in the allowance for accounts receivable is as follows:

		As of December 31,	
		2015	**2014 *(Restated)****
Opening balance	¢	47,529	33,903
Allowance booked during the period		20,562	20,934
Allowance used during the period		(8,181)	(9,712)
Adjustments		-	2,404
Closing balance	**¢**	**59,910**	**47,529**

* See note 26.

(b) Liquidity risk

Liquidity risk refers to potential losses as a result of an early or forced sale of assets at unusual discounts that prevent ICE from meeting its obligations, or because a position cannot be sold, bought, or hedged by purchasing an equal but opposite position.

Actions have been taken in the Electricity and Telecom Business units to obtain greater assurance with respect to projected payment of liabilities and more precise projections of income in order to control treasury cash flows. Such measures in the projection of liabilities and expenses, as well as in the income of both segments, permit monitoring and tracking cash flows or liquidity risk exposure, as well as an improved management of treasury operations related to the buying and selling of currency and access to short- and medium-term lines of credit, among others.

The Financial Corporate Division prepares the short-, medium-, and long-term cash flow projections that are used to estimate the purchase of currency and short-term financing and anticipate liquidity needs.

Treasury management includes preparation of the projected cash flows based on the company's budget information and a weekly schedule that details daily cash inflows and outflows to visualize cash flow behavior and determine daily liquidity needs. As part of this process, to obtain more accurate information on payments, especially those having a strong impact on cash flows, the business units and other areas of ICE must send the programming of payments for a 12-month period in compliance with ICE's treasury policies. Another important input is data obtained from the Institutional Payment System, which furnish the exact amount and deadline of payments as established in the agreements.

Additionally, it is important to have inputs and coordination with business units regarding income behavior and with areas responsible for finance management to allow a better matching and, thus, optimize treasury management seeking a better and timely attention to payment obligations.

Liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Treasury policies define payments to providers to be made once a week, with payment terms of a maximum of 30 days, except for commitments with fixed, unavoidable settlement dates, from the time the event originating the payment takes place and the invoice is presented. Also, policies establish that payments must be made by bank transfer, and payment orders must be processed through ICE's Payment System.

(Continued)

Lines of credit are part of the instruments used by management to finance needs for working capital, issue of bid and performance bonds, and opening and refinancing of letters of credit. Over the years, lines of credit have become one of the more often used short-term financing options.

Lines of credit are approved as follows: amounts greater than US$20 (in millions) 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:

Market risk is the risk that changes in market prices, e.g. foreign exchange rates and interest rates will affect ICE Group's income or the value of the financial instruments it holds. The objective of risk management is to manage and control exposures to keep this risk within reasonable parameters while simultaneously optimizing return.

ICE acquires derivative financial instruments to manage part of its existing market risks. All hedging operations are valued according to the price provided by the issuer of the instrument. Hedge accounting is used for qualifying instruments to mitigate volatility in the market prices of the financial instruments that have an effect on profit or loss.

Derivative financial instruments are traded with first tier banks with which confidentiality agreements and other documentation to trade derivatives have been subscribed. Based on the Risk Strategy, ICE has elected to specifically manage derivatives for existing liabilities.

The following risks have been identified in financial operations: variations in local and foreign interest rates and foreign exchange rates, which affect cash flows, the value of instruments, etc. The entity currently holds 10 derivative financial instruments: two to hedge interest rate risk, namely swaps; 2 to hedge against the yen/U.S. dollar fluctuations, known as a Cross Currency Swap; and six to hedge against the U.S. dollar/colon fluctuations, called Non-Deliverable Currency Swap.

(In millions of colones)

The general features of positions exposed to market risk that are being hedged with derivatives are presented in the following table:

Detail	**PR002 Tranche b**	**PPE017 U.S. dollar/colon Tranche b-1**	**PR003 Tranche a**	**PFI -019 U.S. dollar/colon Tranche a-1**	**PR004 yen**	**PF-021 yen**	**PR015 U.S. dollar/colon - 3 years**	**PPE016 U.S. dollar/colon - 3 years**	**PR013 U.S. dollar/colon - 7 years**	**PR014 U.S. dollar/colon - 3 years**
Hedged debt	IDB-1931 B/OC-CR	PR002	IDB-1931 A/OC-CR	PR003	JIBC-CR-P3	JIBC-CR-P3	2043 bonds	IDB-1908	IDB-1908	2043 bonds
Principal amount	$75	$75	$114	$114	¥5,121	¥5,219,450,124	$50	$40	$40	$20
Hedged amount	$75	¢39,963.75	$114	¢60,762	$56	$42	¢25,000	¢20,167	¢20,132	¢10,005
Exchange rate	N/A	¢532.85	N/A	¢533	$91	123	¢500	¢504.17	¢503.30	¢500.259
Contract date	5/8/2008	4/28/2014	1/27/2009	9/18/2015	6/18/2012	12/3/2015	11/14/2013	1/27/2014	3/29/2011	7/19/2013
Hedge inception date or first payment	8/15/2008	8/15/2008	1/14/2010	9/18/2015	10/20/2010	10/20/2015	5/14/2014	5/25/2014	5/2/2011	11/15/2013
Hedge maturity date	2/15/2018	2/15/2018	7/14/2023	7/14/2023	4/20/2026	4/20/2026	11/14/2016	11/25/2016	11/2/2017	5/16/2016
Term	10 years	4 years	15 years	8 years	14 years	10.5 years	3 years	3 years	7 years	3 years
Base rate	6M LIBOR	6M LIBOR	6M LIBOR	3.23%	2.20%	2.20%	6.38%	6M LIBOR	6M LIBOR	6M LIBOR
Spread over/under base rate	3.00%	5.75%	3.23%	-	5.11%	5.01%	13.89%	9.08%	2.95 bps	-
Variable rate	-	-	-	-	-	-	-	-	Base rate	8.11%
Total fixed rate	4.37%	5.75%	3.23%	4.23%	5.11%	5.01%	13.89%	9.08%	Base rate + 2.95 bps	8.11%
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Hedged risk	Interest rate	Exchange rate U.S. dollar/colon	Interest rate	Exchange rate U.S. dollar/colon	Exchange rate yen/U.S. dollar	Exchange rate yen/U.S. dollar	Exchange rate U.S. dollar/colon	Exchange rate U.S. dollar/colon	Exchange rate U.S. dollar/colon	Exchange rate U.S. dollar/colon
Instrument	Interest rate swap	Non-deliverable currency swap	Interest rate swap	Non-deliverable currency swap	Cross currency swap	Cross currency swap	Non-deliverable currency swap	Non-deliverable currency swap	Non-deliverable currency swap	Non-deliverable currency swap

(Continued)

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

In millions of colones		**Expected cash flows**	**Less than 12 months**	**More than 12 months**
Forward staring swap	¢	4,488	1,588	2,900
Plain vanilla swap		2,129	1,367	761
Total	¢	6,617	2,955	3,661

In millions of colones		**Expected cash flows**	**Less than 12 months**	**More than 12 months**
BID-1931A/OC-CR	¢	57,478	7,664	49,815
BID-1931B/OC-CR		40,336	16,134	24,201
Total	¢	97,814	23,798	74,016

Capital management

Article 17 of Chapter IV “Equity and Earnings” of the Law to Create the Costa Rican Power and Telephone Company (Law No. 449) dated April 8, 1949 states that “ICE’s financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry.”

The Government shall not receive any portion of that profit since ICE is not to be considered a productive source of revenue for the Costa Rican Internal Revenue Service. Instead, it is to use all means at its disposal to increase the production of electric energy as a basic industry of Costa Rica.

The policy is to maintain a strong capital base so as to maintain general market confidence and secure the future growth of ICE Group.

Capital management aims at ensuring that capital and financial investments have the highest returns by adequately balancing the debt level and the capital invested, reducing risk.

In the fourth quarter of 2015, ICE Group’s capital management remained unchanged and ICE Group was not subject to external capital requirements.

(Continued)

(In millions of colones)

ICE Group's adjusted debt/equity ratio at the consolidated balance sheet date is as follows:

Index Debt - Capital		**As of December 31, 2015**	**2014 (Restated)***
ICE Group			
Total liabilities	¢	2,729,865	2,640,631
(-) Cash and equivalent to cash		(181,160)	(133,143)
Debt, net		2,548,705	2,507,488
Total patrimony		2,807,409	2,840,353
Minus:			
Amount accumulated in patrimony in relation to coverage of cash flow		(3,563)	(6,556)
Capital adjusted	¢	2,810,972	2,846,909
Index debt ICE Group		**0.907**	**0.882**

* See note 26.

