



CONSOLIDATED FINANCIAL STATEMENTS
Instituto Costarricense de Electricidad
and Subsidiaries



ICE GROUP
ICE
CNFL
RACSA
CRICSA
Cable Visión

A UfVX 201)
Financial Management



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

Consolidated Balance Sheets
(In millions of colones)

As of March 31, 2015 and December 31, 2014

<u>Assets</u>	<u>2015</u> (Without audit)	<u>2014</u> (Audit)
Property, machinery and equipment:		
Operating assets, net	3,617,665	3,630,190
Construction work in progress	587,408	578,506
Materials in transit for investment	27,923	34,184
Inventory for investment	147,606	159,871
Total property, machinery and equipment, net	<u>4,380,602</u>	<u>4,402,751</u>
Long-term assets:		
Long-term investments	60,513	53,778
Notes receivable	7,593	7,655
Total long-term assets	<u>68,106</u>	<u>61,433</u>
Current assets:		
Cash and cash equivalents	146,099	133,143
Temporary investments, net	85,842	64,333
Restricted funds	4,539	8,035
Accounts receivable, net	149,400	167,793
Notes receivable	2,980	3,019
Operating inventory, net	83,201	64,276
Prepaid expenses	85,169	106,523
Total current assets	<u>557,230</u>	<u>547,122</u>
Other assets:		
Non-operating assets, net	47,618	47,286
Service agreements	40,265	23,931
Project design and execution	111,813	110,620
Technical service centers	6,133	280
Amortizable items, net	3,918	4,154
Intangible assets, net	51,701	51,263
Securities received as guaranty deposits	7,076	6,266
Valuation of financial instruments	2,501	5,448
Guarantee and Savings Fund (restricted fund)	203,645	198,623
Transfer to Guarantee and Savings Fund	1,713	1,516
Operating inventory	26,289	41,879
Total other assets	<u>502,672</u>	<u>491,266</u>
Total assets	<u>¢ 5,508,610</u>	<u>5,502,572</u>

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 March 31, 2015 and December 31, 2014

	<u>2015</u>	<u>2014</u>
	(Without audit)	(Audit)
<u>Liabilities and Equity</u>		
Long-term liabilities:		
Securities payable	¢ 1,116,470	1,128,172
Loans payable	732,160	740,528
Obligations derived from credit	152	154
Security deposits	58,554	57,276
Accounts payable	11,102	6,048
Prepaid income	4,438	4,517
Total long-term liabilities	<u>1,922,876</u>	<u>1,936,695</u>
Short-term liabilities:		
Loans payable	104,832	118,216
Accounts payable	103,083	84,757
Accrued finance expenses payable	33,824	22,488
Prepaid income	22,075	18,596
Deposits from private individuals or companies	3,458	3,620
Legal provisions	10,000	10,000
Accrued expenses for employer obligations	26,419	41,401
Total short-term liabilities	<u>303,691</u>	<u>299,078</u>
Other liabilities:		
Valuation of financial instruments	19,974	25,571
Accounts payable	3,143	3,182
Legal provisions	26,227	33,263
Guarantee and Savings Fund (restricted fund)	203,645	198,623
Total other liabilities	<u>252,989</u>	<u>260,639</u>
Total liabilities	<u>2,479,556</u>	<u>2,496,412</u>
Equity:		
Paid-in capital	156	156
Development reserve	1,663,205	1,662,774
Asset revaluation reserve	1,200,378	1,201,480
Result of valuation of financial instruments	(6,486)	(6,556)
Legal reserve	9,291	9,291
Project development reserve	71	71
Forest development reserve	1,010	989
Restricted earnings from capitalization of stake in subsidiary	62,380	62,380
Retained earnings	74,234	70,517
Minority interest	4,993	5,058
Profit (loss) net	19,822	-
Total equity and minority interest	<u>3,029,054</u>	<u>3,006,160</u>
Total liabilities and equity	<u>¢ 5,508,610</u>	<u>5,502,572</u>
Memoranda accounts	<u>¢ 327,786</u>	<u>336,025</u>

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


Jesus Orozco Delgado
Head of Corporate Finance


Elizabeth Hernandez Castillo
Accounting Process Coordinator

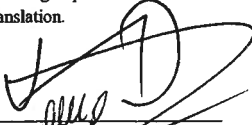
INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES
(San José, Costa Rica)

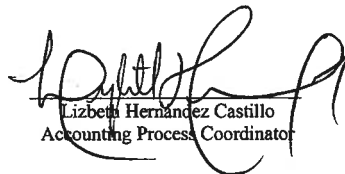
Consolidated Statement of Profit or Loss
(In millions of colones)

For the periods ended March 31, 2015 and 2014

	<u>2015</u> (Without audit)	<u>2014</u> (Without audit)
Operating income:		
Electricity services	¢ 190,682	183,728
Telecom services	140,356	136,237
Supplemental services	675	-
Government services	23	87
Total operating income	<u>331,736</u>	<u>320,052</u>
Operating costs:		
Operation and maintenance	53,715	73,870
Operation and maintenance of leased equipment	23,000	47,358
Depreciation of operating assets	71,403	65,875
Supplemental services and purchases	56,803	41,354
Production management	18,036	15,193
Technical service center	9,772	21,973
Total operating costs	<u>232,729</u>	<u>265,623</u>
Gross profit	<u>99,007</u>	<u>54,429</u>
Operating expenses:		
Administrative	24,039	19,304
Marketing	56,321	50,879
Preliminary studies	5,320	4,567
Preinvestment studies	457	1,160
Other	1,205	417
Total operating expenses	<u>87,342</u>	<u>76,327</u>
Operating profit (deficit)	<u>11,665</u>	<u>(21,898)</u>
Other income:		
Finance income	9,421	7,346
Foreign exchange differences	27,314	22,488
Other income	4,014	188,552
Total other income	<u>40,749</u>	<u>218,386</u>
Other expenses:		
Interest	24,406	19,278
Commissions	2,388	1,085
Foreign exchange differences	3,642	170,110
Other expenses	2,223	179,912
Total other expenses	<u>32,659</u>	<u>370,385</u>
Profit (loss) before income tax and minority interest	<u>19,755</u>	<u>(173,897)</u>
Tax and minority interest:		
Minority interest 1.4%	67	106
Profit (loss), net	<u>¢ 19,822</u>	<u>(173,791)</u>

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


Jesús Orozco Delgado
Head of Corporate Finance


Lizbeth Hernández Castillo
Accounting Process Coordinator

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

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

For the periods ended as of March 31, 2015 and December, 2014

	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	Profit net	Equity, net
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
Assets revaluation for the period	-	1,313	-	-	-	-	-	-	-	-	-	1,313
Profit (loss) net	-	-	-	-	-	-	-	-	-	-	19,822	19,822
Effect of elimination for institutional services from previous periods	-	-	-	3,739	-	-	-	-	-	-	-	3,739
Prior period adjustments	-	9	-	233	-	-	-	-	-	-	-	242
Effect of appropriation to and realization of forest development	-	-	-	-	-	-	21	-	-	-	-	21
Audit adjustments to be recorded	-	-	-	(3,542)	-	-	-	-	1,315	-	-	(2,227)
Realization of asset revaluation reserve	-	(2,283)	-	-	-	-	-	-	2,283	-	-	-
Result of valuation of financial instruments:												
Derivative financial instruments	-	-	(137)	-	-	-	-	-	-	-	-	(137)
Investments	-	-	207	-	-	-	-	-	-	-	-	207
Retirement of assets for the year	-	(174)	-	-	-	-	-	-	88	-	-	(86)
Appropriation to minority interest	-	33	-	-	-	-	-	-	32	(65)	-	0
Balances at March 31, 2015	¢ 156	1,200,378	(6,486)	1,663,205	9,291	71	1,010	62,380	74,234	4,993	19,822	3,029,054

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


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Head of Corporate Finance

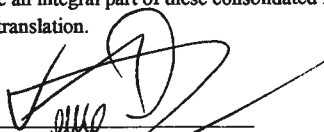

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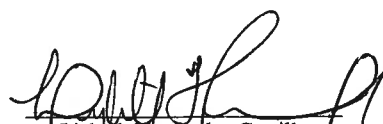
Consolidated Statement of Cash Flows
For the periods as of ended March 31
(In millions of colones)

	<u>2015</u>	<u>2014</u>
	<i>(Without audit)</i>	<i>(Without audit)</i>
Sources (uses) of cash:		
Operating activities:		
Profit (deficitt), net	₡ 19,822	(173,791)
Items not requiring (providing) cash:		
Depreciation	83,958	75,987
Legal provisions	3,514	3,053
Bonus	5,715	5,633
School salary	4,616	4,571
Accumulated vacations	3,994	5,407
Allowance for doubtful accounts	1,027	1,002
Allowance for valuation of inventory	-	2
Asset retirement expense	920	284
Absorption of amortizable and intangible items	2,741	3,129
Litigation	50	-
Foreign exchange differences	(22,790)	151,948
Valuation of financial instruments	(1,584)	(4,057)
Cash provided by operations	82,161	246,959
Cash provided by (used for) changes in:		
Notes and accounts receivable	20,348	17,194
Operating inventory	(18,806)	(16,646)
Other assets	1,596	100,166
Accounts payable	23,166	4,967
Security deposits	1,278	714
Other liabilities	(25,416)	54,268
Cash provided by operating activities	104,149	233,831
Investing activities:		
Increase in long-term investments	(6,735)	(3,321)
Additions to property, machinery and equipment	(42,027)	(66,118)
Increase in other assets	(10,463)	(11,301)
Increase committed temporary investments	(21,802)	(16,716)
Net cash used in investing activities	(81,027)	(97,456)
Financing activities:		
Increase in securities payable	1,067	-
Amortization of securities payable	(195)	(30,311)
Increase in loans payable	25,904	55,968
Amortization of loans payable	(37,440)	(48,660)
Increase in obligations derived from credit	(2)	(93)
Net cash provided by financing activities	(10,666)	(23,096)
Increase (decrease) in cash and cash equivalents	12,456	113,279
Cash and cash equivalents at beginning of the year	133,643	86,278
Cash and cash equivalents at end of the year	₡ 146,099	199,557

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



 Jesús Orozco Delgado
 Head of Corporate Finance



 Lizbeth Hernández Castillo
 Accounting Process Coordinator

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

March 31, 2015

Note 1. Reporting Entity

The *Instituto Costarricense de Electricidad* (Costa Rican Electricity Institute) and Subsidiaries (hereinafter “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 and main domicile is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

Its main activity consists of developing energy-producing sources existing in the country, as well as the supply of electricity, with the exclusive right to generate, transmit, and distribute electricity in Costa Rica, except for a small number of authorized private companies, municipal entities, and rural cooperatives. Also, ICE Group holds a concession to develop and promote telecom services in Costa Rica 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).

Such activities are regulated by the General Comptroller of the Republic, the General Superintendence of Securities (SUGEVAL), the National Stock Exchange of Costa Rica, the Law for the Regulation of the Securities Market, the Regulatory Authority for Public Services (ARESEP), the Telecommunications Superintendence (SUTEL), and the Pensions Superintendence (SUPEN).

A significant portion of these activities has been financed through funds provided by banks, as well as through the issuance and placement of debt bonds (Bonds) in the local and international market and through the National Stock Exchange of Costa Rica.

ICE Group is a group of government-owned entities, including the *Instituto Costarricense de Electricidad* (ICE, parent company and ultimate controlling entity) and its subsidiaries, *Compañía Nacional de Fuerza y Luz, S.A.* (C.N.F.L.), *Radiográfica Costarricense, S.A.* (RACSA), *Compañía Radiográfica Internacional Costarricense, S.A.* (CRICSA), and *Cable Visión de Costa Rica S.A.*

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- Compañía Nacional de Fuerza y Luz, S.A

La Compañía Nacional de Fuerza y Luz, S.A. (hereinafter, CNFL) is a corporation created under Law Number 21 of April 8, 1941, referred to as “Electrical Contract”, amended by Law Number 4977 of May 19, 1972 and current 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 main objective is to provide energy services to the domestic market.

Radiográfica Costarricense, S.A.

Radiográfica Costarricense, S.A. (hereinafter RACSA) is a mixed corporation established on July 27, 1964 under the laws of the Republic of Costa Rica, owned by *Instituto Costarricense de Electricidad* and *Compañía Radiográfica Internacional Costarricense, S.A.* (proportional interest of 50%). It was created through Law Number 3293 of June 18, 1964. It is regulated by the provisions contained in the Executive Decrees Number 7927-H and 14666-H of January 2, 1978 and May 9, 1983, respectively, contained in the Civil and Commerce Codes.

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

Compañía Radiográfica Internacional Costarricense, S.A.

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.

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.
- Rights acquired from the Municipality of San Jose under the Local Streetcar Agreement.
- Any other government-owned assets transferred to ICE.
- The country's water resources, which have already been or will be declared to be a national resource and any accumulated profits resulting therefrom.

Note 2. Basis of Preparation

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles included in ICE's Accounting Policy Manual (version 5) 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 Directorate, the approval of the Corporate Management and Finance Department, and acceptance of the National Accounting Department of the Ministry of Finance.

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- A supplementary use of the standard is given by exception, meaning that this situation is not normal or usual.
- If and only if it is expressly stated in ICE's Manual of Accounting Policies. This means that its application is allowed only if the applicable IFRS to be used is explicitly and specifically contained in the manual.

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, therefore, 2015 would be the transition year to the International Financial Reporting Standards (IFRSs).

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

“Until the International Financial Reporting Standards are permanently implemented, each government-owned agency included in the scope of this Decree, under the leadership of the National Accounting, must continue to apply the Accounting Principles Applicable to the Costa Rican Public Sector, set forth in the Executive Decree Number 34460H of February 14, 2008, or the legal framework that has been applied.”

As it has been set forth by ICE Group, regarding the accounting standards, the common practice is that supplementary use is expressly contained in the standard, in detail, indicating the hierarchy of the accounting standard sources applicable to regulated materials that must be observed when matters not anticipated in ICE's Manual of Accounting Policies.

Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on May 29, 2015.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(b) Basis for 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 for measurement as detailed in ICE's Manual of Accounting Policies (version 5).

(c) Functional and Presentation Currency

ICE Group's accounting records, as well as the consolidated financial statements and their respective notes, are expressed in Costa Rican colones (¢), currency of the Republic of Costa Rica and functional currency for ICE Group.

All the financial information contained in this document is presented in millions of colones, except otherwise indicated in some notes contained in the consolidated financial statements, which refer to the currency of origin for those transactions.

(d) Use of Estimates and Judgments

The preparation of the attached consolidated financial statements, according to ICE's Manual of Accounting Policies (version 5) and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica, requires that Management makes judgments, estimates, and assumptions that affect the application of policies and amounts of assets, liabilities, income and expenses reported.

The relevant accounting estimates and assumptions were reviewed on a recurrent basis. The changes arising from new information or new events are adjusted affecting the results of the period in which the estimate is reviewed and in any other future period that is affected.

(i) Judgments

The information on judgments used for the application of accounting policies with a significant effect on the amounts reflected in the consolidated financial statements is described in:

- Note 39 – Contingent assets and liabilities.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(ii) Assumptions and uncertainty in the estimates

The information on assumptions and uncertainty in the estimates that have the significant risk of a material adjustment in the year ended December 31, 2015, is included in the following notes:

- Note 10 – Allowance for doubtful accounts.
- Note 11 – Allowance for obsolete inventory.
- Note 39 – Recognition and measurement of provisions and contingencies.

Note 3. Significant Accounting Policies

The following accounting policies, set forth in ICE's Accounting Policy Manual (Version 5) effective for 2014, have been consistently applied in the years presented these interim consolidated financial statements by all the entities of ICE Group corresponding to the quarter ended on March 31, 2015, are the same ones applied by ICE Group in preparing their consolidated financial statements as of December 31, 2014 and for the year then ended, except for the ones detailed below:

(a) Annual Accounting Policies Not Applied for Interim Periods

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

Some of the accounting policies must be applied for the annual period, as set forth in the guidelines, given the complexity of the implicit monthly or quarterly processing for the calculation or restatement of values.

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

(i) *Asset Revaluation:*

ICE Group's accounting policies regarding asset revaluation indicate that the restatement of asset values and their respective depreciation are carried out on an annual basis; therefore, the enclosed interim consolidated financial statements do not include revaluations made after the last annual period presented.

The balances of operating assets and other operating assets and their respective accumulated depreciations with a cut-off date as of December 31 last year, are revalued on an annual basis using the ratios established by ICE Group for each significant type and component of the assets, except for the assets of the Telecommunications Sector indicated as "not subject to revaluation." If the variations in the values resulting from such revaluations are

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)

insignificant, such frequent revaluations are deemed unnecessary and are not recorded; or they are done every three or five years. The revaluation is done as of the second accounting period according to its recording date, using independent accounts of revalued cost and revalued accumulated depreciation.

In the cases in which pursuant to the expert criteria, revaluations are deemed unnecessary, but due to the policies set forth above, the assets were revalued, the competent technical areas must conduct a study to define if it keeps or adjusts the value of the assets.

Moreover, the adjustments made for the allowance for asset revaluation in favor of the development allowance, resulting from the depreciation of revalued assets, are made as part of the year-end procedures and are not done in interim periods.

(ii) Allowance for Valuation of Stock at Warehouses:

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

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

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

(b) Consolidation Bases

(i) Business Combinations

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

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

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

- The value of consideration transferred by the Group's entity (acquirer); less,

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- The equity (carrying amount) of the acquiree at the acquisition date after the items with higher materiality levels have been aligned in accordance with the parent company's accounting policies.

“Goodwill” arises from the acquisition of subsidiaries and represents the excess of the acquisition cost over the carrying amount (net equity) of the acquiree, it is recognized under “Intangible assets” in ICE Group's consolidated financial statements. Goodwill is 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 *Instituto Costarricense de Electricidad* (ICE) and its subsidiaries. The accounts are detailed below:

Subsidiaries	Country	Percentage of Participation	
		up to March, 30	up to Dec. 31
		2015	2014
Compañía Nacional de Fuerza y Luz (CNFL)	Costa Rica	98,6%	98,6%
Compañía Radiográfica Internacional Costarricense, S.A. (CRICRSA)	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 those enterprises controlled by ICE (parent company). The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control starts 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.

- (1) On December 5, 2013, ICE acquired all of the shares (100%) of Cable Visión de Costa Rica, S.A. (CVCRSA), which is dedicated to providing cable television services. ICE presents consolidated financial statements starting in.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 4. Operating Assets

		As of March 31, 2015	As of December 31, 2014
<i>Cost:</i>			
Operating assets	¢	3,586,043	3,536,989
Operating assets under finance lease agreements		27,632	27,632
Other operating assets		452,446	435,357
Total operating assets - cost		4,066,121	3,999,978
<i>Revaluation:</i>			
Operating assets		2,833,999	2,833,168
Operating assets under finance lease agreements		4,822	4,822
Other operating assets		61,250	61,250
Total operating assets - revaluation		2,900,071	2,899,240
Total cost - revaluation		6,966,192	6,899,218
<i>Accumulated depreciation:</i>			
<i>Cost:</i>			
Operating assets	¢	1,324,083	1,274,568
Operating assets under finance lease agreements		2,936	2,780
Other operating assets		293,567	283,860
Total accumulated depreciation of operating assets - cost		1,620,586	1,561,208
<i>Revaluation:</i>			
Operating assets		1,695,758	1,675,925
Operating assets under finance lease agreements		344	321
Other operating assets		31,839	31,574
Total accumulated depreciation of operating assets - revaluation		1,727,941	1,707,820
Total accumulated depreciation - cost and revaluation		3,348,527	3,269,028
Operating assets, net	¢	3,617,665	3,630,190

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Operating Assets - Cost

The operating assets at cost are detailed as follows:

Operating assets - cost	As of December 31,					2014	Additions and capitalizations	Retirements and transfers	Adjustments and reclassifications	As of March 31, 2015
	2013 (Restated)	Additions and capitalizations	Retirements and transfers	Adjustments and reclassifications						
Plant and equipment - ICE Electricity:										
Hydraulic power generation	¢	670,967	158,574	(202)	(440)	828,899	3,569	(35)	-	832,433
Thermal power generation		81,994	2,187	-	(229)	83,952	-	(17)	-	83,935
Geothermal power generation		156,281	19,185	-	(133)	175,333	-	(86)	-	175,247
Wind power generation		7,389	36	-	-	7,425	-	-	-	7,425
Solar power generation		9,426	606	-	-	10,032	294	-	-	10,326
Micro hydro power generation		166	-	-	-	166	-	-	-	166
Substations		175,174	44,219	(1,447)	(1,099)	216,847	10,386	-	-	227,233
Transmission lines		143,787	15,038	(1,385)	(109)	157,331	-	-	-	157,331
Distribution lines		305,795	32,638	(2,118)	960	337,275	16,008	(148)	-	353,135
Street lighting		17,801	2,185	(91)	(2)	19,893	1,900	(9)	(2)	21,782
Communication, control and infrastructure equipment		41,170	3,628	(71)	-	44,727	765	(16)	-	45,476
General equipment		26,096	1,178	(792)	40	26,522	131	(231)	-	26,422
Other		24,373	30,703	-	-	55,076	1	-	(4)	55,073
Equipment - ICE Telecom:										
Transport		587,379	55,321	(615)	101	642,186	9,016	(1,825)	-	649,377
Access		461,092	26,851	1,164	(143)	488,964	6,190	-	(4)	495,150
Civil and electromechanical		221,174	7,588	666	33	229,461	2,002	-	-	231,463
Platforms		146,789	20,703	12,657	(310)	179,839	1,014	123	-	180,976
Communication equipment		30,683	301	(4,169)	-	26,815	32	-	-	26,847
Submarine cable -Maya - Arcos - Pacific		16,612	-	(16,612)	-	-	-	-	-	-
General equipment		7,193	221	(2,139)	-	5,275	-	-	-	5,275
Other		971	-	-	-	971	-	-	-	971
Operating assets under finance lease agreements: (1)										
Land		1,151	-	-	-	1,151	-	-	-	1,151
Buildings		25,315	-	-	-	25,315	-	-	-	25,315
Furniture and equipment		1,144	22	-	-	1,166	-	-	-	1,166
Other operating assets		418,135	29,955	(12,695)	(38)	435,357	18,526	(1,617)	180	452,446
Total ICE Group	¢	3,578,057	451,139	(27,849)	(1,369)	3,999,978	69,834	(3,861)	170	4,066,121

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Accumulated Depreciation – Cost

The accumulated depreciation of the operating assets at cost is detailed as follows:

Accumulated depreciation - cost	As of December 31,									
	2013	Depreciation	Retirements and transfers	Adjustments and reclassifications	2014	Depreciation	Retirements and transfers	Adjustments and reclassifications	As of March 31, 2015	
Plant and equipment - ICE Electricity:										
Hydraulic power generation	¢	98,790	17,795	(60)	1,662	118,187	5,053	-	-	123,240
Thermal power generation		22,693	4,016	-	(65)	26,644	1,017	(2)	-	27,659
Geothermal power generation		46,505	5,726	-	(42)	52,189	1,566	(24)	(1)	53,730
Wind power generation		3,288	452	-	-	3,740	114	-	-	3,854
Solar power generation		1,085	500	-	-	1,585	128	-	-	1,713
Micro hydro power generation		25	4	-	-	29	1	-	-	30
Substations		40,875	7,719	(198)	(356)	48,040	2,369	-	-	50,409
Transmission lines		19,050	4,619	(720)	(1)	22,948	1,236	-	1	24,185
Distribution lines		89,682	16,902	(591)	357	106,350	4,409	(46)	-	110,713
Street lighting		4,531	662	(55)	(1)	5,137	184	(4)	(1)	5,316
Communication, control and infrastructure equipment		10,203	1,802	(24)	-	11,981	377	(7)	-	12,351
General equipment		13,709	1,366	192	48	15,315	495	(161)	3	15,652
Other		3,455	342	22	151	3,970	241	2	-	4,213
Equipment - ICE Telecom:										
Transport		310,273	55,197	(55)	(2)	365,413	12,539	(1,266)	-	376,686
Access		202,872	40,759	299	(43)	243,887	10,789	-	41	254,717
Civil and electromechanical		131,195	12,741	241	(42)	144,135	3,094	-	(41)	147,188
Platforms		45,684	23,961	6,400	-	76,045	7,141	-	-	83,186
Communication equipment		29,570	1,069	(4,952)	-	25,687	146	-	-	25,833
Submarine cable - Maya - Arcos - Pacific		5,743	-	(5,743)	-	-	-	-	-	-
General equipment		3,265	472	(736)	-	3,001	116	-	-	3,117
Other		261	24	-	-	285	6	-	-	291
Operating assets under finance lease agreements:										
Buildings		1,773	507	-	-	2,280	127	-	-	2,407
Furniture and equipment		386	114	-	-	500	29	-	-	529
Other operating assets		249,540	44,326	(10,006)	-	283,860	10,916	(1,209)	-	293,567
Total ICE Group	¢	1,334,453	241,075	(15,986)	1,666	1,561,208	62,093	(2,717)	2	1,620,586

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Depreciation percentages used for the current period and the comparative period for operating assets, other operating assets under financial lease are based on the estimated useful life for each category of assets:

	Use ful life (in years)
Buildings	40 a 50
Operating assets - ICE Electricity	20 a 40
Operating assets - ICE Telecom	3 a 40
Machinery and equipment	1 a 20

The depreciation method, useful lives, and the residual values are reviewed in each reporting date and adjusted, if appropriate.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
(In millions of colones)*Operating Assets – Revaluation*

The revalued operating assets are detailed as follows:

Operating assets - revalued	As of December 31,					2014	Revaluation	Retirements and transfers	As of March 31, 2015
	2013 (Restated)	Revaluation	Retirements and transfers	Adjustments and reclassifications	2014				
Plant and equipment - ICE Electricity:									
Hydraulic power generation	¢ 1,237,200	160,438	(188)	-	1,397,450	1,313	-	1,398,763	
Thermal power generation	87,365	13,777	-	-	101,142	-	-	101,142	
Geothermal power generation	323,348	37,438	-	(12)	360,774	-	(155)	360,619	
Wind power generation	4,811	1,045	-	-	5,856	-	-	5,856	
Solar power generation	1,746	708	-	-	2,454	-	-	2,454	
Micro hydro power generation	3	14	-	-	17	-	-	17	
Substations	181,824	25,922	(2,760)	-	204,986	-	-	204,986	
Transmission lines	101,284	12,627	(3,353)	-	110,558	-	-	110,558	
Distribution lines	380,731	49,904	(1,737)	-	428,898	-	(194)	428,704	
Street lighting	16,834	2,451	(224)	-	19,061	-	(15)	19,046	
Communication and infrastructure equipment	38,703	5,130	(125)	-	43,708	-	(42)	43,666	
Other	44,539	3,364	76	-	47,979	-	-	47,979	
Equipment - ICE Telecom:									
Access	6	-	-	(6)	-	-	-	-	
Civil and electromechanical	93,061	7,294	-	-	100,355	-	-	100,355	
Communication equipment	8,207	-	(575)	-	7,632	-	-	7,632	
Other	2,298	-	-	-	2,298	-	-	2,298	
Operating assets under finance lease agreements: (1)									
Land	125	71	-	-	196	-	-	196	
Buildings	2,981	1,645	-	-	4,626	-	-	4,626	
Other operating assets	56,002	5,254	(6)	-	61,250	-	-	61,250	
Total ICE Group	¢ 2,581,068	327,082	(8,892)	(18)	2,899,240	1,313	(482)	2,900,071	

In 2014, a change was made to the accounting policy related to the treatment of the revaluation of Other Operating Assets and Assets under Financial Lease, which caused a decrease in the revalued cost amounting to ¢45,943, which includes the amounts of ¢4,653 and ¢1,449 corresponding to the subsidiaries Compañía Nacional de Fuerza y Luz and RACSA.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
(In millions of colones)*Accumulated Depreciation – Revaluation*