<u>Exposure to credit risk</u>

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

Carrying amount of financial assets		**As of December 31, 2015**	**2014** *(Restated)**
Cash and cash equivalents	¢	181,160	133,143
Temporary investments, net		106,525	64,333
Long-term investments		206,049	53,778
Restricted funds		11,333	8,035
Notes and accounts receivable		193,669	207,876
Total ICE Group	¢	**698,736**	**467,165**

(In millions of colones)

The maximum exposure to credit risk in respect of notes receivable at the date of the consolidated balance sheet by geographic region is as follows:

Geographical region		As of December 31, 2015	2014 (Restated)*
Costa Rica	¢	188,613	202,530
Other countries		5,056	5,346
Total ICE Group	**¢**	**193,669**	**207,876**

The maximum exposure to credit risk in respect of notes receivable at the date of the consolidated balance sheet by type of counterparty is as follows:

Type of counterparty		As of December 31, 2015	2014 (Restated)*
Private individuals or companies	¢	73,623	100,510
High-, medium-, and low-voltage customers		20,415	21,693
Telephone administrations		2,596	2,316
Distribution companies		10,315	9,437
Others - Government		12,990	11,702
Operators and service providers		5,057	5,254
Street lighting system		1,087	919
Other		67,586	56,045
Total ICE Group	**¢**	**193,669**	**207,876**

Risk ratings for ICE Group reported as of December 31, 2015 are as follows:

(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
ICE Group			
Banco BAC San José, S.A.	00BSJ00E0073	Term certificate of deposit (global bond)	F1+ (cri)
Banco BAC San José, S.A.	00BSJ00E0255	Term certificate of deposit (global bond)	F1+ (cri)
Banco BAC San José, S.A.	00BSJ00E0594	Term certificate of deposit (global bond)	F1+ (cri)
Banco BAC San José, S.A.	CRBSJ00B1640	BSJ bond	AAA (cri)
Banco BCT	CRBCT00B0143	BCT bond	SCR AAA
Banco Cathay	00CATAYC6218	Term certificate of deposit (global bond)	SCR2
Banco Cathay	00CATAYC6226	Term certificate of deposit (global bond)	SCR2
Banco Cathay	00CATAYC6275	Term certificate of deposit (global bond)	SCR2-
Banco Cathay	00CATAYC6408	Term certificate of deposit (global bond)	SCR2-
Banco Cathay	00CATAYE0177	Term certificate of deposit (global bond)	SCR2-
Banco Cathay	00CATAYE0185	Term certificate of deposit (global bond)	SCR2-
Banco Cathay	00CATAYE0490	Term certificate of deposit (global bond)	SCR2-
Banco Cathay	00CATAYE1282	Term certificate of deposit (global bond)	SCR2-
Banco Central de Costa Rica	CRBCCR0B3215	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B3330	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B3553	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4072	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B4080	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4080	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B4221	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4361	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4395	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4403	Fixed-rate Monetary Stabilization Bond	BB
Banco Central de Costa Rica	CRBCCR0B4403	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B4569	Repurchase operation	BB
Banco Central de Costa Rica	CRBCCR0B4726	Fixed-rate Monetary Stabilization Bond	BB
Banco CITIBANK (CMB COSTA RICA)	00CITIBC42D5	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE0392	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE0608	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE1275	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE1598	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE1622	Term certificate of deposit (global bond)	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	00CITIBE1655	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C24L8	Repurchase operation	SCR AA +
Banco Crédito Agrícola de Cartago	00BCAC0C30L5	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C45M1	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C52L9	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C58M4	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C63L6	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0E1040	Term certificate of deposit (global bond)	F1+ (cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1181	BCAC bond	AA+(cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1256	BCAC bond	AA+(cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1314	BCAC bond	AA+(cri)
Banco Crédito Agrícola de Cartago	CRBCAC0B1421	Repurchase operation	SCR AA +
Banco Davivienda (Costa Rica) S.A.	00BDAVIC0991	Term certificate of deposit (global bond)	F1+ (cri)
Banco Davivienda (Costa Rica) S.A.	00BDAVIE0031	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CKJ29	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CLF97	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CLG21	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CLG62	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	00BCR00CLG96	Term certificate of deposit (global bond)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00621	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00624	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00626	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00628	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	F1+ (cri)
Banco de Costa Rica	0NR0ICE00630	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	F1+ (cri)
Banco de Costa Rica	CRBCR00C3452	Commercial paper	F1+ (cri)
Banco Hipotecario de la Vivienda -BANHVI-	CRBANVIC0044	Commercial paper	SCR AA+
Banco Improsa	00BIMPRE0088	Term certificate of deposit (global bond)	SCR2
Banco Improsa	00BIMPRE0187	Term certificate of deposit (global bond)	SCR2
Banco Improsa	00BIMPRE0211	Term certificate of deposit (global bond)	SCR2
Banco Internacional de C.R. -Miami-	0NR0ICE00046	Overnight deposit	AA+(cri)
Banco Internacional de C.R. -Miami-	0NR0ICE00051	Overnight deposit	AA+(cri)
Banco Internacional de C.R. -Miami-	0NR0ICE00614	Term certificate of deposit (over the counter, electronic non-negotiable in stock market)	AA+(cri)

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Banco Lafise	00BLAFIC07J2	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIC22J1	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIC89J0	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIE0296	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIE0346	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIE0544	Term certificate of deposit (global bond)	SCR2
Banco Lafise	00BLAFIE1203	Term certificate of deposit (global bond)	SCR2
Banco Nacional de Costa Rica	00BNCR0E0373	Term certificate of deposit (global bond)	AA+(cri)
Banco Nacional de Costa Rica	0NR0ICE00622	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00623	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00625	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00627	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00629	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	0NR0ICE00631	Short-term investment (over the counter, electronic)	F1+ (cri)
Banco Nacional de Costa Rica	CRBNCR0B1695	BNCR bond	AA+(cri)
Banco Popular y de Desarrollo Comunal	CRBNCR0B1695	BNCR bond	AA(cri)+
Banco PRIVAL,S.A. (Antiguo BANSOL Banco de Soluciones)	00BASOLC23Y9	Term certificate of deposit (global bond)	SCR2
Banco PRIVAL,S.A. (Antiguo BANSOL Banco de Soluciones)	00BASOLC61X1	Term certificate of deposit (global bond)	SCR2
Banco PRIVAL,S.A. (Antiguo BANSOL Banco de Soluciones)	00BASOLC71X0	Term certificate of deposit (global bond)	SCR2
Banco PRIVAL,S.A. (Antiguo BANSOL Banco de Soluciones)	00BASOLC72X8	Term certificate of deposit (global bond)	SCR2
Banco PRIVAL,S.A. (Antiguo BANSOL Banco de Soluciones)	00BASOLE1036	Term certificate of deposit (global bond)	SCR2
Banco Promérica	00BPROME1229	Term certificate of deposit (global bond)	SCR AA +
Banco Promérica	00BPROME1237	Term certificate of deposit (global bond)	SCR AA +
Banco Promérica	00BPROME1302	Term certificate of deposit (global bond)	SCR AA +
Banco Promérica	00BPROME1310	Term certificate of deposit (global bond)	SCR AA +
Banco Promérica	CRBPROMB1284	Promérica bond	SCR AA +
Banco Scotiabank de Costa Rica, S.A.	00SCOTICJ309	Term certificate of deposit (global bond)	AAA (cri)
Banco Scotiabank de Costa Rica, S.A.	00SCOTIE0445	Term certificate of deposit (global bond)	AAA (cri)
Banco Scotiabank de Costa Rica, S.A.	0NR0ICE00613	Term certificate of deposit (over the counter, physical)	AAA (cri)
Compañía Nacional de Fuerza y Luz -CNFL-	CRCFLUZB0207	CNFL bond	AAA (cri)
Fideicomiso Benemérito Cuerpo de Bomberos	CRFTBCBB0044	FTBCB bond	SCR AA
Fideicomiso Benemérito Cuerpo de Bomberos	CRFTBCBB0051	FTBCB bond	SCR AA
Financiera Desyfin	00FDESYC11T3	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYC45T1	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYC47T7	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYC86T5	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE0079	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE0145	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE0830	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE0939	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE1655	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE1697	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	00FDESYE1853	Term certificate of deposit (global bond)	SCR2
Financiera Desyfin	CRFDESYB0218	FDESY bond	SCRAA
Florida ICE & Farm Company S.A.	CRFIFCOB0972	FIFCO bond	SCR AAA
Florida ICE & Farm Company S.A.	CRFIFCOB0998	FIFCO bond	SCR AAA
Government	0NR0ICE00612	Zero-coupon central bank bond (over the counter)	BB
Government	0NR0ICE00632	Zero-coupon central bank bond (over the counter)	BB
Government	0NR0ICE00633	Zero-coupon central bank bond (over the counter)	BB
Government	CRG0000B11H2	Repurchase operation	BB
Government	CRG0000B14H6	Central bank bond	BB
Government	CRG0000B19H5	Repurchase operation	BB
Government	CRG0000B27H8	Repurchase operation	BB
Government	CRG0000B27H8	Central bank bond	BB
Government	CRG0000B27H8	Central bank bond	BB
Government	CRG0000B29H4	Repurchase operation	BB
Government	CRG0000B29H4	Central bank bond	BB
Government	CRG0000B42H7	Central bank bond	BB
Government	CRG0000B48H4	Central bank bond	BB
Government	CRG0000B55G1	Repurchase operation	BB
Government	CRG0000B55G1	Central bank bond	BB
Government	CRG0000B55G1	Central bank bond	BB
Government	CRG0000B59G3	Repurchase operation	BB
Government	CRG0000B59G3	Central bank bond	BB
Government	CRG0000B60G1	Repurchase operation	BB
Government	CRG0000B60G1	Central bank bond	BB
Government	CRG0000B63G5	Central bank bond	BB
Government	CRG0000B72G6	Repurchase operation	BB
Government	CRG0000B72G6	Central bank bond	BB

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Government	CRG0000B81G7	Central bank bond	BB
Government	CRG0000B81G7	Central bank bond	BB
Government	CRG0000B89G0	Repurchase operation	BB
Government	CRG0000B89G0	Central bank bond	BB
Government	CRG0000B91G6	Repurchase operation	BB
Government	CRG0000B92G4	Central bank bond	BB
Government	CRG0000B93G2	Repurchase operation	BB
Government	CRG0000B96G5	Central bank bond	BB
Government	CRG0000B97G3	Central bank bond	BB
Government	USP3699PAA59	External debt bond - Costa Rica	BB
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	00MADAPCL813	Mortgage Participation Certificate	SCR2
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	00MADAPCM084	Mortgage Participation Certificate	SCR2
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	00MADAPCM456	Mortgage Participation Certificate	SCR2
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	00MADAPCM910	Mortgage Participation Certificate	SCR2
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	CRMADAPB2368	MADAP bond	SCR AA +
La Nación S.A.	CRNACIOB0142	La Nación S.A., bond	SCR AAA
La Nación S.A.	CRNACIOB0175	La Nación S.A., bond	SCR AAA
Mutual Cartago de Ahorro y Préstamo	00MUCAPC6725	Mortgage Participation Certificate	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPC6741	Mortgage Participation Certificate	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPC7111	Mortgage Participation Certificate	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPE0510	Mortgage Participation Certificate	SCR2
Mutual Cartago de Ahorro y Préstamo	00MUCAPE0627	Mortgage Participation Certificate	SCR2
Refinadora Costarricense de Petroleo	CRRECOPB0012	RECOPE standardized bonds	AAA (cri)
Refinadora Costarricense de Petroleo	CRRECOPB0020	RECOPE standardized bonds	AAA (cri)
SAFI BAC San José	SAJCPcFI	F.I. BAC San José liquid C, non-diversified	SCR AA+F2
SAFI Banco de Costa Rica	BCRLIcFI	F.I. BCR short-term colones, non-diversified	SCR AA+F2
SAFI Banco de Costa Rica	BCRLIcFI	F.I. BCR short-term colones, non-diversified	SCR AAF2
SAFI Banco de Costa Rica	BCRMX¢FI	F.I. BCR mixed colones, non-diversified	SCR AAF2
SAFI Banco de Costa Rica	FI-000000022	F.I. BCR liquidity dollars, non-diversified	SCR AA+F2
SAFI Banco de Costa Rica	FI-000000022	F.I. BCR liquidity dollars, non-diversified	SCR AA+F2
SAFI Banco de Costa Rica	FI-000000066	F.I. BCR mixed dollars, non-diversified	SCR AAF2
SAFI Banco Nacional de Costa Rica	BNASUPER$FI	F.I. BN Superfondo dollars, non-diversified	F1+ (cri)
SAFI Banco Nacional de Costa Rica	BNASUPERcFI	F.I. BN Superfondo colones, non-diversified	SCR AAF2
SAFI Banco Nacional de Costa Rica	BNASUPERcFI	F.I. BN Superfondo colones, non-diversified	SCR AAF2
SAFI Banco Nacional de Costa Rica	FI-000000001	F.I. BN Dinerfondo colones, non-diversified	SCR AA+F2
SAFI Banco Nacional de Costa Rica	FI-000000002	F.I. BN Dinerfondo dollars, non-diversified	F1+ (cri)
SAFI Banco Popular	FI-000000006	F.I. Popular money market (non-diversified)	SCR AAF2
SAFI Banco Popular	FI-000000006	F.I. Popular money market (non-diversified)	SCR AAF2
SAFI Instituto Nacional de Seguros	BACLACcFI	F.I. non-diversified INS - liquidity c	SCR AAF 2
SAFI Instituto Nacional de Seguros	BACLAD$FI	F.I. non-diversified INS - liquidity d	SCR AAF 2
SAFI Instituto Nacional de Seguros	BANCREDILASC¢FI	F.I. non-diversified INS - public liquidity c	SCR AAF 2
SAFI Instituto Nacional de Seguros	BANCREDILASD$FI	F.I. non-diversified INS - public liquidity d	SCR AAF 2
SAFI Scotiabank	ITFCPPU$FI	F.I. non-diversified public d Scotia	SCR AAF 3
SAFI Scotiabank	ITFCPPU$FI	F.I. non-diversified public d Scotia	SCR AAF3
SAFI Scotiabank	ITFCPPUcFI	F.I. non-diversified public Scotia	SCR AAF2
Ministry of Finance	CRG0000B29H4	Repurchase operation	BB
Ministry of Finance	CRG0000B35G3	Repurchase operation	BB
Ministry of Finance	CRG0000B51G0	Repurchase operation	BB
Ministry of Finance	CRG0000B58G5	Repurchase operation	BB
Ministry of Finance	CRG0000B93G2	Repurchase operation	BB
Ministry of Finance	CRG0000B96G5	Repurchase operation	BB
Ministry of Finance	USP3699PAA59	Repurchase operation	BB
ICE	CRICE00B0077	Repurchase operation	AAA(cri
ICE	CRICE00B0093	Repurchase operation	AAA(cri
Mutual Alajuela de Ahorro y Préstamo	CRMADAPB2350	Repurchase operation	SCR AA +
CRICSA			
SAFI Banco Nacional de Costa Rica		Found BN Dinerfondo colones non-diversified	scrAA+f2

(Continued)

(In millions of colones)

<u>Estimation of potential losses:</u>

Pursuant to SUGEVAL's methodology, adjustments were made to the assessment of potential losses on ICE investments; accordingly, a risk rating and write-off percentage is assigned to each investment based on the maturity of the instrument, as follows:

	International rating			
Term	**Moody's**	**Standard & Poor's**	**Fitch**	**Weighting factor**
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 factor**
Short-term	1, 2, 3	7.5%
	Other	10%
Long-term	AAA - A	7.5%
	BBB – B	9%
	CCC and other	10%

Category	**Internacional rating**		**Local rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
1	AAA and AA	F1, A-1 and P-1	-	-
2	A and BBB	F2, A-2 and P-2	-	-
3	BB	F3 and P-3	Scr-AAA and AAA(cri) scr-AA and AA(cri)	Scr-1 and F1(cri) scr-2 and F2 (cri)

(Continued)

Write-off percentages are applied as follows: BCCR investments, 0%; Government and Ministry of Finance, 0.5%; repurchase agreements are applied a counterparty rating; and unrated issues (classified in the "Other" category), 10%. Sovereign ratings and write-offs are applied to investments in U.S. dollars in accordance with the tables above. The final result corresponds to the "potential loss".

(In millions of colones)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Liabilities		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	¢	**1,105,467**	1,105,467	809	10,823	547,785	546,050
Loans payable		**797,217**	797,217	-	153,992	281,941	361,284
Long-term finance leases		**25,811**	25,811	-	3,570	8,925	13,316
Accounts payable		**7,398**	7,398	6,906	114	378	-
Total long-term liabilities		**1,935,893**	**1,935,893**	**7,715**	**168,499**	**839,029**	**920,650**
Current liabilities							
Securities payable		**26,891**	26,891	26,891	-	-	-
Loans payable		**90,347**	90,347	90,347	-	-	-
Short-term finance leases		**735**	735	735	-	-	-
Accounts payable		**111,305**	111,305	111,305	-	-	-
Accrued finance expenses		**25,268**	25,268	25,268	-	-	-
Total short-term liabilities		**254,546**	**254,546**	**254,546**	**-**	**-**	**-**
Total ICE Group	¢	**2,190,439**	**2,190,439**	**262,261**	**168,499**	**839,029**	**920,650**

(Continued)

The table below presents the periods in which cash flows related to derivative financial instruments are generated. The calculation of expected cash flows includes the projected estimated cash flows for each derivative instrument.