The accumulated depreciation corresponding to revalued operating assets is as follows:

Accumulated depreciation - Revaluation	As of December 31,						2014	Revaluation	Depreciation	Retirements and transfers	Adjustments and reclassifications	As of March 31, 2015
	2013 (Restated)	Revaluation	Depreciation	Retirements and transfers	Adjustments and reclassifications							
Plant and equipment - ICE Electricity:												
Hydraulic power generation	€ 727,982	69,270	30,311	(59)	(22)	827,482	534	8,286	-	-	-	836,302
Thermal power generation	53,535	6,194	2,073	-	(25)	61,777	-	650	-	-	-	62,427
Geothermal power generation	136,843	14,401	10,684	-	1	161,929	-	3,004	(70)	(1)	-	164,862
Wind power generation	2,215	473	260	-	25	2,973	-	82	-	-	-	3,055
Solar power generation	599	107	75	-	-	781	-	28	-	-	-	809
Micro hydro power generation	(2)	3	1	-	3	5	-	-	-	-	-	5
Substations	119,619	11,342	5,968	(651)	(764)	135,514	162	1,647	-	-	-	137,323
Transmission lines	69,751	3,245	2,330	(1,655)	-	73,671	18	645	-	-	-	74,334
Distribution lines	240,293	23,854	13,088	(2,476)	768	275,527	1,097	2,851	(200)	-	-	279,275
Street lighting	11,704	1,153	352	(174)	-	13,035	95	11	(7)	-	-	13,134
Communication, control and infrastructure equipment	28,664	2,197	970	(89)	(1)	31,741	195	21	(33)	-	-	31,924
Other	10,722	693	463	43	-	11,921	133	-	5	-	-	12,059
Equipment - ICE Telecom:												
Access	6	-	-	-	(6)	-	-	-	-	-	41	41
Civil and electromechanical	64,777	3,524	2,355	-	-	70,656	-	668	-	(41)	-	71,283
Communication equipment	8,207	-	-	(576)	-	7,631	-	0	-	-	-	7,631
Other	1,233	-	49	-	-	1,282	-	12	-	-	-	1,294
Operating assets under finance lease agreements: (1)												
Buildings	148	112	61	-	-	321	-	23	-	-	-	344
Other operating assets	28,809	1,697	1,071	(3)	-	31,574	-	265	-	-	-	31,839
Total ICE Group	€ 1,505,105	138,265	70,111	(5,640)	(21)	1,707,820	2,234	18,193	(305)	(1)	-	1,727,941

In 2014, a change was made to the accounting policy related to the treatment of the revaluation of Other Operating Assets and Assets under Financial Lease, which caused a decrease in the accumulated depreciation of the revalued cost amounting to €37,919, which adjusted the figures of Compañía Nacional de Fuerza y Luz amounting to €4,047 and RACSA €1,249.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Below is a description of the nature of assets under financial lease recorded by ICE Group:

(1) Assets under Financial Lease

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

Currently, the trust is authorized to issue public debt and has booked liabilities therefor as of March 31, 2015 and as of December 31, 2014, it recorded liabilities for this concept. The trust, as the owner of “Centro Empresarial La Sabana” and office furniture and equipment within that property, leases such property to ICE for a 12- year term, at the end of which ICE may exercise a purchase option for US\$1 (one U.S. dollar). ICE has classified this lease as a finance lease. In accordance with ICE Group’s accounting policies, this trust is not required to be included as an entity in the separate financial statements of ICE Group.

The main clauses contained in the Securitization Trust are summarized as follows:

- The objectives of the trust are:
 - a) Acquire the products and services necessary for the operation and maintenance of the building object of the contract, according to the purchasing plans provided by the Trust, as applicable.
 - b) Lease the equipped building to ICE, manage the cash flows to repay financing and provide preventive and corrective maintenance to the facilities, under the agreed terms.
 - c) Become a vehicle to issue and place securities, pursuant to the conditions and characteristics set forth in the issuance prospect and the current contract, upon prior authorization of the General Superintendence of Securities (SUGEVAL), regulatory entity for the issuance of debt securities. Issuance and placement of the securities may be performed at different intervals, according to payment, terms and conditions projected. Also, it may execute credit contracts to obtain the necessary resources for financing, in accordance with the financial conditions present in the market.
- With the amount received by the Trust for the lease of the property, the loan and yields from the securities placed in the stock market will be paid, as well as those private securities issued, and national and international bank loans.
- The term of this Trust will be of 30 years.
- The Trust’s assets will be used solely and exclusively to comply with and accomplish the objectives of the Trust agreement.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
(In millions of colones)**Note 5. Works in Progress**

As of March 31, 2015 and December 31, 2014, the detail of the movements in the works in progress is as follows:

Construction work in progress	As of March, 31, 2015	As of December 31, 2014
Reventazón Hydroelectric Project (1)	¢ 216,365	200,727
Cachí Hydroelectric Project (2)	126,735	118,140
Las Pailas II Geothermal Project	35,526	30,452
Cariblanco - Trapiche Transmission Line	30,432	36,577
Peñas Blancas - Garita Transmission Line	19,859	18,348
Advanced mobile progress	14,803	9,934
Construction and rehabilitation of civil and metallic works	13,200	15,435
Cóbano Transmission Line	12,372	11,449
Anillo Sur Transmission Line	12,202	11,514
PESSO Project	8,826	18,773
New Power Control Center	8,450	7,544
Ongoing quality improvement (Distribution)	7,887	10,789
Improvements to Telecom transport network	7,793	7,445
Management of network elements	6,321	6,733
Reinforcement of distribution system	6,073	6,987
Río Macho Hydroelectric Project	5,618	3,820
Technical services for distribution projects	5,364	5,295
Jacó Transmission Line	3,896	2,554
Miravalles II Geothermal Project	3,710	3,710
Integral business customer services	3,354	2,721
Technological infrastructure	3,289	3,298
Coyol Transmission Line	3,249	2,094
Renovation of power transformers	3,165	2,881
Advanced connectivity fiber optic (FOCA)	2,816	5,263
SIEPAC Transmission Line	2,164	2,117
Advanced mobile services	2,144	1,633
Improvements to Electricity transport network	1,573	1,049
Modernización S.T. Rio Macho	1,453	362
Infrastructure maintenance and soundproofing	1,244	1,539
Sustainability and growth of the telecom sector income	1,170	-
Sundry projects	17,254	32,940
<i>Less: Elimination of Government services*</i>	(899)	(3,617)
Total ICE Group	¢ 587,408	578,506

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)

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

(1) **Reventazón Hydroelectric Project**

This project is located in the middle basin of the Reventazón River, in Limón, Costa Rica, with electric generation capacity of 305 MW. The trust and construction agreement was already signed and authorized by the Office of the Comptroller General, and it is in effect. The project is financed with ICE's funds and with funds from other financing schemes subscribed by ICE.

(2) **Cachí Hydroelectric Project**

This project uses the water of the medium basin of Reventazón River. The powerhouse is located 4km south of Juan Villas in the district of Tucurrique, canton of Jiménez and the reservoir and dam are located in the district of Cachí, in the canton of Paraíso, both 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.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The following chart indicates the movements regarding works in progress, material in transit, and inventory - investment as of March 31, 2015 and December 31, 2014:

Account	As of December 31, 2013 (Restated)	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	As of December 31, 2014	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	As of March 31, 2015
Construction work in progress	¢ 762,316	318,671	(409,378)	39,119	-	(128,605)	-	582,123	59,082	(62,443)	10,352	-	(807)	-	588,307
Less: *Elimination of Government services	(3,752)	-	-	-	-	135	-	(3,617)	-	-	-	-	2,718	-	(899)
Subtotal construction work in progress	758,564	318,671	(409,378)	39,119	-	(128,470)	-	578,506	59,082	(62,443)	10,352	-	1,911	-	587,408
Materials in transit for investment	110,290	25,681	(497)	-	(31,823)	(25,213)	(44,254)	34,184	3,267	(45)	-	(288)	(8,925)	(270)	27,923
Inventory for investment	138,045	9,713	(529)	-	82,548	(5,146)	(64,760)	159,871	9,854	(274)	-	5,586	(5,165)	(22,266)	147,606
Total ICE Group	¢ 1,006,899	354,065	(410,404)	39,119	50,725	(158,829)	(109,014)	772,561	72,203	(62,762)	10,352	5,298	(12,179)	(22,536)	762,937

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

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

*(In millions of colones)***Note 6. Long-Term Investments**

Long-term investments are detailed as follows:

		As of March 31, 2015	As of December 31, 2014
Investments in shares valued at cost:			
Toro 3 Hydroelectric Power Project Trust (1)	¢	11,203	11,203
Empresa Propietaria de la Red, S.A. (2)		3,124	3,124
Red centroamericana de fibras opticas S.A. (3)		143	143
Tecomunica, S.A. (4)		108	-
Cooperativa de Electrificación Rural, R.L.		43	43
Red Centroamericana Telecomunicaciones S.A.		10	10
Subtotal		14,631	14,523
Long term financial investments:			
Government (External debt bonds)		28,200	25,309
Central Bank of Costa Rica (Bond)		8,820	5,820
Other		8,862	8,126
Subtotal		45,882	39,255
Total ICE Group	¢	60,513	53,778

Below is a description of the nature of the main long-term investments:

They mainly correspond to investments in bonds and securities with returns ranging from 6.67 % and 11.13 % per annum for investments in colones and 4.70% and 5.85% per annum for investments in dollars (between 6.67% and 11.13% per annum in colones and 4.70% and 5.50% per annum in dollars in 2014). Investments amounted to ¢44,815 in colones and ¢1,067 in dollars (equal to US\$2) (¢38,174 denominated in colones and ¢1.081 in dollars, equal to US\$2 in 2014), with a maturity between 2015 and July 2023 (February 2015 and July 2023 in 2014).

(1) Toro 3 Hydroelectric Power Project Trust

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)

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 trustors (ICE and JASEC) subscribed an addendum to the aforementioned trust agreement, whereby both entities agree to provide at least 20% of the resources necessary to finance Toro 3 Hydroelectric Project, so that the trust obtained the necessary funds to finance the remaining amount. In accordance to the addendum, ICE made an in-kind contribution (construction materials and labor), equal to ¢11,203. This contribution accounts for 10% of the resources necessary to finance Toro 3 Hydroelectric Project; the remaining 10% required to comply with the provisions contained in the addendum, was provided by JASEC.

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

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

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

ICE Group holds an ownership interest in Empresa Propietaria de la Red, S.A. (EPR), which was selected to execute the Sistema de Interconexión Eléctrica de los Países de América Central [Central American Electric Interconnection System] (SIEPAC) Project. This investment is jointly made by ICE Group with the other entities in charge of energy management in the six Central American countries and three additional entities located in Spain, Colombia and Mexico. Each of the nine countries has an interest of 11.11%, and no country shall have an interest in EPR in excess of 15%..

EPR's share capital is comprised of 58,500 ordinary shares of US\$1,000 par value each. ICE and CNFL own 6,061 and 439 shares of US\$1,000 par value each, respectively, for a total of US\$6,5 million (equivalent to ¢3,124) for ICE Group. The shares are valued at acquisition cost.

In June 2014, the EPR made a payment to ICE Group for returns on investments (see note 35).

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(In millions of colones)(3) Red Centroamericana de Fibras Ópticas, S.A. - Nicaragua

In 2013, ICE Group acquired ownership interest in Red Centroamericana de Fibras Ópticas S.A. (REDCA S.A.), which is dedicated to developing, financing, constructing, operating, and commercially exploiting and providing maintenance to telecom services or services related to IT and communications. REDCA's share capital consists of 2,700 of US\$1,000 par value each, and the Group owns 300 shares, of which 93.24% are owned by ICE and 6.75% by CNFL. Currently, this Company is not commercially operational.

(4) Tecomunica, S.A. - Nicaragua

In February 2015, a capital contribution for a total of US\$200,000 (equal to ¢108) was made, in which ICE and ENATREL agreed to organize a company in Nicaragua to sell and commercialize telecom services; this company is referred to as Tecomunica, S.A.