In millions of colones		Carrying amount	Expected cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Cross currency swap								
Liabilities	¢	(7,190)	8,632	786	749	1,381	3,251	2,465
Cross currency swap								
Liabilities		362	6,367	580	552	1,019	2,398	1,818
Forward staring swap								
Liabilities		(4,035)	4,488	870	718	1,093	1,532	275
Plain vanilla swap								
Liabilities		(2,063)	2,129	790	577	655	107	-
Non delivery currency swap Tranche b-1								
Liabilities		(701)	800	267	212	267	54	-
Non delivery currency swap Tranche a-1								
Liabilities		(1,142)	3,243	257	372	672	1,419	523
Non delivery currency swap 3 years								
Liabilities		537	1,578	798	780	-	-	-
Non delivery currency swap 7 years								
Liabilities		568	3,876	936	955	1,985	-	-
Non delivery currency swap 3 years								
Liabilities		936	2,089	1,037	1,052	-	-	-
Non delivery currency swap 3 years								
Liabilities		498	406	406	-	-	-	-
Total		(12,230)	33,608	6,727	5,967	7,072	8,761	5,081

(Continued)

A detail of lines of credit acquired with financial institutions and used for working capital during the year ended December 31, 2015 is presented below:

General characteristics of the lines of credit					Disbursement conditions				
Bank	**Purpose**	**Currency**	**Interest rate**	**Approved amount**	**Date disbursed**	**Maturity date**	**Settlement date**	**Renewal date**	**Disbursed amount (in thousands of U.S. dollars, as indicated)**
Scotiabank	Opening and refinancing of letters of credit, working capital and issue of performance bonds	US$	Fixed rate 1.26%	75	23/12/2014*	12/01/2015	12/01/2015	-	4
		US$	Fixed rate 1.47%		23/12/2014*	21/05/2015	21/05/2015	-	15
Global Bank	Working capital	US$	Fixed rate 1.25%	20	23/12/2014*	12/1/2015	12/01/2015	-	20

Note: *Corresponds to disbursements made in 2014, transferred from one budget year to another since they were used as a "bridge loan" while the long-term funds were obtained.

(In millions of colones)

Lines of credit for December 31, 2014 are presented below:

General characteristics of the lines of credit					Disbursement conditions					
Bank	**Purpose**	**Currency**	**Interest rate**	**Approved amount**	**Date disbursed**	**Maturity date**	**Settlement date**	**Renewal date**	**Disbursed amount**	
Citibank	Working capital and opening and refinancing of letters of credit	US$	1M LIBOR + 2.10% = 2.26735%	80	12/13/2013	12/30/2013	-	12/30/2013	14	
		US$	2M LIBOR + 2.10% = 2.3128%		12/30/2013	2/13/2014	2/13/2014	-	14	
		US$	2M LIBOR + 1.30% = 1,49075%		6/9/2014	8/8/2014	8/8/2014	-	18	
Scotiabank	Opening and refinancing of letters of credit, working capital and issue of performance bonds	US$	1M LIBOR + 1.13% = 1.2985%	75	12/13/2013	12/30/2013	-	12/30/2013	5	
		US$	Fixed rate 1.295%		12/30/2013	2/13/2014	-	2/13/2014	31	
		US$	Fixed rate 1.2973%		12/27/2013	2/10/2014	-	2/10/2014	5	
		US$	Fixed rate 1.40%		2/10/2014	6/10/2014	6/10/2014	-	31	
		US$	Fixed rate 1.40%		2/13/2014	6/13/2014	6/13/2014	-	5	
		US$	Fixed rate 1.40%		2/14/2014	6/13/2014	6/13/2014	-	24	
		US$	Fixed rate 1.40%		1/31/2014	5/30/2014	5/30/2014	-	33	
		US$	Fixed rate 1.40%		6/9/2014	8/8/2014	-	8/8/2014	31	
		US$	Fixed rate 1.38%		8/8/2014	10/7/2014	-	10/7/2014	31	
		US$	Fixed rate 1.38%		8/7/2014	10/6/2014	-	10/6/2014	18	
		US$	Fixed rate 1.335%		10/7/2014	12/22/2014	12/22/2014	-	31	
		US$	Fixed rate 1.335%		10/6/2014	12/22/2014	12/22/2014	-	18	
		US$	Fixed rate 1.26%		12/23/2014	1/12/2015	-	-	4	
		US$	Fixed rate 1.47%		12/23/2014	5/21/2015	-	-	15	
Bladex	Opening and refinancing of letters of credit and working capital	US$	1M LIBOR + 0.95% = 1.1185%	100	11/8/2013	12/27/2013	-	12/27/2013	13	
		US$	1M LIBOR + 0.95% = 1.1185%		11/13/2013	12/27/2013	-	12/27/2013	10	
		US$	Fixed rate 1.1185%		12/27/2013	2/10/2014	-	2/10/2014	23	
		US$	1M LIBOR + 1.00% = 1.1670%		11/25/2013	12/30/2013	-	12/30/2013	38	
		US$	1M LIBOR + 1.00% = 1.1675%		12/6/2013	12/30/2013	-	12/30/2013	32	
		US$	1M LIBOR + 1.00% = 1.1675%		12/13/2013	12/30/2013	-	12/30/2013	7	
		US$	Fixed rate 1.1675%		12/30/2013	2/13/2014	-	2/13/2014	77	
		US$	Fixed rate 1.41823%		2/10/2014	6/10/2014	6/10/2014	-	23	
		US$	Fixed rate 1.41823%		2/13/2014	6/13/2014	-	6/13/2014	77	
		US$	Fixed rate 1.67980%		6/13/2014	9/11/2014	-	9/18/2014	77	
		US$	Fixed rate 1.49410%		8/8/2014	10/7/2014	10/7/2014	-	20	
Global bank	Working capital	US$	Fixed rate 1.25%	20	12/13/2013	12/30/2013	-	12/30/2013	10	
		US$	Fixed rate 1.75%		12/30/2013	2/13/2014	2/13/2014	-	10	
		US$	Fixed rate 2.25%		6/12/2014	8/11/2014	8/11/2014	-	20	
		US$	Fixed rate 1.25%		12/23/2014	1/12/2015	-	-	20	
Mercantil commerce bank	Working capital and opening and financing of letters of credit	US$	Fixed rate 1.10%	50	11/8/2013	12/27/2013	-	12/27/2013	5	
		US$	Fixed rate 1.14%		12/27/2013	2/10/2014	2/10/2014	-	5	
		US$	Fixed rate 1.125%		12/9/2013	12/30/2013	-	12/30/2013	20	
		US$	Fixed rate 1.14%		12/30/2013	2/13/2014	2/13/2014	-	20	
		US$	Fixed rate 1.30%		2/11/2014	6/10/2014	6/10/2014	-	5	
		US$	Fixed rate 1.14%		2/14/2014	6/13/2014	6/13/2014	-	20	
		US$	Fixed rate 1.30%		1/31/2014	5/30/2014	5/30/2014	-	5	
		US$	Fixed rate 1.35%		6/9/2014	8/8/2014	-	8/8/2014	5	
		US$	Fixed rate 1.35%		6/12/2014	8/11/2014	-	8/11/2014	4	
		US$	Fixed rate 1.375%		7/17/2014	11/13/2014	-	11/13/2014	15	
		US$	Fixed rate 1.35%		8/8/2014	10/7/2014	10/7/2014	-	5	
		US$	Fixed rate 1.35%		8/11/2014	10/10/2014	10/10/2014	-	4	
		US$	Fixed rate 1.34%		10/14/2014	12/29/2014	12/29/2014	-	6	
		US$	Fixed rate 1.30%		11/10/2014	12/29/2014	12/29/2014	-	5	
		US$	Fixed rate 1.30%		11/13/2014	12/29/2014	12/29/2014	-	15	

(Continued)

(In millions of colones)

General characteristics of the lines of credit					Disbursement conditions				
Bank	**Purpose**	**Currency**	**Interest rate**	**Approved amount**	**Date disbursed**	**Maturity date**	**Settlement date**	**Renewal date**	**Disbursed amount**
Global bank	Working capital	US$	Fixed rate 1.25%	20	12/13/2013	12/30/2013	-	12/30/2013	10
		US$	Fixed rate 1.75%		12/30/2013	2/13/2014	12/13/2014	-	10
		US$	Fixed rate 2.25%		6/12/2014	8/11/2014	8/11/2014	-	20
		US$	Fixed rate 1.25%		12/23/2014	1/12/2015	-	-	20
Mercantil commerce bank	Working capital and opening and financing of letters of credit	US$	Fixed rate 1.10%	50	11/8/2013	12/27/2013	-	12/27/2013	5
		US$	Fixed rate 1.14%		12/27/2013	2/10/2014	2/10/2014	-	5
		US$	Fixed rate 1.125%		12/9/2013	12/30/2013	-	12/30/2013	20
		US$	Fixed rate 1.14%		12/30/2013	2/13/2014	2/13/2014	-	20
		US$	Fixed rate 1.30%		2/11/2014	6/10/2014	6/10/2014	-	5
		US$	Fixed rate 1.14%		2/14/2014	6/13/2014	6/13/2014	-	20
		US$	Fixed rate 1.30%		1/31/2014	5/30/2014	5/30/2014	-	5
		US$	Fixed rate 1.35%		6/9/2014	8/8/2014	-	8/8/2014	5
		US$	Fixed rate 1.35%		6/12/2014	8/11/2014	-	8/11/2014	4
		US$	Fixed rate 1.375%		7/17/2014	11/13/2014	-	11/13/2014	15
		US$	Fixed rate 1.35%		8/8/2014	10/7/2014	10/7/2014	-	5
		US$	Fixed rate 1.35%		8/11/2014	10/10/2014	10/10/2014	-	4
		US$	Fixed rate 1.34%		10/14/2014	12/29/2014	12/29/2014	-	6
		US$	Fixed rate 1.30%		11/10/2014	12/29/2014	12/29/2014	-	5
		US$	Fixed rate 1.30%		11/13/2014	12/29/2014	12/29/2014	-	15

(Continued)

(In millions of colones)

Market risk

Exposure to currency risk

As of December 31, 2015, ICE Group's exposure to foreign currency risk is as follows:

	Balances in foreign currency As of December 31,					
	U.S. dollars		Yens		Euros	
	2015	2014	2015	2014	2015	2014
Assets						
Materials in transit for investment	30	39	-	1	4	29
Long-term investments	2	2	-	-	-	-
Notes receivable	6	6	-	-	-	-
Banks and temporary investments	135	155	-	-	-	-
Restricted funds	2	2	-	-	-	-
Receivables for services rendered	13	12	-	-	-	-
Non-trade receivables	25	6	-	-	-	-
Securities received as guaranty deposits	1	1	-	-	-	-
Materials in transit for operations	4	29	18	38	-	1
Valuation of derivative financial instruments	5	10	-	-	-	-
Total assets in foreign currency	**223**	**262**	**18**	**39**	**4**	**30**
Liabilities						
Securities payable	1,608	1,608	-	-	-	-
Long-term and short-term loans payable	1,320	1,313	12,943	11,336	-	-
Guaranty deposits	3	2	-	-	-	-
Accounts payable	81	86	18	38	10	35
Accrued finance expenses	39	35	-	-	-	-
Deposits from private individuals or companies	2	1	-	-	-	-
Valuation of derivative financial instruments	28	47	-	-	-	-
Total liabilities in foreign currency	**3,081**	**3,092**	**12,961**	**11,374**	**10**	**35**
Excess liabilities over assets	**2,858**	**2,830**	**12,943**	**11,335**	**6**	**5**

Items in U.S. dollars were updated using the sell exchange for the colón with respect to the U.S. dollar established by the Central Bank of Costa Rica for operations with the non-banking public sector. As of December 31, 2015, such foreign exchange rate was ¢537.81 (2014: ¢542.22).

(In millions of colones)

The main exchange rates used are as follows:

Currency name	**Exchange rate with U.S. dollar As of December 31, 2015**	**2014**
Swedish krona	8.44	7.81
Pound sterling	1.47	1.56
Swiss franc	1.00	0.99
Euro	1.09	1.21
Colon	537.81	542.22
Japanese yen	120.22	119.78

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…". For its operations, ICE Group will perform transactions at the exchange rates established by BCCR at the date of the transactions.

Sensitivity analysis

The table below shows the sensitivity as of December 31, 2015 to an increase or decrease in the exchange rate of the U.S. dollar with respect to the colón. ICE Group applies a sensitivity index of 10%, which represents its best estimate of exchange rate variations of the U.S. dollar with respect to the colón.

U.S. dollars		
Fondo BN diner fondo colones non-diversified		
Net position in U.S. dollars (expressed in colones) at the closing exchange rate	¢	1,537,060,980,000
Net position in U.S. dollars	USD	2,858,000,000
Net position in U.S. dollars (expressed in colones) at the closing exchange rate with an increase of 10% in exchange rate	¢	1,690,767,078,000
Loss	¢	(153,706,098,000)
Sensitivity to a decrease in the exchange rate:		
Net position in U.S. dollars (expressed in colones) at the closing exchange rate	¢	1,537,060,980,000
Net position in U.S. dollars	USD	2,858,000,000
Net position in U.S. dollars (expressed in colones) at the closing exchange rate with an increase of 10% in exchange rate	¢	1,383,354,882,000
Gain	¢	(153,706,098,000)

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

Exposure to interest rate risk

ICE maintains significant assets and liabilities, mainly represented by temporary investments, long-term investments, and securities and loans payable obtained to finance its commercial operations, which are subject to interest rate variations.

A detail of interest rates for financial assets and liabilities is presented in the following notes:

	Note
Securities payable	19
Temporary investments	8
Loans payable	20
Long-term investments	6
Notes and accounts receivable	10
Finance lease obligations	21

Sensitivity analysis

In managing interest rate risk, ICE Group aims to reduce the impact of short-term fluctuations on its earnings. With respect to temporary investments, long-term investments, and securities and loans payable, permanent changes in interest rates would have an impact on earnings.

During the year ended December 31, 2015, 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:

(In millions of colones)

		Effects on profit or loss: Income	
		As of December 31, 2015	
		Strengthening of 1%	Weakening of 1%
Temporary investments	¢	1,065	(1,065)
Long-term financial investments		2,060	(2,060)
Long-term notes receivable		83	(83)
Short-term notes receivable		23	(23)
Long-term securities payable		11,163	(11,163)
Short-term securities payable		269	(269)
Long-term loans payable		6,831	(6,831)
Short-term loans payable		903	(903)
Finance leases payable		265	(265)
Net effect ICE Group	**¢**	**22,662**	**(22,662)**

Note 40. ICE Group’s operating segments

A segment is a distinguishable component of ICE Group that is engaged in providing related products and services (business segment), which is subject to risks and rewards that are different from those of other segments. Business segments are determined based on ICE Group’s internal organizational and informational structure.

The segments identified by ICE Group are: ICE Telecom, which includes the Telecom segment, RACSA, CRICSA, and CVCRSA, and ICE Electricity, which includes the Electricity segment and CNFL. These segments offer different products and services and are managed separately because they require different technologies and market strategies. A description of the operations that must be reported to each segment is summarized below:

Segment to which operations are reported	Operations
Electricity	Provides electric power generation, transmission, and distribution services nationally and, to a lesser extent, to Central America.
Telecom	Provides basic and fixed telephony services, mobile services, pre-paid and post-paid plans, wireless internet, messaging and international services, dial-up and dedicated internet access and ADSL services, and various business services.

(Continued)

(In millions of colones)

Information on those segments is presented below:

		As of December 31,							
		Electricity		**Telecom**		**Eliminations**		**Total**	
Assets and liabilities by segment		**2015**	**2014 ***	**2015**	**2014 ***	**2015**	**2014 ***	**2015**	**2014 ***
Assets	¢	4,337,737	4,229,700	1,478,926	1,489,682	(279,389)	(238,397)	5,537,274	5,480,984
Liabilities		2,381,532	2,295,999	545,237	537,430	(196,904)	(192,797)	2,729,865	2,640,632

* Restated, see note 26.

		For the year ended December 31,							
		Electricity		**Telecom**		**Eliminations**		**Total**	
Profit and loss by segment		**2015**	**2014 ***	**2015**	**2014 ***	**2015**	**2014 ***	**2015**	**2014 ***
Profit by segment		983,419	1,041,876	588,382	587,288	(243,243)	(257,288)	1,328,558	1,371,876
Depreciation of operating assets	¢	151,888	130,214	133,772	136,675	(345)	(183)	285,315	266,706
Other income		95,734	345,466	34,249	20,740	(5,044)	(4,571)	124,939	361,635
Other foreign exchange income		18,376	20,716	3,040	3,395	(378)	(81)	21,038	24,030
Finance expenses		97,693	83,482	15,252	13,644	(2,519)	(2,015)	110,426	95,111
Other expenses		62,230	316,848	2,906	12,165	(1,440)	(1,884)	63,696	327,129
Other foreign exchange expenses		4,444	126,880	659	24,697	0	(0)	5,103	151,577
Profit (loss), net		47,584	(59,955)	(31,128)	(44,972)	(27,893)	(1,449)	(11,437)	(106,376)

* Restated, see note 26.

(Continued)

As of December 31, 2015, the main related transactions affecting the consolidated balance sheet and consolidated statement of profit or loss of the Electricity and Telecom business of ICE Group, are as follows:

- Intersectoral Letter of Understanding (optical ground wire - OPGW): services provided by the Electricity segment to the Telecom segment related to the right of use of fiber optic (OPGW) installed in transmission lines, posts, fiber optic network, and electric power distribution, which affect the following balance sheet items:

    - Operating assets - cost: ¢14,790
    - Accumulated depreciation of operating assets - cost: ¢3,400
    - Long-term notes receivable: ¢26,260
    - Prepaid expenses: ¢7,320
    - Long-term prepaid income: ¢42,380
    - Short-term prepaid income: ¢2,559
    - Development reserve: ¢68

- ICE long-term investment and paid-in capital in subsidiary: ¢45,597.

- Reclassification of share dividends declared by CNFL and RACSA, from share capital to restricted earnings from capitalization of stake in subsidiaries: ¢62,380 and ¢2 (respectively).

- Services rendered between ICE and subsidiaries: ¢9,327

- Power purchase agreement between ICE and CNFL: ¢36,207

- Accounts payable and receivable associated with the sale of power from ICE to CNFL: ¢22,322.

- Income from billings related to the Balsa Inferior Hydroelectric Power Project: ¢8,166.

- Income from the sale of power from ICE to CNFL: ¢221,589.