Note 7. Cash and Cash Equivalents

		As of March 31, 2015	As of December 31, 2014
Cash in vaults and banks	¢	3,419	10,135
Cash equivalents		142,680	123,008
Total ICE Group	¢	146,099	133,143

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

				As of March 31, 2015			
Currency	Issuer	Type of Financial Instrument	Balance	Face Value	Return Rate	Validity in Months	
Non-committed:							
<i>Available for sale</i>	Colones	Banco de Costa Rica, Banco Nacional de Costa Rica, Aldesa, Banco Popular, Scotiabank	Investment Funds	e 24,070	24,209	5,73% - 7,87%	Feb 2015 - May 2015
		Banco de Costa Rica	Certificate of Time Deposit	500	500	5.94%	Feb 2015 - Apr 2015
		Banco de Costa Rica, Scotiabank, Banco Popular, Banco Nacional de Costa Rica	Repo	7,333	7,380	5,82% - 6,75%	Feb 2015 - Apr 2015
		BN Sociedad de Fondos de Inversión, S.A.	Investment Funds	15	-	-	At sight
<i>Held to maturity</i>	US Dollars	Banco Internacional de Costa Rica	Overnight	50,853	-	0.20%	At sight
		Banco Internacional Costa Rica	Overnight BICSA \$	3,573	-	0.20%	At sight
		Banco de Costa Rica	Certificate of Time Deposit	700	700	2.76%	Mar 2015 - Apr 2015
<i>Fair Value</i>	Colones	Banco Central de Costa Rica	Zero-Coupon Security	19,113	19,190	4,36% - 4,83%	Feb 2015 - May 2015
		Banco de Costa Rica	Certificate of Time Deposit	1,810	1,820	5.00%	17 Feb-02 Apr 2015
		Banco de Costa Rica	Certificate of Time Deposit	400	400	3.37%	27 Mar-06 Apr 2015
		Banco de Costa Rica	Certificate of Time Deposit	1,283	1,301	0.70%	Mar 2015 - Apr 2015
		Banco Nacional de Costa Rica	Certificate of Time Deposit	844	849	1.50%	16 Jan - 17 Apr 2015
		BICSA	Certificate of Time Deposit	1,585	1,593	2.00%	17 Mar - 17 Jun 2015
		SAFI Banco Nacional de Costa Rica	F.I. BN COLON NON DIVERSIFIED SUPERFUND	2,611	-	4,08% - 4,67%	At sight
		SAFI Banco de Costa Rica	F.I. BCR NON DIVERSIFIED SHORT TERM	4,208	-	4,18% - 4,74%	At sight
		SAFI Instituto Nacional de Seguros	F.I. NON DIVERSIFIED INS - PUBLIC LIQUIDITY C	3,351	-	4,62% - 5,22%	At sight
		SAFI Banco Popular	F.I. BP NON DIVERSIFIED MONEY MARKET C	4,109	-	4,28%	At sight
		SAFI BAC San José	F.I. BAC SAN JOSÉ LIQUID C NON DIVERSIFIED	50	-	4,06%	At sight
		SAFI Scotiabank de Costa Rica	F.I. NON DIVERSIFIED PUBLIC SCOTIA	4	-	3,00%	At sight
US Dollars	Banco Nacional de Costa Rica	Investment Fund (Colon Non Diversified Investment Fund)	6,850	-	4,67%	At sight	
	Banco de Costa Rica	Investment funds	2,017	-	4,18% - 4,74%	At sight	
	SAFI Instituto Nacional de Seguros	F.I. NON DIVERSIFIED INS - LIQUIDITY PUBLIC C	3,190	-	4,62% - 5,22%	At sight	
	Banco Popular	F.I. POPULAR COLON MONEY MARKET	6	-	4,24%	At sight	
	Scotiabank de Costa Rica	F.I. NON DIVERSIFIED PUBLIC SCOTIA	22	-	3,00%	At sight	
	SAFI Banco Nacional de Costa Rica	F.I. BN DINERFONDO DOLLARS NON DIVERSIFIED	7	-	0,85% - 1,25%	At sight	
	SAFI Banco de Costa Rica	F.I. BCR LIQUIDITY DOLLARS NON DIVERSIFIED	1,375	-	1,08% - 1,29%	At sight	
	SAFI Instituto Nacional de Seguros	F.I. NON DIVERSIFIED INS - LIQUIDITY PUBLIC D	1,351	-	0,97% - 1,33%	At sight	
	SAFI Scotiabank de Costa Rica	F.I. NON DIVERSIFIED PUBLIC D SCOTIA	-	-	0,78%	At sight	
	Banco de Costa Rica	Investment Funds Liquidity Dollars Non Diversified	622	-	1,08% - 1,29	At sight	
	Instituto Nacional de Seguros	F.I. NON DIVERSIFIED INS - PUBLIC LIQUIDITY D	823	-	0,97% - 1,39%	At sight	
	Scotiabank de Costa Rica	F.I. NON DIVERSIFIED PUBLIC D SCOTIA	5	-	0,72%	At sight	
Total ICE Group			e	142,680			

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				As of December 31, 2014			
Currency	Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months	
No comprometidas:							
<i>Available-for-sale</i>							
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. Dólares	Banco Internacional de Costa Rica	Overnight deposit	39,701	0	0.20%	Demand
	Banco Internacional Costa Rica	Overnight deposit BICSA U.S. dollars	9,452	-	0.20%	Demand	
	Repurchase operations	Repurchase operations	2,231	2,234	1.93% - 2.14%	Dec 2014 - Jan 2015	
<i>Held-to-maturity</i>							
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. Dólares	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 deposit - BICSA, Miami branch	2,711	2,711	1.00%	Dec 2014 - Jan 2015	
<i>Fair value</i>							
Colones	SAFI Banco Nacional de Costa Rica	IF, non-diversified Superfondo BN - colones	33	-	3.64% - 4.46%	Demand	
	SAFI Banco de Costa Rica	IF, non-diversified short-term BCR	487	-	4.31% - 5.20%	Demand	
	SAFI Instituto Nacional de Seguros	IF, 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 Liquidez Colones (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 funds (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	IF, 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. Dólares	SAFI Banco Nacional de Costa Rica	IF, non-diversified INS - 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	IF, non-diversified INS - Public liquidity - colones	4,612	-	0.95% - 1.96%	Demand
		Banco de Costa Rica	Non-diversified liquidity investment funds-U.S. dollars	6	-	0.96%	Demand
	Scotiabank de Costa Rica	Non-diversified public investment funds	537	-	0.86%	Demand	
Total ICE Group			¢	123,008	-		

Note 8. Temporary investments

As of March 31, 2015, ICE has held-to-maturity investments (time deposit certificates) for an amount of ¢19,229, of which, ¢19,204 are in colones and ¢25 in dollars (¢3,000 in 2014 denominated in colones) and available for sale (time deposit certificates, zero-coupon Monetary Stabilization Bonds, title deeds, fixed-rate Monetary Stabilization Bonds, Mortgage Participation Certificates) for ¢67,005 (¢61,932 in 2014), of which ¢66.604 are colones and ¢401 are dollars (¢61,389 in colones and ¢543 in dollars in 2014), with interest rates ranging from 2.49% and 9.24% per annum ((2.94% and 8.80% per annum in 2014) and maturity dates from 6 to 12 months (6 to 12 months in 2014).

		As of March 31, 2015	As of December 31, 2014
Held-to-maturity and available-for-sale investments Valuation of investments	¢	86,234	64,932
Valuation of investments		(392)	(599)
Net total ICE Group	¢	85,842	64,333

(Continues)

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Notes to the Interim Consolidated Financial Statements

*(In millions of colones)***Valuation of Investments**

The accounting treatment of short-term investments is performed according to the analysis of each instrument, which involves the determination of nominal values, interests, premiums, discounts, and transaction costs. These last items, as with the premiums and discounts, are amortized according to the effective interest method.

The available-for-sale investments are valued at the market price, using the price vector from the company *Proveedor Integral de Precios Centroamérica* (PIPICA), and the effect of valuation at market price for the investments available for sales are included in the equity section, in the account called “Results of the Valuation of Financial Instruments,” until the moment in which the instrument is written off.

As of March 31, 2015 and as a result of the valuation of the short-term investments, ICE recognized a net unrealized gain for the sum of (¢392) and (¢599) in 2014, which is presented as part of the entry “Results of the Valuation of Financial Instruments”, in the equity section I.

Note 9. Restricted-Use Funds

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

	As of March 31, 2015	As of December 31, 2014
Guarantees received from third parties:		
In U.S. dollars	¢ 796	825
In colones	568	529
Specific purpose funds:		
BCR Platinum (¢) - Cash for payments of ICE	1,511	3,421
BNCR Gold - Cash for amortization of short-term	1,664	3,260
Total ICE Group	¢ 4,539	8,035

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Notes to the Interim Consolidated Financial Statements

*(In millions of colones)***Note 10. Notes and Accounts Receivable**

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

	As of March 31,		As of December 31,	
	<u>2015</u>		<u>2014</u>	
	Long-term	Short-term	Long-term	Short-term
Loan to autonomous entities (1)	¢ 6,970	-	7,005	-
Private people	-	2,446	-	2,582
In legal collections	-	108	-	108
Payment arrangements	-	145	-	225
CNFL-MINAET Agreement (Olivier Hydroelectric Project)	622	19	634	16
Other	1	262	16	88
Total Group ICE	¢ 7,593	2,980	7,655	3,019

(1) Loan to autonomous entities**911 Emergency System**

Through an inter-institutional agreement between ICE and the 911 emergency system, the “Agreement to Pay Accounts due from the 911 Emergency System to ICE” was subscribed on December 21, 2012. In this agreement, the debt was expressly acknowledged and accepted and a “payment arrangement” was formally subscribed by the 911 emergency system to settle such debt. As of March 31, 2015 the balance of the debt was ¢4.565 (¢4.565 in 2014).

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

Currently, the original agreement is under a negotiation process to extend the recovery term so that ICE can process the corresponding collection formalities.

Empresa Propietaria de la Red

It corresponds to the loan agreement entered into ICE and Empresa Propietaria de la Red (EPR) to repay loan IDB No. 1908 for a total of US\$4.5 million, equivalent to ¢2.405 (¢2.440 in 2014). The total debt term is 25 years as of November 24, 2010, with a 5-year grace period, paid on a semiannual basis, at a variable interest rate (as of 2014, Libor 3-month rate of 0,23%, plus a funding margin of 0.04%, plus a IDB loan margin of 0.85%).

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)

	As of March 31, 2015	As of December 31, 2014
Private people	¢ 47,518	52,086
Judicial and administrative collection	45,240	42,344
Electric services consumers	21,929	21,693
Electric cooperatives and municipal companies of electric distribution	12,971	9,437
Operators and suppliers of services	7,122	5,253
Telephone administrations	3,096	2,316
Public offices	2,940	3,166
Other	3,382	3,297
Total receivables for services rendered	144,198	139,592
Private people (1)	20,150	45,638
Government tax	10,058	7,687
Covenants, services cleared and others	1,889	1,662
Damages to electric installations	965	919
Various services government	721	638
Other	1,902	2,324
Total non-trade receivables	35,685	58,868
Subtotal	179,883	198,460
Allowance for doubtful accounts	(30,483)	(30,667)
Net total ICE Group	¢ 149,400	167,793

(1) Non-Trade Receivables - Private Individuals

As of March 31, 2015, this item includes advance payments made by ICE to purchase fuel to generate power in thermal power plants for ¢6.420 (¢6.617 in 2014), advance payments to private individuals with guarantees for ¢2.355 (¢1.744 in 2014), interest and commissions for ¢1.927 (¢2.182 in 2014), receivables for unpriced services for ¢2.195 (¢28.780 in 2014) corresponding to the services provided by the Strategic Business Units, and the bills receivable for the construction services for the Reventazón Hydroelectric Project and an amount of ¢3.363 (¢3.104 in 2014) for ICE's deposits in courts.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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(In millions of colones)

Movement in the allowance for doubtful accounts is as follows

Allowance for doubtful accounts	As of December 31, 2013	Prior period adjustments	Used	Recoveries	Expense	As of December 31, 2014	Prior period adjustments	Used	Recoveries	Expense	As of March 31, 2015
Receivables for services rendered	¢ 28,474	51	(11,020)	936	4,953	23,393	230	(1,771)	329	1,027	23,208
Non-trade receivables	4,443	1,522	1,308	-	1	7,274	-	1	-	-	7,275
Total ICE Group	¢ 32,917	1,573	(9,712)	936	4,954	30,667	230	(1,770)	329	1,027	30,483

Note 11. Operating inventory

Operating inventory is as follows:

	As of March 31, 2015	As of December 31, 2014
Operating inventory	¢ 71,425	56,858
Materials in transit for operations	11,733	656
Materials and equipment held in custody	9,896	19,020
Subtotal	93,054	76,534
Allowance for valuation of operating inventory	(9,853)	(12,258)
Total ICE Group	¢ 83,201	64,276

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

	As of December 31						As of March 31, 2015
	2013	Used	Expenses	2014	Used	Expenses	
Allowance for valuation of inventory	¢ 10,956	(1,347)	2,649	12,258	(2,405)	-	9,853
Total ICE Group	¢ 10,956	(1,347)	2,649	12,258	(2,405)	-	9,853

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

*(In millions of colones)***Note 12. Prepaid Expenses**

Prepaid expenses are detailed as follows:

		As of March 31, 2015	As of December 31, 2014
Mobile terminals and devices	¢	39,007	41,617
Use agreements (1)		16,842	19,082
Fuel (2)		9,668	12,891
Imports (3)		8,115	20,466
U-500 insurance policy, net (4)		5,256	6,625
All-risk insurance policy - construction		1,920	2,367
Phone book		2,664	2,064
Other		1,697	1,411
Total ICE Group		85,169	106,523

U-500 insurance policy		As of March 31, 2015	As of December 31, 2014
Opening balance		6,625	4,448
Amount of premium		-	10,614
Amortization of premium		(1,369)	(8,437)
Total ICE Group	¢	5,256	6,625

(1) 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 29). The lease term of the aforementioned thermal power plant according to that trust is 142 months (11 years and 10 months) starting June 2010. Since the plant did not start commercial operations on the anticipated date (June 2010), management of the Executing Unit of the Garabito Thermal Power Plant and ICE agreed on November 19, 2010 that ICE would begin to amortize prepaid expenses starting January 2011 corresponding to lease payments made by ICE from June to December 2010, applying the first payment (made in June 2010) in January 2011 and so on until March 2022, which is the expiration date of the lease agreement.

After March 2022, ICE may continue to use the asset for seven months additional to those set forth in the agreement.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)(2) Fuel

In 2012, the Public Services Regulatory Authority (ARESEP), according to Resolution 977-RCR-2012 of November 2, 2012, partially approved the request filed by ICE for the recognition through rate adjustments of fuel and additional expenses for 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 while the outstanding amount of ¢15,460 corresponds to lags in the recognition of fuel and expenses in 2012. According to ARESEP's Resolution No. RJD-003-2013 issued on February 25, 2013, said delays must be recognized by means of rate adjustments no later than July 1, 2013, in quarterly payments. According to resolution 795-SJD-2013/125269 of November 29, 2013, ARESEP accepts the request of ICE of carrying forward the delay for fuels of 2012 approved for the first and second quarter of 2014 through agreement of April 14, 2013, to be applied to the rates of the third and fourth quarter of 2014, when the aforementioned balance was amortized. The balance pending of recognition as of December 31, 2013 amounted to ¢7.877.

ARESEP issues resolution RIE-034-2014 of June 27, 2014, through which it approved the recognition through rate adjustments of the exchange rate difference between the estimated versus actual fuel expenses for February, March, and April 2014 for the sum of ¢37,167. ARESEP accepted ICE's request so that such recognition be made in quarterly installments, as follows: in the third quarter of 2014, the sum of ¢16,360 will be recognized; in the fourth quarter of 2014, the sum of ¢7.916 will be recognized, and the rest will be recognized in equal parts during the quarters of 2015. The outstanding balance as of March 31, 2015 of this recognition is ¢9,668. (¢12,891 as of December 2014).

(3) Imports

As of September 2014, according to resolution RIE 061-2014 of ARESEP, rate recognition for energy import expense is approved, for a sum of ¢31.040. According to this resolution and ICE's accounting policies, such amount will be deferred within the next fifteen months commencing on October of this year, so that it is associated with the income that will be obtained in this term. As of March 31, 2015, the balance to be amortized is ¢8,115 (¢20,466 as of December 2014).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)(4) U-500 Insurance Policy

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

Note 13. Service Agreements

The main service agreements entered into with third parties are detailed as follows:

		As of March 31, 2015	As of December 31, 2014
<u>ICE:</u>			
Reventazón Hidroeléctric Project (1)	¢	38,903	23,337
Wather suply system project		534	473
Other		828	122
Subtotal ICE Group		40,265	23,932
* Elimination of Government services		-	(1)
Total ICE Group	¢	40,265	23,931

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

(1) Reventazón Hydroelectric Project

Reventazón Hydroelectric Project is located in the intermediate watershed of Río Reventazón, about 8 km southwest of the city of Siquirres, 38 km downstream of the restitution site of the Powerhouse of Angostura Hydroelectric Plant.

The Project will use the water from Río Reventazón and will become, when built, one of the hydroelectric plants with the highest installed capacity in the country, with a design flow of 240 m³/s and a power output of 305.5 MW.

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

(In millions of colones)

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.
 - 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.
- 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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(In millions of colones)

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

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

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

- The UNO P.H. Reventazón Trust acts as the employer and ICE as the contractor responsible for the construction of the Reventazón Hydroelectric Power Project. The agreement amounts to US\$693 million and the construction must be completed no later than the fourth quarter of 2016.
- As set forth in this agreement, ICE shall quarterly provide UNO P.H. Reventazón Trust, with the details of the amounts they consider they are entitled to charge, together with the supporting documentation. Once the details of costs are reviewed and approved, the Trust will reimburse ICE.

The main services ICE will provide under this agreement are: Engineering in the project design, management of required materials purchasing, acquisition of necessary labor and construction services of 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 March 31, 2015, the service agreement for Reventazón Hydroelectric Project shows an increase related to the balance as of December 31, 2014 for ¢15.556, mainly for the costs associated with the implementation of the project. The balance of service agreements amounting to ¢38,903 corresponds to costs incurred and to be billed according to the agreement.

As of March 31, 2015, ICE has transferred as trust property to UNO P.H. Reventazón Trust, lands with a value of ¢1.102.

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*(In millions of colones)***Note 14. Design and Planning of Project Implementation**

This account includes all those costs incurred or investments made during the design and planning stage of the implementation of the following projects:

		As of March 31, 2015	As of December 31, 2014
El Diquís Hydroelectric Project (1)	¢	79,620	78,825
Borinquén Geothermal Project (2)		21,953	21,852
Refitting of south-center transmission line		4,873	4,823
Verbena Transmission line		2,070	2,011
La Carpio Deviation		1,439	1,399
Transmission Lines		646	640
Others		1,238	1,192
Subtotal ICE Group		111,839	110,742
* Elimination of Government services		(26)	(122)
Total ICE Group	¢	111,813	110,620

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

Below is a description of the nature and main transactions of works for the design and planning of the implementation during the period:

(1) El Diquís Hydroelectric 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 Executive Order No. 34312-MP-MINAE of 2008.

As of March 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 ¢79.620 (¢78.825 in 2014), necessary for completing the Feasibility Studies and the final Environmental Impact Study. PHED is in the process of completing, followed by a presentation to the National Technical Environmental Secretariat (SETENA), the Environmental Impact Study. The viability or Environmental License is necessary to begin construction, which is issued with SETENA's approval of the study. To start its construction, there should be an environmental license or viability issued and approved by SETENA.

Within the area required for PHED, there are some indigenous communities, including: China Kichá (Cabécar) and Térraba (Térraba), which use 74 and 653 hectares of their territory. However, these areas would be flooded for the construction of the project's reservoir. For this reason,

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

legal and consultation processes have started with these indigenous communities, seeking to reach an agreement for the implementation of the Project.

In the opinion of ICE's Institutional Legal Division, consultations with the indigenous territories represent a binding event for granting the Environmental License required by ICE to begin the constructive stage of PHED.

PHED is currently undergoing legal proceeding, Number 11-001691-1027-CA, filed by the *Asociación de Desarrollo Integral de la Reserva Indígena de Térraba* (ADIT), with the Sixth Section of the Administrative Litigation Court requesting the nullity of Executive Decree No. 34312-MP-MINAE of 2008, which declares PRIED works and studies and its transmission works to be a matter of public and national interest, and eviction from the indigenous territories allegedly occupied by ICE. As a result of alleged cultural damages and occupation of indigenous territories by ICE, the plaintiff is seeking compensatory damages for a reasonable estimate of US\$200 (in millions) or its equivalent in colones. The judicial proceedings exhausted the corresponding proceedings stages necessary to start the trial stage, which is suspended until the Constitutional Chamber issues a ruling regarding the unconstitutional action filed against articles of the Administrative Contentious Code with a direct impact on the resolution of file 11-001691-1027-CA.

In December 2014, *amparo* proceedings were filed under File No. 14-019128-0007-CO, against order No. 34312-MP-MINAE of 2008 that declares PHED activities in favor of ADIT of public interest and national convenience, due to the breach and non-compliance with resolution 2011-01275 resulting from Unconstitutional Action No. 08-009215-0007-CO, which granted a 6-month term to conduct the consultation with indigenous peoples. In the opinion of ICE's advisors, the entity's role as the project's developer is different from the role of the Government of the Republic, who is the sole responsible for performing such consultative process, in accordance with International Standards that have been declared Law of the Republic. As previously informed, the outcome of this consultative process is binding for the issue of the Environmental Permit.

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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements

*(In millions of colones)***(2) Borinquén Geothermal 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 MV.

Costs incurred as of March 31, 2015 correspond to work related to site preparation for deep-well drilling amounting to ¢21,953 (¢21,852 as of December 31, 2014). Construction is expected to begin in late 2015.

Borinquén Geothermal Project has the finished and approved feasibility study as of December 31, 2014, as the initial proposal was modified, with the decision of making a Preparatory Technical Study to demonstrate an eventual geothermal potential in the Borinquén sector. This report, for the purposes of the Japan International Cooperation Agency (JICA) (financing part of the Project) and for the Costa Rican government represents the Feasibility Study.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
(In millions of colones)**Note 15. Non Operating Assets**

Assets associated with those activities different from ICE's normal operation, as well as its respective revaluation and accumulated depreciations, are detailed as follows:

<u>Non - operating assets</u>	As of December 31,						<u>As of March 31, 2015</u>
	<u>2013</u>	<u>Additions at cost</u>	<u>Retirements and</u>	<u>2014</u>	<u>Additions at cost</u>	<u>Retirements and</u>	
<u>Historical cost:</u>							
Land	¢ 24,041	2,716	(5)	26,752	444	-	27,196
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	-	-	1,963
Hydroelectric plants	674	-	-	674	-	-	674
General equipment	899	-	-	899	-	-	899
Surco Tico, S.A.- Forestry project	927	83	-	1,010	-	-	1,010
Other assets	145	-	-	145	-	-	145
Total cost ICE Group	33,567	2,828	(165)	36,230	454	-	36,684
<u>Accumulated depreciation - cost:</u>							
Land	44	8	-	52	2	-	54
Buildings	798	234	(32)	1,000	58	-	1,058
Substations	246	63	-	309	16	-	325
Hydroelectric plants	134	31	-	165	4	-	169
General equipment	2	-	-	2	-	-	2
Other assets	14	-	-	14	-	-	14
Total accumulated depreciation - cost ICE Group	1,238	336	(32)	1,542	80	-	1,622
<u>Revaluation:</u>							
Land	7,495	1,739	(1)	9,233	-	-	9,233
Buildings	2,906	404	(160)	3,150	-	-	3,150
Land and rights of way	-	-	-	-	-	-	-
Substations	174	165	-	339	-	-	339
Hydroelectric 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	(161)	20,844	-	-	20,844
<u>Accumulated depreciation - revaluation:</u>							
Land	230	22	-	252	2	-	254
Buildings	2,208	68	26	2,302	18	-	2,320
Substations	18	6	20	44	3	-	47
Hydroelectric plants	5,344	248	-	5,592	18	-	5,610
General equipment	1	-	-	1	-	-	1
Other assets	52	3	-	55	1	-	56
Total accumulated depreciation- revaluation ICE Group	7,853	347	46	8,246	42	-	8,288
Total non - operating assets ICE Group	¢ 42,756	4,870	(340)	47,286	332	-	47,618

Revaluations of non-operating assets are determined by applying the same methodology and indexes used for the operating assets.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 16. Intangible Assets

Intangible assets are as follows:

		As of March 31, 2015	As of December 31, 2014
Intangible assets:			
Licenses, systems and applications	¢	83,008	81,116
Rights of way and easements (1)		25,202	24,974
Rights guaranteed by law		2	2
Goodwill (2)		5,863	5,863
Total cost ICE Group		114,075	111,955
Accumulated amortization:			
Licenses, systems and applications		61,998	60,392
Goodwill		376	300
Total amortization ICE Group		62,374	60,692
Net total ICE Group	¢	51,701	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) Easements and Rights of Way

Easements and rights of way correspond to the payments made to the owners of lands which ICE Group has to access to develop different projects and provide electricity and telecom services. According to the terms of the agreements, ICE Group is only entitled to easements or rights of way, but this does not mean the purchase of lands or transfer of ownership to ICE Group.

Rights of way agreements do not stipulate a term in year to exercise the right, thus establishing a permanent easement. The aforementioned rights of way start mainly in the transmission lines. Therefore, these intangible assets meet the requirements of an indefinite life because there is not defined term so that these assets can continue generating cash flows for the Entity; therefore, they are not amortized.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
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(2) Goodwill

This is excess acquisition cost over the carrying amount (net equity) of the subsidiaries acquired in 2013: Cable Visión de Costa Rica, S.A and Eólico Valle Central, S.A (merged in 2014 with CNFL), the amortization term for this goodwill is 20 years (see note 3 (b) (i)).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Movement in intangible assets is as follows:

	<u>Licences, systems, and applications</u>		<u>Rights of way and easements</u>		<u>Rights guaranteed by law</u>		<u>Goodwill</u>		<u>Total</u>	
	As of March 31, 2015	As of December 31, 2014	As of March 31, 2015	As of December 31, 2014	As of March 31, 2015	As of December 31, 2014	As of March 31, 2015	As of December 31, 2014	As of March 31, 2015	As of December 31, 2014
Cost:										
Opening balance	¢ 81,116	84,089	24,974	23,777	2	-	5,863	5,372	111,955	113,238
Additions	3,511	17,004	228	1,200	-	2	-	491	3,739	18,697
Transfers	-	(9,402)	-	6	-	-	-	-	-	(9,396)
Retirements	(1,632)	(11,006)	-	-	-	-	-	-	(1,632)	(11,006)
Adjustments	13	431	-	(9)	-	-	-	-	13	422
Total cost ICE Group	¢ 83,008	81,116	25,202	24,974	2	2	5,863	5,863	114,075	111,955
Accumulated amortization:										
Opening balance	¢ 60,392	53,203	-	-	-	-	-	-	60,392	53,203
Amortization - expense	2,365	12,973	-	-	-	-	376	300	2,741	13,273
Amortization - investment	246	1,316	-	-	-	-	-	-	246	1,316
Reclassifications	7	-	-	-	-	-	-	-	7	-
Transfers	-	(4,514)	-	-	-	-	-	-	-	(4,514)
Retirements	(1,012)	(2,586)	-	-	-	-	-	-	(1,012)	(2,586)
Total amortization ICE Group	61,998	60,392	-	-	-	-	376	300	62,374	60,692
Net total ICE Group	¢ 21,010	20,724	25,202	24,974	2	2	5,487	5,563	51,701	51,263

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE AND SUBSIDIARIES)

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

Note 17. Guarantee and Savings Fund (Restricted Fund)

The Guarantee and Savings Fund for ICE Employees was created through Law 3625 of December 16, 1965. According to this law, ICE must allocate reserves and funds for the payment of occupational rights and for the personal fund, and it must continue with the contributions corresponding to an amount no less than the contributions made by the employees.

The main activity of the Guarantee and Savings fund is to grant mortgage and personal loans to the employees for housing solutions, as well as generating yields that are, in part, capitalized to savings of the contributors and, in part, paid in the annual yield distribution.