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Notes to Consolidated Financial Statements
(In millions of colones)

Note 41. Contingent assets and liabilities

Active judicial processes involving ICE Group as of December 31, 2015 are as follows:

Proceedings	Nature and current status		Estimated amount of the suit	As of December 31, 2015 Litigation provision	2014
Contingent assets - lawsuits filed by ICE:					
Legal collection	The Legal Collection area handles executive proceedings to recover unpaid amounts of electricity and telephone services.	¢	6,035	-	-
Arbitration	ICE awarded Verizon, through a tender, the production of phonebooks. Due to a contractual breach by Verizon, ICE began a contractual resolution procedure. ICE presented judicial proceedings before an administrative court in 2005, to collect damages. Within this process, ICE requested as a precautionary measure to seize the monies deposited by ICE. However, the judge declared that the administrative court lacked the jurisdiction to hear the process because in the contract signed by ICE and VERIZON there was an arbitration clause. In 2011, ICE filed a prima facie precautionary measure to maintain the seizure on the monies deposited by ICE in 2005, measure that remains in effect, and presented it at the arbitration venue. Said arbitration is carried out at the Costa Rican-North American Chamber of Commerce. Current status of the proceedings: "By means of a decision of the First Chamber of the Supreme Court of Justice of 14:25 of January 29, 2015, we disallow the appeal for annulment filed by the defendant against that ruled by this Chamber regarding the jurisdiction of the Arbitration Court." The ruling ordered the defendant to pay the damages caused due to breach of contract, per the indicated estimation.		3,781	-	-
Ordinary Administrative	Ordinary administrative proceedings against the State and other defendants. Currently in the process of resolving an objection filed by the defendants. Seeks the declaration of unlawfulness of the order to pay legal costs handed down in the criminal case against the former regulators Leonel Fonseca, Aracelly Pacheco, and Hermán Hess, arguing an incorrect application of the decree on professional fees on which it was based.		500	-	-
	Ordinary administrative proceedings filed against RECOPE seeking payment of economic damages due to the excess cost incurred in electricity generation with diesel at the production centers in Garabito, Orotina, and Guápiles resulting from the late delivery of fuel.		5,613	-	-
Ordinary Criminal	Collection of damages, specifically the amount of the alleged surcharge paid by ICE to INS related to the premium of the U500 policy. The preliminary hearing was held from February 2 to April 16, 2015. Pending resolution of matters from the hearing.		538	-	-
	ICE-Alcatel criminal proceedings. In the resolution of appeals for annulment, the Third Chamber of the Court annulled the judgment of the Court of Appeals, and is pending resolution of several appeals of annulment not heard previously, for subsequent substantiation of the civil law matters.		538		
	Total contingent assets - ICE Group	¢	**17,005**	-	-

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

Proceedings	Nature and current status		Estimated amount of the suit	As of December 31, 2015 Litigation provision	2014
Contingent liabilities - lawsuits filed against ICE:					
Ordinary Administrative	Compensation related to alleged losses from the contractual resolution between ICE and Verizon.	¢	1,345	-	-
	Administrative proceedings caused by: Request for payment form ICE for the lease of machinery, penalties, and breach of contract. These cases are in the stages of providing evidence and preliminary hearing.		2,581	-	-
	Proceedings related to the notice of deficiency resulting from the tax review of the Electricity segment for the period from January to December 2012, related to tax credits that were not applicable. Such notice of deficiency was notified on February 20, 2015, accepted by ICE on February 27, 2015, and paid at the beginning of 2015.		2,936	-	2,936
	Compañía Nacional de Fuerza y Luz, S.A. (CNFL) filed special proceedings for payment into court, related to a compensation for flooding in a property near Lago Cote, a hydroelectric project, in which the plaintiff (Rufea, S.A.) does not agree with the established sum. Status of the proceedings: the decision of second instance confirmed the judgment of first instance. Pending execution of judgment for the settlement of legal costs and interest. Pending resolution of the settlement of legal costs.		200	-	72
	Ordinary proceedings for collection of a penalty clause. Appeal for annulment partially accepted, and appeal against the final ruling under consideration.		42	-	-
	Payment arrangement DAE.CJ-AP-415-2014, with the Ministry of Finance, for sales tax on internet services, for the period from 2008 to 2010.		9,042	-	9,042
Expropriations	As of December 31, 2015, there are 552 judicial proceedings regarding forced expropriation, in order to obtain legal title of the property required for the different projects being developed. These proceedings are related to appraisals made by ICE appraisers that were not formalized through the administrative venue, either due to legal issues or rejection of the appraisal. The total in U.S. dollars is US$2,825 (in millions) and in colones ¢428.41.	¢	1,946	-	-
Administrative – Execution of judgment	Rejection by CNFL of a claim regarding the execution of a contract for construction works, design, start up, and operation of a hydroelectric plant (Consorcio Hydrocote, S.A.). Status of the proceedings: CNFL must return US$14,953.70 in favor of Hydrocote. Hydrocote was sentenced to pay the legal costs in favor of CNFL.		16	16	16
Labor	Cascante Pérez Katherine Beatriz: File No. 15-000925-1178-LA. The plaintiff filed a labor lawsuit due to dismissal with employer's liability, without due process. The plaintiff claims reinstatement to the position, payment of damages, lost wages, and legal costs. The amount cannot be estimated, given that in the event of a judgment against CNFL the process would consist of reinstatement since the date of dismissal.		-	-	-
	Jorge Emilio Herrera Arroyo: File No. 12-000623-639-LA-8. In these proceedings, Compañía Nacional de Fuerza y Luz, S.A. (CNFL) was asked to be a part of the joint litigation, as defendant, given that the plaintiff filed a lawsuit against Instituto Nacional de Seguros (INS) since it decided to close a case related to occupational hazard for a motorcycle accident suffered by the CNFL employee. The amount cannot be estimated given that CNFL is not a direct party to the case. The plaintiff seeks to reopen the case and receive medical attention by INS. The lawsuit amount was not established, and this case would be covered by the occupational hazard policy.		-	-	-
	Solano Lara Alejandro: File No. 12-001738-1178-LA-3. This labor lawsuit seeks reinstatement of the plaintiff to his former position. The case cannot be estimated due to the current status of the proceedings.		-	-	-
	Cárdenas Zamora Gabriela: File No. 15-000477-1178-LA-9. This lawsuit seeks payment of damages for workplace harassment. Because of the nature of the case, there is no estimated amount.		-	-	-
	Labor lawsuit – CNFL employees: File No. 11-00219-1178-LA-6. This lawsuit seeks that CNFL recognize the payment of general salary revaluations decreed by the General Direction of Civil Service as of January 1, 2008, which have not been covered by CNFL. Because of the nature of the case, it is not possible to obtain an amount.		-	-	-
Social Security Court	Soto Pérez Adrián Alberto: File No. 15-001876-1101-LA. The plaintiff filed a lawsuit against INS and CNFL for an occupational hazard commuting accident, after suffering a motorcycle accident on the way to work. The plaintiff seeks payment of temporary and permanent disability, medical attention, hospital, surgery, interest and legal costs of both parties. According to the law, for social security proceedings the amount cannot be estimated.		-	-	-
	Total contingent liabilities -ICE Group	**¢**	**18,109**	**16**	**12,066**

(Continued)

(In millions of colones)

Proceedings	Nature and current status		Estimated amount of the suit	As of December 31, 2015	2014
				Litigation provision	
Contingent liabilities - lawsuits filed against ICE:					
Administrative and Civil Court of Finance	Annulment of administrative act issued by ARESEP ordering ICE to refund the amounts charged to Radio Mensajes, S.A. for facilitating its platform to provide content services. The judgment of first instance dismissed ICE's claim and ordered it to pay the legal costs. The proceedings are in the enforcement phase. The best estimate includes the costs indicated in the decision plus legal costs.		2,000	2,000	667
	A request for precautionary measures was filed in this case, which has been appealed by SUTEL.		1,158	-	-
	Comercial Lotar – File No. 11-3910-1027-CA: The lawsuit seeks payment from CNFL for damages and property damage, for not routing through a culvert on time the channel of the Río Segundo Hydroelectric Plant.		636	-	-
	Cob Saborío Pablo Antonio – File No. 15-5527-1027-CA: The plaintiff filed a lawsuit against CNFL requesting the annulment of the agreement by the CNFL's Board of Directors, whereby his removal as general manager was decided. The plaintiff seeks lost wages, salary in kind, pain and suffering, indexation, interest, and legal costs of both parties.		548	-	-
	Instalaciones Inabensa, S.A. – File No. 5-1194-163-CA: This case was initiated for the collection of penalties during the project for underground electrification of San José. The plaintiff seeks collection of 15 claims and reimbursement of penalties, filed during the stage of execution of the project for underground electrification of San José.		5,071	-	-
	Instalaciones Inabensa, S.A. – File No. 5-420-163-CA: This lawsuit seeks the collection of 15 claims and reimbursement of penalties, filed during the stage of execution of the project for underground electrification of San José.		5,376	-	-
	Ghella Spa Costa Rica – File No. 10-3471-1027-CA: This claim seeks the annulment of the limitations established in Addendum No. 1 of the Contract for design, construction, equipment, and start-up of operations of the El Encanto Hydroelectric Project.		19,361	-	-
	Grupo Corporativo SARET: The plaintiff filed an early precautionary measure against CNFL for execution of the performance bond for collection of some penalties. Furthermore, the plaintiff filed a formal claim for consequential damages, lost wages, and loss of opportunity.		7,284	-	-
	Grupo Corporativo SARET – File No. 9-2853-1027-CA: The plaintiff filed an early precautionary measure against CNFL for execution of the performance bond for collection of some penalties. Furthermore, the plaintiff filed a formal claim for consequential damages, lost wages, and loss of opportunity.		6,071	-	-
	Lawsuit filed by Banco de San José for a change in voltage that caused damages to computer equipment and lighting. Provision for judgment 2608-2012. (Bac San José)		10	10	10
	Cable Visión de Costa Rica, S.A.: File No. 13-007996-1027-CA. This lawsuit seeks partial annulment of the resolution by SUTEL to decrease the cost for lease of posts. The amount cannot be estimated, as it is calculated by the plaintiff.		-	-	-
	Comandos de Seguridad Delta, S.A.: File No. 14-003028-1027-CA. After 4 years and 8 months of service, the plaintiff intended to continue in the positions held. However, after participating in a procurement bid by CNFL. The plaintiff was not awarded the bid. After the time for appeal had expired, the plaintiff filed a motion before the Comptroller General of the Republic and, subsequently, an Administrative lawsuit.		-	-	-
	Empresa Servicios Públicos de Heredia: File No. 14-10265-1027-CA. This lawsuit seeks the annulment of ARESEP resolutions regarding the administrative precautionary measures for the competition conflict in the cantons of Flores, Belén, and Santo Domingo de Heredia. The amount cannot be estimated given that the plaintiff requested an expert witness to estimate the damages, and the judge has not issued a decision.		-	-	-
	Monge Pérez Melissa: File No. 15-008191-1027-CA. The plaintiff requests annulment of the dismissal with employer's liability, claiming reinstatement to the position, payment of damages, lost wages, and legal costs. The amount cannot be estimated, given that in the event of a judgment against CNFL, the process would consist of reinstatement with payment of salaries since the date of dismissal, plus indexing, interest, and legal costs.		-	-	-
	Total contingent liabilities -ICE Group	**¢**	**65,622**	**2,026**	**12,743**