The balance of the employer contributions transferred by ICE Group to the Guarantee and Savings Fund is distributed as follows:

	As of March 31, 2015		As of December 31, 2014	
	Amount	%	Amount	%
<u>ICE:</u>				
Electricity	¢ 78,419	39%	76,475	39%
Telecom	108,579	54%	105,888	54%
Corporate	14,075	7%	13,726	7%
Subtotal ICE	¢ 201,073	100%	196,089	100%
<u>RACSA:</u>				
RACSA Guarantee and Savings Fund	2,572	100%	2,534	100%
Subtotal RACSA	2,572	100%	2,534	100%
Total ICE Group	¢ 203,645	100%	198,623	100%

Of that amount, ¢118,841 corresponds to the Supplemental Pension System and ¢82,232 to the Savings Fund 4.5% and 6%, respectively, of the monthly salaries of ICE's permanent employees.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 18. Amortizable Items

Amortizable items are as follows:

Cost:	Plazo	Método	As of December 31, 2013			As of December 31, 2014			As of March 31, 2015
			Balance	Write-offs	Increase	Balance	Write-offs	Increase	Balance
Projects	1 a 480 months	Straight line	¢ 749	-	-	749	-	-	749
Transactions costs - investments	30 a 180 months	Efective interest	1,738	(388)	502	1,852	(281)	104	1,675
Commissions for financing agreements	12 a 180 months	Efective interest	6,859	(1,701)	-	5,158	(157)	-	5,001
Total cost - ICE Group			9,346	(2,089)	502	7,759	(438)	104	7,425
Amortization:	Plazo	Método	Balance	Write-offs	Amortization	Balance	Write-offs	Amortization	Balance
Projects	1 a 480 months	Straight line	476	-	26	502	-	4	506
Transactions costs - investments	30 a 180 months	Efective interest	395	(277)	634	752	(186)	131	697
Commissions for financing agreements	12 a 180 months	Efective interest	3,468	(1,875)	758	2,351	(157)	110	2,304
Total amortization - ICE Group			4,339	(2,152)	1,418	3,605	(343)	245	3,507
Net total - ICE Group			¢ 5,007	63	(916)	4,154	(95)	(141)	3,918

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to the Interim Consolidated Financial Statements
(In millions of colones)**Note 19. Securities Payable (Bonds)**

A detail of the securities (debt securities) issued by ICE Group is as follows:

Securities payable	As of December 31,								As of March 31, 2015	Long-term
	2013	Amortization	Foreign exchange differences	Disbursements	2014	Amortization	Foreign exchange differences	Disbursements		
Internal debt:										
Bond issue (1)	531,833	-	24,171	27,131	583,135	-	(4,754)	1,000	579,381	579,381
External debt:										
Bond placement - Credit Suisse First Boston	30,554	30,148	(406)	-	-	-	-	-	-	-
International bond issue	502,470	-	39,750	-	542,220	-	(7,820)	-	534,400	534,400
Other:										
Premium bond issue	7,742	803	(3)	1,475	8,411	237	-	67	8,241	8,241
Discount bond issue	(5,759)	(165)	-	-	(5,594)	(42)	-	-	(5,552)	(5,552)
Total ICE Group	€ 1,066,840	30,786	63,512	28,606	€ 1,128,172	195	(12,574)	1,067	€ 1,116,470	1,116,470

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The characteristics of these debt bonds are detailed as follows:

Securities payable			
Creditor	Term	Annual interest rate	Currency
<i>Internal debt:</i>			
Bond issue	Maturing between September 30, 2017 and May 16, 2033	Variable between el 3,21% and 10,15% Fixed between 10,30% and el 11,45%	¢
Bond issue	Maturing between May 20, 2016 and September 7, 2027	Fixed between 5,71% and 7,65%	US\$
<i>External debt:</i>			
Bond issue	Maturing between November 9, 2021 and May 14, 2043	Fixed between 6.38% and 6.95%	US\$

Internal Debt:

1) Issue of Bonds

- (i) **Series F3-2015:** In February 2015, ICE placed funds amounting to ¢1,000, at a rate of 9.38%.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 20. Notes Payable

As of March 31, 2015, the movements of the notes payable are detailed as follows:

	As of December 31,								As of			(in U.S. dollars)	
	2013	Amortization	Foreign exchange differences	Disbursements	2014	Amortization	Foreign exchange differences	Disbursements	March 31, 2015	Long-term	Short-term		
Internal debt:													
<i>Loans payable:</i>													
Non-restructured debt - Tranche V	€	333	222	9	-	120	-	(2)	-	118	-	118	0.2
Banco Nacional de Costa Rica		31,942	1,464	-	-	30,478	401	-	-	30,077	26,934	3,143	56.3
Scotiabank		15,523	6,243	887	-	10,167	678	(138)	-	9,351	6,670	2,681	17.5
BCR Trust		23,016	1,763	-	-	21,253	153	-	-	21,100	20,483	617	39.5
Supplier credit		30,502	8,189	1,941	1,825	26,079	3,250	(329)	-	22,500	12,891	9,609	42.1
Chiripa Wind Consortium		-	-	-	3,888	3,888	32	(55)	-	3,801	3,801	-	7.1
Scotia Leasing		5	4	-	-	1	1	-	-	-	-	-	-
BAC Leasing		48	4	1	21	66	-	(3)	-	63	-	63	0.1
<i>Lines of credit:</i>													
Scotiabank		18,089	73,298	1,947	53,262	-	-	-	-	-	-	-	-
External debt:													
<i>Loans payable:</i>													
CABEI (1)		64,448	4,397	7,585	69,520	137,156	1,288	(2,168)	14,483	148,183	144,375	3,807	277.3
IDB		234,396	25,223	17,542	38,701	265,416	12,277	(3,680)	-	249,459	220,289	29,170	466.8
BNP Paribas		2,150	1,490	114	-	774	-	(12)	-	762	-	762	1.4
Nordea Export & Project Finance		3,815	3,815	-	-	-	-	-	-	-	-	-	-
M&T Bank		2,957	1,189	164	-	1,932	336	(23)	-	1,573	331	1,242	2.9
Banistmo, S.A.		61,553	11,944	4,292	-	53,901	3,170	(732)	-	49,999	38,037	11,963	93.6
Andean Development Corporation (CAF)		39,779	4,187	2,815	-	38,407	-	(554)	-	37,853	33,400	4,453	70.8
Citibank		7,934	4,124	471	-	4,281	-	(62)	-	4,219	-	4,219	7.9
Japan Bank for International Cooperation (2)		58,834	4,703	(2,774)	-	51,357	-	(216)	5,615	51,141	46,702	4,439	95.7
Cisco Systems		20,779	3,386	1,427	592	19,412	1,038	(263)	-	23,726	19,371	4,355	44.4
Multibank INC.		798	553	42	-	287	-	(4)	-	283	-	283	0.5
Scotiabank		-	-	-	48,800	48,800	2,169	(673)	-	45,958	34,354	11,604	86.0
Global Bank Corporation (3)		-	-	-	10,844	10,844	10,844	-	-	-	-	-	-
Instituto Crédito Oficial (Spain)		12,218	704	976	-	12,490	341	(183)	-	11,966	11,284	682	22.4
Deutsche Bank, Sociedad Anónima Española		1,930	1,394	158	-	694	-	(10)	-	684	-	684	1.3
Kreditanstalt für Wiederaufbau		9,759	1,964	786	-	8,581	963	(122)	-	7,496	5,571	1,925	14.0
Banco Interamericano de Desarrollo (BICSA)		8,554	3,639	668	1,646	7,229	-	(104)	-	7,125	6,335	790	13.3
Banco de Costa Rica		40,428	412	-	-	40,016	230	-	-	39,786	39,159	627	74.4
Banco Nacional de Desarrollo Económico y Social - Brazil (BNDES)		11,523	-	978	5,612	18,113	-	(261)	-	17,852	16,962	890	33.4
Banco Nacional de Costa Rica		27,791	416	2,123	10,460	39,958	119	(578)	418	39,679	38,721	958	74.2
Secured financing agreement		170	-	(170)	-	-	-	-	-	-	-	-	-
Liability restructuring		155	-	(155)	-	-	-	-	-	-	-	-	-
Secured Financing Agreement (CONAVI-BNCR)		18	-	(18)	-	-	-	-	-	-	-	-	-
Finance Ministry		-	-	-	7,043	7,043	150	-	-	6,893	6,490	404	12.9
<i>Lines of credit:</i>													
Citibank		7,035	16,079	-	9,044	-	-	-	-	-	-	-	-
Bladex		50,246	60,295	-	10,049	-	-	-	-	-	-	-	-
Global Bank Corporation (4)		5,025	21,964	(123)	17,062	-	-	(44)	5,388	5,344	-	5,344	10.0
Mercantil Commercebank		12,562	46,256	1,033	32,661	-	-	-	-	-	-	-	-
Total internal debt - ICE Group		119,458	91,187	4,785	58,996	92,052	4,515	(527)	-	87,010	70,779	16,231	US\$ 162.8
Total external debt - ICE Group		684,857	218,134	37,934	262,035	766,692	32,925	(9,689)	25,904	749,982	661,381	88,601	US\$ 1,403.4
Total debt - ICE Group	€	804,315	309,321	42,719	321,031	858,744	37,440	(10,216)	25,904	836,992	732,160	104,832	US\$ 1,566.2

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The general characteristics of notes payable, classified into internal and external debt in 2015 se are summarized 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, from 5.25% to 10.50%	¢-US\$	Maturing between March 13, 2019 and October 1, 2033
BCR Trust	Variable del 9,90%	¢	Maturing on July 22, 2022
Ministry of Finance	Variable del 12,68%	¢	Maturing on December 30, 2024
Commercial banks:			
Scotiabank	Variable from 4.76% to 6.00%, fixed between 1.26% and 5.60%	US\$	Maturing between May 21, 2015 and December 18, 2021
Scotia Leasing	Variable 6.25%	US\$	Maturing on May 6, 2015
BAC Leasing	Variable 6.25%	US\$	Maturing between August 26, 2019 and July 10, 2020
Crédito Proveedor	Fixed, between 4.95% and 5.45%	US\$	Maturing between June 1, 2016 and August 12, 2019
Banco de Costa Rica	Variable from 2.00% to 3.00%	¢	Maturing on July 6, 2032
External debt:			
Multilateral organizations			
Central American Bank for Economic Integration (CABEI)	Variable from 4.69% to 7.68%, Fixed between 4.03% and 8.50%	US\$	Maturing between October 21, 2015 and November 22, 2038
Interamerican Development Bank (IDB)	Variable from 1.12% and 4.71%, Fixed 2%	US\$-JPY-EURO-GBP	Maturing between September 9, 2015 and October 15, 2037
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 from 2.23% to 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 Corporation	Fixed between 1,25% and 3,61%	US\$	Maturing between January 12, 2015 and August 18, 2015
Nordea Export & Project Finance	Fixed 2.51%	US\$	Maturing between February 28, 2014 and December 8, 2014
Cisco Systems	Fija from 2.95% to 3.39%	US\$	Maturing between September 13, 2018 and October 08, 2020
M & T Bank	Variable 2.23%	US\$	Maturing on December 11, 2015
Banistmo, S.A.	Variable 5.18%	US\$	Maturing between November 08, 2015 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
Kreditanstalt Fur Wiederaufbau (K.F.W.)	Variable 3.80%	US\$	Maturing on March 31, 2020
Banco Internacional de Costa Rica (BICSA)	Fixed between 4.50% and 5.00%	US\$	Maturing between May 27, 2025 and December 08, 2026
Banco Nacional de Desarrollo Económico y Social de Brasil (B.N.D.E.S.)	Fixed 4,50%	US\$	Maturing on March 19, 2025

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

As of March 31, 2015, the new most relevant operations and disbursements are:

(1) CABEI:

In February and March 2015, there were disbursements for US\$26,6 million equal to ¢14,483, at an interest rate per annum between 4.69% and 6.40%, with 15 and 20-year terms.

(2) Japan Bank For International Cooperation:

In March 2015, there was a disbursement for US\$10,3 million equal to ¢5,615, at an interest rate per annum of 0,60% and a 40-year term.

(4) Global Bank Corporation:

As of March 2015, there is a balance in the credit lines for US\$10 million equal to ¢5.344, at a semiannual interest rate of 3.61% and a 6-month term.

The main movements in amortizations as of March 31, 2015 are as follows:

(3) Global Bank Corporation:

In January 2015, a payment of a loans for US\$20 million was made, equal to ¢10,844.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Enforcement Clauses (Covenants):

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

Some of the loan agreements also establish clauses called:

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

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

- a) It will not merge or consolidate with any person, or will allow that any of its subsidiaries does, except that: (a) any subsidiary of the Borrower (ICE) might merge or consolidate with any other subsidiary of the Borrower, and (b) any subsidiary of the Borrower merges with the Borrower, and (c) any merge or consolidation approved by the Creditor (Bank), provided that, in each case, noncompliance had not occurred and continued at the moment of such proposed transaction, or that noncompliance arises from it.
- b) It will not sell, lease, transfer or dispose otherwise, nor will it allow that any subsidiaries sell, lease, transfer or dispose otherwise of assets, nor will it grant any option or any other right to buy, lease or otherwise acquire assets, except by (1) inventory sales in the ordinary course of business, (2) a transaction authorized by the Bank, and (3) sales of assets for its fair value for a total amount of not more than US\$20 million (or its equivalent in other currencies) in any year.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- c) It will not enter into any agreement by virtue of which it agrees or is required to share with third parties the income, directly or indirectly derived, from the works built with financing obtained from the entities shown on the previous table.
- d) It will not create or accept the existence, nor will it allow that any subsidiaries create or accept any encumbrance regarding any of its property, owned by ICE now or subsequently acquired, nor will it transfer or let any subsidiaries transfer any right to receiving income from the works that will be financed by obligations incurred with the Bank.
- e) It will have and make each of its subsidiaries acquires insurance with responsible or reputable insurance associations or companies, in the amounts and with the risk coverage usually taken by the companies in similar businesses, and that have similar properties in the same general areas in which the Borrower or such subsidiary operates.
- f) It will comply and make that each of its subsidiaries comply with, substantially, the Laws, Rules, Regulations and applicable orders, and such compliance shall include, among others, compliance with Environmental Laws, except when it is not reasonably expected that noncompliance has a Substantial Negative Effect.

As of March 31, 2015, financial covenants regarding debt agreement comply with the established limits.

Note 21. Accounts Payable

Accounts payable are as follows:

		As of March 31, 2015	As of December 31, 2014
Materials suppliers	¢	34,108	35,022
Taxes		14,480	16,015
Payroll and employee withholdings		8,916	6,664
Other creditors		56,681	33,104
Total ICE Group		114,185	90,805
Less reclassification of long-term portion	¢	(11,102)	(6,048)
Short-term	¢	103,083	84,757

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 22. Income Received in Advance

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

		As of March 31, 2015		As of December 31, 2014	
		Long-term	Short-term	Long-term	Short-term
Prepaid mobile services (1)	¢	-	10,715	-	7,760
Government grants (2)		4,438	304	4,517	304
Transfer in Property Spare Parts - Materials (3)		-	9,031	-	8,456
Other		-	2,025	-	2,076
Total ICE Group	¢	4,438	22,075	4,517	18,596

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

(1) Prepaid Mobile:

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

(2) Government subsidies:

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

(3) Transfer of Ownership of Spare Parts – Materials:

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 23. Accrued Expenses for Employer Obligations

Accrued expenses for employer obligations are as follows:

		As of March 31, 2015	As of December 31, 2015
Back-to-school bonus	¢	5,459	21,702
Vacations		9,733	14,568
Statutory Christmas bonus		10,201	2,141
Work mobility compensation		-	2,990
Third biweekly and fifth		1,026	-
Total ICE Group	¢	26,419	41,401

Movement of accrued expenses for employer obligations is as follows:

		Statutory Christmas bonus	Back-to- school bonus	Vacations	Third biweekly and fifth	Work mobility compensation	Total
<u>2015</u>							
Opening balance	¢	2,141	21,702	14,568	-	2,990	41,401
Expensed - investments		2,540	842	1,616	2,100	-	7,098
Expensed - operations		5,715	4,616	3,994	-	-	14,325
Used		(195)	(21,701)	(10,445)	(1,074)	(2,990)	(36,405)
Total ICE Group	¢	10,201	5,459	9,733	1,026	-	26,419
<u>2014</u>							
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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 24. Legal Provisions

Legal provisions are as follows:

		As of March 31, 2015	As of December 31, 2014
Severance benefits	¢	18,212	22,519
Occupational hazards		8,028	7,893
Provision for contingent liabilities		9,807	12,743
Employee Protection Law		143	-
Cash shortages and cash accounts		3	7
Other provisions		34	101
Total ICE Group	¢	36,227	43,263
Less: current portion		(10,000)	(10,000)
Long-term legal provisions		26,227	33,263

The detail of legal provisions is as follows:

		Severance benefits	Occupationa l hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Other provisions	Total
2015								
Opening balance	¢	22,519	7,893	12,743	-	7	101	43,263
Expensed - investment		1,722	1,037	-	788	3	-	3,550
Expensed - investment		3,514	-	50	-	-	-	3,564
Used		(9,543)	(902)	(2,986)	(645)	(7)	(67)	(14,150)
Total ICE Group	¢	18,212	8,028	9,807	143	3	34	36,227

		Severance benefits	Occupationa l hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Other provisions	Total
2014								
Opening balance	¢	31,537	5,756	17,074	197	6	201	54,771
Expensed - investment		9,178	4,770	5,189	568	14	-	19,719
Expensed - operation		16,017	-	3,854	-	-	-	19,871
Used		(34,213)	(2,633)	(6,331)	(765)	(13)	(100)	(44,055)
Transfers		-	-	(7,043)	-	-	-	(7,043)
Total ICE Group	¢	22,519	7,893	12,743	-	7	101	43,263

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(1) Assessment Notices – Finance Ministry in 2012:

Instituto Costarricense de Electricidad was subject to an audit as of July 2014 regarding the General Sales Tax corresponding to the period from January to December 2012. In March 2015, a payment was made in the sum of ¢2,936.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 25. Memoranda Accounts

	As of March 31, 2015	As of December 31, 2014
Guarantees received:		
Performance bonds (1)	¢ 268.778	274.606
Collection agentes (2)	3.223	3.289
Bid bonds (3)	1.840	2.777
Tenders	8	8
Guaranty deposits	291	292
Subtotal	274.140	280.972
Other guarantees received - Sundry services	845	827
Credit memoranda accounts - Other - Surety	1.432	1.374
Contingent assets:		
Savings and loan fund	28.318	29.066
CNFL Employees Association (ASEFYL)	13.056	13.898
Performance bonds - procurement	7.758	7.792
Materials in transit	368	374
Collection of electricity services	1.005	926
Materials loan	163	127
Employee guarantees	181	187
Rental of posts	140	141
Performance bonds - labor	130	95
Guaranty deposits (electricity consumption)	141	138
ICE easement - Cote Plant	7	7
Valle Central Wind Power Plant	77	79
Subtotal	51.344	52.830
Contingent liabilities:		
Payment arrangement - financing of appliances	25	22
Total ICE Group	¢ 327.786	336.025

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

(1) Performance bonds - received

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:

(2) Collection agents

“Collection agents” corresponds to guarantees that ICE received from external collection agents to ensure the recovery of public funds held in the custody of those agents for a specified period.

(3) Bid bonds - received

Bid bonds correspond to bonds that guarantee the good faith participation of bidders of goods and services in ICE’s tender processes and, if awarded the contract, that the bidders will comply with the procedures established in the corresponding award.

(4) Other Guarantees Received

ICE – CNFL Surety

On May 4, 2006 a guarantee agreement was entered into between ICE and KFW Bank whereby ICE constitutes as joint and several surety for the obligations contracted by CNFL as debtor of the abovementioned loan.

On September 25, 2008, CNFL and KFW Bank entered into a supplementary loan agreement amounting to US\$9,5 million for financing unexpected events. The corresponding surety for this loan was granted by ICE, increasing the surety’s total amount to US\$36 million (¢18,940). The term for this surety is up to a maximum of ten years. As of March 31, 2015 and December 31, 2014, CNFL owed balances associated to this operation amount to ¢7,495 and ¢8,580, respectively.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 26. Service Income

Regulation of Electricity Services

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

On March 19, 2012, through Resolution RJD-017-2012, published in La Gaceta No. 74 of April 17, 2012, the Regulatory Committee of ARESEP published the factors related to the cost of fuels in accordance with the Variable Fuel Cost (CVC) Methodology and the rate schedules to be applied in the four quarters of 2013, in effect as of January 1, 2013.

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

Telecom Service Regulation

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

Through Decision No. RSC-295-2012, SUTEL authorizes operators to modify the modality under which prepaid mobile Internet data transfer services are charged. Also, as published in the Official Bulletin La Gaceta dated April 25, 2013, SUTEL excluded 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.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 27. Operation and Maintenance Costs

Operation and maintenance costs include costs related to fuel consumption to generate power by its own or leased thermal power plants, as follows:

	For the period ended on	
	March 31,	
	2015	2014
<u>Thermal power plant:</u>		
Garabito	¢ 4,635	29,140
Moín II	794	9,498
Moin III	725	10,571
Moín I	160	2,153
Pujol - Pococi	123	1,440
Pujol - Orotina	98	1,535
Others	31	253
Total Group ICE	¢ 6,566	54,590

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 28. Operation and Maintenance Costs of Leased Equipment

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

	For the period ended on	
	March 31,	
	2015	2014
<u>ICE Group :</u>		
Thermal generation	¢ 12,910	37,413
Hydraulic generation	5,183	5,069
Wind generation	2,513	2,223
Substations	1,397	1,399
Transmission lines	573	560
Telecom leases	880	1,157
<u>Sub total</u>	23,456	47,821
*Elimination of institutional services	456	463
<u>Total ICE Group</u>	¢ 23,000	47,358

* Government services are eliminated from the statements of profit or loss for presentation purposes

Costs for the operating leases of the plants mentioned above amounts to ¢15,677 for 2015 (¢15,230 for 2014).

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

ICE has the policy of recording and classifying the lease agreements for telecommunications equipment, transmission equipment, and energy generation plants as operational leases. A detail of these agreements is shown below:

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	Service order balance at		No. of installments	Amount of installment	Purchase option	Expenses in 2015	Expenses in 2014	Frequency	Subject of the agreement		
						Total paid	March 31, 2015								Paid in 2015	
ICE Group																
1691	Peñas Blancas Securitization Trust (1)	16-ago-00	31-ene-08	01-jul-15	119	113	6	8	155	Between US\$875 and US\$725 (in thousands)	19	751	696	Monthly	Electricity infrastructure	
N/A	Cariblanco Securitization Trust (1)	03-jul-03	29-feb-08	31-dic-19	304	180	124	25	147	2	8	2,245	2,080	Monthly	Lease for Cariblanco Hydroelectric Power Plant	
N/A	Garabito Thermal Project Trust (1)	05-nov-07	01-jul-10	31-mar-22	743	282	460	63	142	5	213	7,884	7,990	Monthly	Lease for Garabito Thermal Power Plant	
333059	Las Pailas Geothermal Power Plant (2)	07-mar-07	28-mar-12	31-dic-23	240	51	189	18	24	8	-	2,319	2,048	Half-yearly	Lease for Las Pailas Geothermal Power Plant	
351643	Administrative Board of Cartago's Electricity Service (JASEC) (3)	14-abr-10	04-dic-13	14-abr-22	25	5	20	2	20	Between US\$ 1,637 and US\$854 (in thousands)	-	234	227	Half-yearly	Infrastructure for Tejar Step-Down Substation/Easements and expansion tower sites for Río Macho - Transmission Line Project	
N/A	Toro 3 Power Plant Trust (1) & (4)	01-jun-13	30-jun-13	30-nov-24	131	16	115	9	137	\$1	-	1,277	1,184	Monthly	Lease for Toro 3 Power Plant	
343012	Huawei Technologies Consortium	10-feb-09	25-feb-10	26-mar-15	US \$ 233	233	0	0	20	First phase: US\$8; second phase: US\$4 (in	23	€	-	54	Quarterly	3G wireless system
Subtotal - Operating leases - US\$					US\$	1,562	647	915	125			€	14,711	14,279		
General features of the agreement						In millions of colones										
ICE Group																
350702	Cooperativa de Electrificación Rural Guanacaste (5)	16-feb-10	06-abr-10	06-sep-21	€ 87,848	28,739	59,108	5,746	138	Between €617 and €473	Approximately €3,541	€	966	951	Monthly	Infrastructure for electricity transmission line Liberia - Papagayo - Nuevo Colón
Subtotal - Operating leases - colones					€	87,848	28,739	59,108	5,746			€	966	951		
Total - Operating leases -ICE Group											€	15,677	15,230			

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

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

(1) **Securitization Trusts:**

ICE, 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 as of March 31, 2015 and 2014, the financial statements of these trusts register liabilities for this concept.

The trusts contract ICE to build the aforementioned plants given its experience in the development of this type of projects. In their capacity as the owners, the trusts lease the plants to ICE for terms ranging between 11 and 13 years. At the end of the lease terms, ICE may exercise the purchase option established in each lease agreement.

The main clauses of the trust agreements are summarized below:

- The purpose of the agreements is to create trusts to generate and manage the necessary resources for development of the projects, serve as vehicles to create autonomous equity that will be used in a securitization process, and obtain the necessary resources to finance the project.
- Trust assets will be comprised of the following:
 - a) The liquid assets generated by the trusts from the issue and placement of debt securities.
 - b) Tangible and intangible assets of the trustor, which are essential to the object of the contract, will be transferred as trust property to the Trust; the civil works, equipment, facilities, workshops, vehicles, equipment and materials inventory, office equipment, computer equipment, including software, licenses, and any others that have been acquired with the trust's resources for the development of the projects and for the operation and maintenance of the plants, as well as the right to use the land owned by the trustor, as required for the development of the projects, and all the intellectual information and studies produced for and during the development of the project's works in charge of the trusts.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

- 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.
- The trustee may only use the trust assets according to the provisions expressly contained in the trust agreements and pursuant to the instructions issued by the trustor. Both, the trustee's powers of disposal over the trust assets as well as the trustor's powers to issue instructions on such assets, are limited to the execution of those acts that are strictly necessary to fulfill the purpose of the trust.
- The trust's financial policy will be to allocate the resources obtained from the securitization process and temporary investments to construction of the projects, debt servicing, and covering the trust's operating costs. Upon compliance with such obligations, all of the trust assets will become the property of the trustor ipso jure.
- The trustor must appoint a Manager from the Execution Unit, who should be accepted by the trustee, and who shall act as the superior, with the inherent rights and duties.
- The trustor and the trustee agree that ICE will be hired by the Trust to assume the responsibility of the construction of the projects, through an engineering and construction agreement.
- Upon expiration of the trust agreements, all of the trust assets, without exception, delay, or condition, will be automatically transferred ipso jure to the trustor, who will become the legitimate owner.
- The Peñas Blancas trust is for a term of 20 years and the Cariblanco, Garabito, and Toro 3 trusts are for terms of 30 years.

(2) **Las Pailas Geothermal Power Plant:**

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

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

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

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- A lease is set for a term of 12 years with a purchase option for Las Pailas Geothermal Plant, starting upon the satisfactory receipt of the works by ICE.
- 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 purchase option may be executed in the amount of 15% of the total investment accrued during the construction stage.
- CABEI will invest in the construction of the plant in an amount of up to US\$130 (in millions).
- CABEI agrees that ICE will carry out construction of the entire plant and its interconnection to the National Interconnected System. The total cumulative investment at the end of the construction phase will have been made in U.S. dollars, consisted of the following:
 - 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". 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-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.

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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. This happened starting on 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 business Alliance between ICE and JASEC involves equal participation in respect of rights and obligations and benefits derived from the construction and commercial exploitation of the Toro 3 Hydroelectric Power Project over its useful life. Both entities will participate in the development of the Project, with an ownership interest of fifty percent (50%).

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

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

- Monthly payments in colones that the lessor must make to its creditors (BCR and Banco Popular y de Desarrollo Comunal as a result of the loans granted to Coopeguanacaste), and
- Amounts payable by the lessor for monthly infrastructure maintenance costs.

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Note 29. Supplemental Services and Purchases

Supplemental services and purchases are as follows:

	For the period ended on March 31,	
	2015	2014
ICE Telecom:		
Traffic from local operators	¢ 2,291	3,261
Phone-in	1,806	3,471
Others	780	615
Total ICE Telecom	4,877	7,347
ICE Electricity:		
Import:		
Ente Operador Regional (EOR)	6,781	4,466
Cenergica S.A de c.v.	-	832
Others	-	654
Subtotal import	6,781	5,952
Independent power producers: (1)		
Unión Fenosa Generadora La Joya	6,384	3,744
Consortio Eólico Chiripa	6,362	-
Planta Eólica Guanacaste, S.A.	4,727	4,072
Hidroeléctrica Doña Julia	2,522	1,329
Hidroenergía Del General (HDG), S.R.L.	2,203	2,628
Geoenergía de Guanacaste Ltda.	1,933	2,138
Hidroeléctrica Platanar, S.A.	1,797	1,110
Proyecto Hidroeléctrico Río Volcán, S.A.	1,736	567
Proyecto Hidroeléctrico Pedro, S.A.	1,636	596
Hidroeléctrica Zarcas, S.A.	1,579	726
Hidroeléctrica Río Lajas, S.A.	1,556	720
Azucares el Viejo S.A	1,546	1,545
Molinos de Viento Del Arenal, S.A.	1,473	1,389
Plantas Eólicas, S.A.	1,378	1,472
Ingenio Taboga, S.A.	1,282	1,315
Others	4,237	2,154
Subtotal independent power producers	42,351	25,505
Export:		
Ente Operador Regional (EOR)	2,794	2,550
Total ICE Electricity	51,926	34,007
Total ICE Group	¢ 56,803	41,354

(Continues)

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(1) Cogenerators:

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

As of March 31, 2015, ICE has subscribed power purchase agreements under Chapter II that correspond to BOT agreements (Built, Operate, and Transfer) with the following independent power producers: Geoenergía de Guanacaste, S.R.L.; Unión Fenosa Generadora La Joya; Hidroenergía del General (HdG), S.R.L.; and Planta Eólica Guanacaste, S.A. Consorcio Eólico Chiripa S.A. As a result, the following projects are in the construction phase: PH Chucás, S.A.; P.H. Capulín, and Proyecto Eólico. 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 cogenerators or ICE may request the early transfer of the power plants.