(Continued)

Note 42. Legislation

(a) Law to Create the Costa Rican Power and Telephone Company

The purpose of this Law was the creation of the Instituto Costarricense de Electricidad (Costa Rican Power and Telephone Company), hereinafter referred to as ICE, which was entrusted with the rational development of the country's physical energy sources, especially hydraulic resources.

The regulations establish that ICE shall have legal capacity and full autonomy, so that it is in the best position to achieve its objectives.

This Law states that as an autonomous institution ICE shall exercise its administrative and technical management completely independent of the Executive Branch, observing only the decisions of its Board of Directors, which shall act at its discretion and in accordance with relevant laws and regulations and technical principles, and shall be responsible for its management and shall be fully and unavoidably responsible for its management.

The Law establishes as a fundamental responsibility of ICE toward Costa Ricans channeling the use of hydroelectric power to strengthen the national economy and promote the greatest welfare for the people of Costa Rica.

Pursuant to such regulations, the purposes of ICE are as follows:

(i) Providing a prompt and effective solution to the shortage of electric power in the country, if any, and ensure that power is available at all times to meet normal demand and promote the development of new industries, use of electricity in rural areas, and increased domestic consumption of electricity.

The main efforts of the Institute shall be directed at achieving this objective, using all the required technical, legal, and financial means. Additionally, its basic work schedule shall be the construction of new hydroelectric power plants and their distribution networks.

This task shall be performed within the limits of economically justifiable investments.

(ii) Unifying the separate efforts currently being made to meet the need for electric power, through technical procedures that ensure the best performance in relation to the uses of energy and distribution systems.

(Continued)

(iii) Promoting industrial development and increased domestic production to enable the preferential use of electric power as driving force and heating source, and help to better understand and exploit the country's sources of wealth through advisory and technological research.

(iv) Ensuring the rational use of natural resources and end the destructive and wasted exploitation thereof. In particular, seeking to promote domestic use of electricity for heating in substitution for fuels obtained from national forests and imported fuels, and promoting the use of wood as an industrial raw material.

(v) Preserving and defending the country's hydraulic resources by protecting the basins, sources, and beds of rivers and water courses, and providing assistance in that respect to the National Electricity Service and the Ministries of Agriculture and Public Works through a cooperation program.

(vi) Assisting in enabling land for agriculture through irrigation and control of rivers, where this is economically feasible, through a comprehensive development of sites that are used to produce electric power.

(vii) Establishing efficient technical, administrative, and financial procedures to ensure the proper operation of the Institute and serve as a standard for other activities of Costa Ricans.

(viii) Seeking the sustainable establishment, improvement, expansion, and operation of telecommunication networks, as well as providing and commercializing telecommunication, info-communication, and information products and services, and other convergence products and services. The concessions that ICE and its companies require to accomplish these purposes shall be subject to the terms, duties, obligations, and other conditions established by the applicable legislation.

However, in accordance with the conditions stipulated in the previous paragraph, ICE will be able to maintain ownership of the concessions currently awarded to it and in use for the corresponding legal term.

(b) Law of the Public Utilities Regulatory Authority

The Law of the Public Utilities Regulatory Authority, Law No. 7593, published in Official Gazette No. 169 of September 5, 1996, establishes transformation of the former National Electricity Service (SNE) into the Public Utilities Regulatory Authority (ARESEP).

This Law provides that the duties of ARESEP include establishing prices and rates and ensuring compliance with quality, quantity, reliability, continuity, timeliness, and optimum provision standards of public services, as defined by Article 5, which include electric power supply services in the generation, transmission, distribution and trade stages.

As a public service provider of electric power supply in the generation, transmission, distribution and commercialization stages, ICE is subject among other to the following relevant obligations:

(i) comply with the regulations issued by ARESEP related to the provision of services
(ii) maintain installations and equipment in good condition so that they do not represent any danger to persons or property and do not cause service interruption
(iii) provide timely information, as requested by ARESEP, on the provision of services and financial information of its operations
(iv) protect, preserve, recover, and rationally use the natural resources that are associated with the exploitation of the services
(v) undertake non-profitable activities or investments in ICE's territorial and material level of competence
(vi) provide services to those who request it without discrimination
(vii) provide short-term services in the event of increased demand
(viii) provide services under adequate, regular, and safe conditions in accordance with their nature, concession, or permits
(ix) provide services in equal conditions and charge fair, reasonable prices.

With respect to penalization, ARESEP has the competence to establish penalties against public service providers who engage in any of the following acts:

(i) charge rates or prices other than those established by ARESEP and charge rates not previously established by ARESEP
(ii) inadequate maintenance of infrastructure and work equipment for public services, which endangers people or property
(iii) fraudulent use of goods and services to avoid payment based on regulations
(iv) unauthorized provision of a service
(v) removal, without the express consent of the entity that granted the concession or permission, of the equipment or facilities required to provide public services
(vi) failure to comply with the obligation to provide insurance to workers through CCSS and occupational hazards regime
(vii) failure to comply with binding conditions imposed on public service providers in resolutions regarding tariff sheets

(Continued)

(viii) failure to comply with quality standards and principles in the provision of public services, provided it is not due to force majeure.

Additionally, ICE, as a public service provider, is required to pay ARESEP an annual fee for each regulated activity. Such fee is calculated by ARESEP according to the principle of service at cost, which must include a costing system appropriate for each regulated activity in accordance with Article 82 of Law No. 7593.

(c) General Telecommunications Law

General Telecommunications Law No. 8642 was published in the Official Gazette on June 30, 2008. The purpose of that law is to define the scope and mechanisms for regulation of the Telecom segment, including the use and operation of networks and the provision of telecom services, as well as to:

- Guarantee the right of the people to acquire telecom services under the terms of this law.
- Ensure application of the principles of universal access and cooperation in telecom services.
- Strengthen the mechanisms for universal access and cooperation in the telecom sector, ensuring access to those who require it.
- Protect the rights of users of telecom services, ensuring efficiency, equality, continuity, quality, greater and better coverage, greater and better information, more and better alternatives for service delivery, and private and confidential communications, in accordance with the Political Constitution of the Republic of Costa Rica.
- Promote effective competition in the telecom market as a means to increase the availability of services, improve their quality, and ensure affordable prices.
- Promote the development and use of telecom services within the framework of a knowledge and information society and to support sectors such as health, citizen security, education, culture, commerce, and e-government.
- Ensure the efficient and effective allocation, use, operation, management, and monitoring of the radio-frequency spectrum and other limited resources.
- Stimulate investment in the telecom sector using a legal framework that provides mechanisms that guarantee transparency, non-discrimination, equity, and legal stability and that does not promote levying taxes.
- Ensure that Costa Rica obtains the maximum benefits from technological advancements and changes.
- Achieve a level of development in telecommunications that is similar to the level in developed countries.

Additionally, the aforementioned law states that concessions will be granted for the use and operation of frequencies in the radio spectrum required to operate and use telecom networks. Those concessions will entitle the concession holder to operate and use the network. When the concession relates to public telecom networks, the concession holder is entitled to provide all types of telecom services available to the public. The concession will be awarded for a specific coverage area (regional or national) in order to guarantee the efficient use of the radio spectrum.

This law establishes that the radio spectrum is a public good and the planning, management, and control of its use must be in line with the provisions of the Political Constitution of the Republic of Costa Rica, international treaties, the General Telecommunications Law, the National Telecom Development Plan, the National Frequency Distribution Plan, and other regulations.

The procedures prescribed in the law may not be used to grant concessions or authorizations related to the operation of public telecom networks associated solely with delivery of traditional basic telephone services, which require the specific legislative concession described in paragraph 14 of article 121 of the Political Constitution of the Republic of Costa Rica. The winning bidders in the concession process were Claro CR Telecomunicaciones, which paid US$75 (in millions) for one concession, and Azules y Platas (Telefónica), which paid US$95 (in millions) for another concession.

The law also creates FONATEL as a tool for managing resources earmarked for financing compliance with of the objectives of universal access, universal service, and cooperation established in the law as well as the goals and priorities defined in the National Telecom Development Plan. SUTEL is responsible for managing FONATEL's resources.

Other important aspects of this law include:

- Operators of public networks and providers of public telecom services shall guaranty the secrecy of communications, the right to privacy, and protection of the personal information of subscribers and end users by implementing the necessary systems and technical and administrative measures.

- Rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations.

- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of scarce resources, and greater benefits for users. Interconnection prices shall be aligned with costs, as prescribed in paragraph 13) of article 6 of this law, and are to be freely negotiated among operators using the procedures established by SUTEL.

- A SUTEL tax is imposed on telecom services, which is a single annual regulatory charge determined in conformity with article 59 of Law No. 7593 dated August 9, 1996. This tax will provide the resources necessary for effective management.

- A reserve tax is imposed on the radio-frequency spectrum. That tax is to be paid annually by network operators and telecom service providers with the purpose of planning, managing, and monitoring the use of the radio-frequency spectrum rather than for complying with the objectives of the tax policy. It is collected to finance SUTEL's activities pursuant to articles 7 and 8 of this law.

- Payers of the tax include network operators or telecom service providers to which bands of radio frequencies have been assigned, irrespective of whether those bands are being used. The amount to be paid for this tax is calculated directly by SUTEL considering a number of engineering and economic parameters established in the law. This tax is defined by the taxpayer in an affidavit issued for periods of one calendar year and the term for filing and paying this tax is 2 months and 15 days after the corresponding tax year-end.

(i) <u>*Number portability*</u>

As determined by SUTEL, the agreements between mobile telephony operators and the Number Portability Reference Entity (ERPN) were subscribed on April 25, 2013. Also, an addendum was subscribed establishing that the Number Portability system would start operations no later than November 30, 2013.

Regarding fixed portability, SUTEL issued Ruling RCS-253-2014 "Regulations for implementation of fixed number portability in Costa Rica", published on October 31, 2014. The ruling establishes mandatory implementation of portability in IP fixed and trunked telephony in June 2015. ICE filed a motion for reconsideration with an appeal to a higher court against that ruling, which is pending resolution by ARESEP.

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(d) Law on Strengthening and Modernization of Public Telecommunication Companies

Law on Strengthening and Modernization of Public Telecommunication Companies No. 8660 was published in the Official Gazette on August 13, 2008. That law creates the telecom sector and SUTEL, which will be the agency charged with regulating, enforcing, overseeing, and monitoring the legal system governing telecommunications. Additionally, this law prescribes the duties and authority of the Ministry of Science, Technology, and Telecommunications, which Minister will be responsible for directing the sector.

The main objectives of that law are to:

- Strengthen, modernize, and endow ICE, along with its subsidiaries and attached agencies, with legislation enabling it to adapt to all changes in the rules governing the generation and delivery of electricity services, as well as telecommunications, info-communications, information goods and services, and new related services.

- Complement Executive Order No. 499 of April 8, 1949, "Creation of the Costa Rican Power and Telephone Company" and the amendments thereto, to endow ICE with the legal, financial, and administrative conditions necessary to continue providing and marketing electricity and telecom goods and services both within the country and abroad.

- Create the telecom sector and its lead agencies, as well as establish the duties and authority of the sector's Lead Minister, who together with the President of the Republic, will prepare the National Telecom Development Plan.

- Expand the mechanisms and procedures for government procurement used by ICE and its subsidiaries, and make them more nimble.

- Ensure and reassert the administrative and financial autonomy of ICE and its subsidiaries.

- Ensure accountability and the evaluation of performance by ICE and its subsidiaries.

The law authorizes ICE to form strategic partnerships and to sell advisory services, consulting services, training, and any other related product or service. It may engage in customary business practices, develop promotions, including the supply of terminal equipment (free or otherwise), discounts, sponsorships, and service packages, among others.

(Continued)

The law also empowers ICE to sign all types of trust agreements both within the country and abroad.

The law further states that when ICE and its subsidiaries act as operators or providers in competitive local markets for telecom or electricity goods and services, they shall be subject to payment of income tax and sales tax. Traditional basic telephone services are exempt from payment of income tax.

Neither the Costa Rican government nor its institutions may impose financial limitations or restrictions on the investments or borrowings of ICE and its subsidiaries that are unrelated or contrary to this law. They are also prohibited from requesting or requiring transfers or the purchase of bonds. In general, ICE and its subsidiaries may not be required to hold current account deposits or invest in government securities.

ICE is empowered to autonomously negotiate, contract, and execute medium- and long-term domestic and foreign loans up to a maximum debt ceiling of 45% with respect to its total assets. Debt will be calculated based considering the total consolidated value of the total assets of ICE and its subsidiaries as of December 31 of the prior year. Should ICE need to increase its debt ceiling to a higher percentage, it must submit the additional financing requirements for authorization by the Executive Branch of the Government of Costa Rica.

It may also issue all types of securities in local or foreign currency at the interest rate, amortization rate, and for the amount determined by the Board of Directors in accordance with applicable law. Those securities shall have the guaranty indicated by ICE and its subsidiaries in the issue agreement. For such purposes, their current and future income or assets may be securitized through financial agreements such as leases or trusts, or they may encumber their assets and income.

ICE and its subsidiaries shall have a Corporate Procurement Board responsible for carrying out the corresponding government procurement procedures, including awards and challenges.

(e) Law to Transfer Telecommunications to ICE and ICE's association with RACSA

This Law provides that the Costa Rican Power and Telephone Company (ICE) will exploit, as of the enactment of this Law, the telecom services indicated in Law No. 47 of July 25, 1921, for an indefinite term under the conditions set forth therein.

Through such regulations, ICE was authorized to establish a corporation funded with public and private capital that would be called Radiográfica Costarricense, S.A. (RACSA) and Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA) with the purpose of exploiting telecom services for a 13-year term.

In accordance with the regulations to that Law, ICE and CRICSA would each hold 50% ownership interest. By mutual agreement, on November 29, 1975, RACSA acquired the total shares of CRICSA. Such shares were subsequently sold to ICE and ICE became the sole shareholder of RACSA. Accordingly, since ICE held a 50% ownership interest in RACSA, ICE became the sole owner of RACSA.

In 1977, Congress extended the concession for exploitation of telecom services by RACSA for another ten years. In 1985, the concession was extended for another 10 years starting in 1988. In 1992, through Law No. 7298, Congress extended RACSA's corporate term for 25 years. Finally, through Law No. 8660, published in Official Gazette No. 156 dated August 13, 2008, Congress established a 99-year term for RACSA from the effective date of this Law.

(f) Electricity Agreement

Compañía Nacional de Fuerza y Luz, S.A. (CNFL) was created through Law Agreement No. 2 of April 8, 1941 known as 1941 Electricity Agreement, which authorized the merger of the Costa Rica Electric and Traction Company, Limited, National Electricity Company, and the National Hydroelectric Company, which became Compañía Nacional de Fuerza y Luz, S.A., legally organized on May 15, 1941.

Through Law No. 4197 dated September 20, 1968, the State authorized the purchase of shares of CNFL by ICE, and the "Electricity Agreement" and "Law to Create ICE" are amended. CNFL is currently organized as a business corporation.

Through Law No. 8660 published in Official Gazette No. 156 dated August 13, 2008, Congress established a 99-year term for CNFL from the effective date of this Law.

Note 42. <u>Subsequent events:</u>

Relevant events occurring after the reporting date are as follows:

(a) Line of Credit Agreement - IDB, Ministry of Finance and ICE

On February 5, 2016, the Inter-American Development Bank (IDB), Ministry of Finance, and ICE, together with the Costa Rican State as guarantor, subscribed a cooperation agreement for two loans in the amount of US$200 (in millions) and US$300 (in millions), respectively, for a total of US$500 (in millions), with 25-year terms and bearing variable interest at 1.52%. Disbursements are scheduled to begin in 2017.

(b) Bank loans

On February 25, 2016, CNFL and Banco Nacional de Costa Rica subscribed a loan agreement to finance the invoices related to the sale of power. ICE (holder of the invoices) entered into a factoring arrangement in December 2015. The terms and conditions of the loan agreement are as follows:

- Amount of financing: ¢20,000 million
- Term: 6 months
- Interest rate per annum: Base deposit rate + 2.00% (adjustable periodically), establishing a minimum rate at 7.95%. Additionally, a ceiling rate is established at 20.00% per annum over the term of the loan agreement.