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

- The cogenerators shall be responsible for the financing, design, procurement of supplies, construction, evidence, startup and maintenance of the plants. The co-generators also agree to deliver all the energy produced to ICE during the term of the contract.
- The cogenerators shall produce energy with the quality and standards of operation set forth in each contract and will fully deliver it to ICE, with the exception of that required to feed the auxiliary equipment and for servicing of the plants, pursuant to the contracts.
- The cogenerators assume the risk for damage, loss or destruction of the equipment and facilities, during the term of the contract, due to any reason or cause whatsoever that is directly attributable to the cogenerator, 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

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include price adjustment forms for variations due to inflation, and which apply on the operating and maintenance cost component.

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

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

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

The agreements are in effect for terms that range between 15 and 20 years and expire between March 2016 and October 2033.

For cogenerators 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.
- 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 cogenerator may supply once its own energy needs are met, up to the maximum power output agreed. The cogenerator 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 cogenerator 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.

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Under Chapter I of Law N° 7200, ICE signed agreements as of the date the law was enacted, in 1990. As of 2009, once the agreements executed in the nineties started to expire (which maximum term was 15 years), ICE proceeded to renewal, for the remaining term of the concessions (which were granted for 20 years.) Currently, agreements are being renewed once the companies obtain new concessions, both for use of water forces, in case of hydroelectric projects, and the generation public service granted by ARESEP. Currently, there are 25 agreements in force: 3 wind plants, 2 sugar plantations, and 20 hydroelectric plants.

In addition, as of 2012, once ARESEP published the rates for new plants, and the new regulation for Chapter I of Law No. N° 7200 was published, ICE started the selection process of projects with which new agreements will be signed. In June 2012, Bid No. 01-2012 was published, through which 5 wind projects and 6 hydroelectric projects were selected, out of which only the Tila Wind Project has been signed, which is under construction and is expected to be operating next year. The Campos Azules wind project is in the negotiation stage, which became operational in the first quarter of 2015.

In February of this year, Bid No. 02-214 was published, which results appeared in La Gaceta of June 25, and it was final on August 29, once the General Management rejected the motion of appeal filed by one of the participants. In this second bid, 2 wind projects and 4 hydroelectric projects were selected, one of which refused the selection.

As of September 2014, a rate recognition for energy import expense is granted, according to resolution RIE 061-2014 of ARESEP, which was being registered as expense until August 2014. This item will be deferred within the next fifteen months as of October of this year, so that it can be associated with the income to be obtained in this term. (See note 12).

Rate Adjustment for Private Generation Plants

On January 12, 2015, Resolution RIE-099-2014 of December 18, 2014 was published in the Official Bulletin La Gaceta, in which ARESEP authorizes a rate adjustment for private generation plants selling energy to ICE, which generation sources are hydroelectric and wind power, under Law 7200. This adjustment represents an increase of 13%.

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Transfer of Geoenergía de Guanacaste Ltda. Plant to ICE

On March 25, 2015, the assets Geoenergía de Guanacaste Ltda. Plant (hydroelectric plant), which operated under the modality of agreement of B.O.T. (build, operate, transfer), for a period of 15 years from its startup is transferred to the Costa Rican Electricity Institute.

Note 30. Administrative Expenses

Administrative expenses are detailed below:

	For the period ended	
	on March 31,	
	2015	2014
<u>ICE Group:</u>		
Salaries	¢ 16,495	14,243
Services	2,973	2,049
Service centers	1,399	21
Depreciation of other operating assets	476	580
Current transfers	285	436
Others	2,491	2,058
Subtotal	24,119	19,387
*Elimination of Government services	80	83
Total ICE Grup	¢ 24,039	19,304

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

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Note 31. Marketing Expenses

Marketing expenses are detailed as follows:

	For the period ended on March 31,	
	2014	2013
<u>ICE Group:</u>		
Salaries	¢ 17,725	17,788
Materials and supplies	14,278	14,164
Services	13,253	12,155
Service centers	5,019	126
Current transfers	1,265	2,477
Depreciation of other assets in operation	1,201	1,114
Others	3,960	3,486
Subtotal	56,700	51,310
* Elimination of institutional services	379	431
Total ICE Group	¢ 56,321	50,879

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

Note 32. Pre-Investment Studies

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

	For the period ended on March 31,	
	2015	2014
<u>ICE Grup:</u>		
Ayil Hydroelectric Project (1) ¢	149	770
Los Llanos Study	132	-
Savegre Study	76	155
Tejona II Hydroelectric Project	-	124
Others	100	111
Total ICE Grup	¢ 457	1,160

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(1) Ayil Hydroelectric Project

Ayil Hydroelectric Project, which will be located in the Cabécar indigenous territory in Bajo Chirrió, Matina, Limón, whereby a term of 3 years, related to pioneer roads that require the construction of several bridges.

Note 33. Preliminary Studies

Preliminary studies are as follows:

	For the period ended on March 31,	
	2015	2014
<u>Grup ICE:</u>		
Salaries	¢ 3,344	3,208
Use of service centers	1,207	687
Services	109	154
Current transfers	102	96
Depreciation of other operating assets	85	110
Materials and supplies	82	34
Others	426	326
Subtotal Grup ICE	5,355	4,615
* Elimination of Government services	35	48
Total Grup ICE	¢ 5,320	4,567

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

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Note 34. Other Operating Expenses

Other expenses incurred by ICE Group to ensure the quality of the construction and operation of works owned by third parties are recognized as “Other operating expenses”. Additionally, this item includes subsequent mitigation and social compensation costs that exceed the amounts established in the Environmental Management Plan and were not included in the “Baseline” planned and controlled by ICE. They are detailed as follows:

	For the period ended on	
	March 31,	
	2015	2014
<u>Grup ICE:</u>		
Fibra Óptica de Conectividad Avanzada	¢ 363	-
Mejoras en la red transporte	218	-
Orosi Aeolian Project	153	-
Torito Hydroelectric Project	113	93
Advance mobile services	111	126
Chucas Hydroelectric Project	100	74
Other	147	198
Total Grup ICE	¢ 1,205	417

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Note 35. Other Interests and Other Expenses

Other interests and other expenses are detailed below:

Other income	For the period ended on March 31,	
	2015	2014
ICE Group:		
Foreign exchange differences (3)	¢ 27.314	22.488
Interests and other financial income (2)	9.421	7.346
Construction services (1)	247	183.436
Other products (4)	3.767	5.116
Total ICE Group	¢ 40.749	218.386

Other expenses	For the period ended on March 31,	
	2015	2014
ICE Group:		
Interests and other financial expenses(5)	¢ 26.794	20.363
Foreign exchange differences (3)	3.642	170.110
Agreements for civil and electromechanical works (1)	192	179.489
Other expenses	2.031	423
Total ICE Group	¢ 32.659	370.385

A description of the main transactions is 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 registered under “Agreements for civil and electromechanical works.”
- (2) Interest includes income on external sector securities.
- (3) As a result of the transactions with foreign currency, valuation of assets and liabilities denominated in foreign currency during the period ended as of March 31, 2015, income and expenses from foreign exchange transactions was recognized in the amounts of ¢27,314 and ¢3,642, respectively (¢22,488 and ¢170,110 in 2014).
- (4) To value monetary assets and liabilities denominated in foreign currency, an exchange rate of ¢534.40 (¢550.25 in 2014) was used.
- (5) During the period ended March 31, 2015, ICE Group recognized profits derived from the following items:
 - Collection of indemnities amounting to ¢104
 - Collection of administrative sanctions amounting to ¢549

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- Lease and Maintenance of Generation Plants amounting to ¢332
 - Steam supplies amounting to ¢136
- (6) During the period ended March 31, 2015, ICE Group recognized financial expenses mainly from interest on obligations and bank loans and fees to manage derivative financial instruments amounting to ¢26,794 (¢20,363 in 2014).

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Note 36. Tax Regulations

(a) Tax Obligations

ICE Group has tax obligations governed by the provisions contained in: Income Tax Law N° 7092 and its amendments, Regulations to the Income Tax Law and its amendments, General Sales Tax Law N°6826 and its amendments, Regulations to the General Sales Tax Law and its amendments, General Customs Law and its regulations and amendments, Law No. 8660 for Strengthening and Modernizing Public Entities in the Telecommunications Sector, and General Telecommunications Law N° 8642.

(b) Income Tax

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

In addition, Law No. 7722 entitled “Government Institutions Subject to Payment of Income Tax” stipulates that *“excess of income over expenses constitute taxable income and shall be calculated as gross income less costs, productive expenditures, and investment reserves or development funds that are necessary and relevant to production of that income”*.

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

According to the Law on 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 40)

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 Executive Decree published in Official Bulletin La Gaceta No. 185 dated September 23, 1999 and Law on "State-owned Institutions subject to Income Tax Payment" (Law No. 7722), income or

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benefits generated by companies 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 these companies, income tax includes current tax. Income tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rate in effect at the cut-off date. As of December 31, 2013 and 2012, deferred tax in respect of temporary differences is adjusted in ICE Group's consolidated financial statements due to the alignment of the subsidiaries' accounting policies with those of ICE Group.

(c) General Sales Tax

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

Because it is a value-added tax, ICE 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 parafiscal contribution for telecommunications carriers and providers to the National Telecommunications Fund (FONATEL) (General Telecommunications Law Number 8642)

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

This tax is defined in an affidavit issued for periods of one calendar year. The affidavit must be filed by March 15 of each year and the tax is paid in four equal installments on the 15th day of March, June, September, and December of each year following the corresponding tax year-end.

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3%, and the definition of the final rate will be based on SUTEL's estimates of the income and costs of the projects to be

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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.

(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 a fixed monthly payment by the owners of a mobile or conventional telephone line to be collected by ICE or any other institution offering telecommunication services and transferred to the National Treasury. It will be 1% of the monthly billings of mobile and conventional telephone services starting at ¢5,000 colones for the mobile and conventional telephone service provided to natural and legal persons. It will not exceed ¢500 in colones per telephone line.

(f) Tax in favor of the Firefighter Department of Costa Rica

Law No. 8228, “Law of the Meritorious Firefighter Department of Costa Rica”, dated March 19, 2002 was amended through Law No. 8992, “Law for the Economic Strengthening of the Meritorious Firefighter Department of Costa Rica”, published in the Official Gazette on September 22, 2011. The latter Law amends articles 28 and 33 as well as article 40 of Law No. 8228 - “Financing of the Firefighter Department” and creates, as an additional source of revenue for the operations and sustained growth of the Costa Rican Firefighter Department, a tax equivalent to 1.75% (one point seventy-five per cent) of the monthly billings for electricity consumption of subscribers.

(g) Customs Duties

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

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(h) Other Obligations

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

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

Note 37. Institutional Financial Risk Management

ICE Group is exposed to the following risks from financial instruments: credit risk (noncompliance by customers or counterparties), liquidity risk (inability to meet obligations due to lack of liquidity), and market risk (currency, interest rate, and commodity risks). All these risks have an impact on the management of ICE Group; however, each risk is handled individually. For example, in the case of ICE, credit risk is regulated through the investment committee and in each segment; liquidity risk is managed by controlling treasury's cash flows; and liquidity risk is hedged with financial derivatives and the customers will be responsible for the collection risk. As a result, risk exposure is controlled through the committees described below:

ICE's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE's Electricity and Telecom segments. This is the body to which the Corporate Financial Division delegates responsibility for defining investment policies and procedures. Therefore, this committee establishes the guidelines (restrictions) in respect of investment decisions, which include investment limits, currency, 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.

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

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The Financial Risk Management and Institutional Financial Coverage Policy was approved and will be in force starting April 12, 2011. Its main goal is to “standardize institutional risk management by minimizing as much as possible the exposure to systemic or market risks in the financial operations, through an efficient financial risk management, taking advantage of the market opportunities, the available financial instruments and in accordance with the Financial Risk Coverage Strategy”.

Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and ICE Group’s activities, this activity is performed by the Corporate Finance Division.

It is ICE Group’s policy to mitigate exposure as much as possible while taking advantage of the market opportunities, obtaining coverage that is aligned with its strategic goals.

The use of financial derivatives is governed by ICE Group’s policies, which provide written principles about the foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

Each year, Corporate Finance Division develops a financial risk map for ICE together with other ICE departments and management of the subsidiaries and follows-up on action plans. ICE Group’s subsidiaries have designed and implemented a set of risk policies with the purpose of minimizing potential adverse effects on their financial performance.

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

(a) Credit Risk

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

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

In the case of the subsidiary CNFL, credit risk is understood as the possibility that the company fails to comply with the payment for capital and/or interests, due both to external and internal factors of CNFL, which negatively affect the cash flow, the operational results and the prospective profits; the negative effect of a liquidity shortage is visualized in the credit risk exposure.

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In the case of RACSA, credit risk involves the failure to apply control policies and measures to manage the level of credit granted to its customers, which may jeopardize income and generate high financial losses as a result of bad debt, in order to mitigate such risk. Accordingly, RACSA applies customer quality controls through credit protectors and filters the portfolio of customers in arrears, developing customer profiles.

(i) Accounts Receivable

Accounts receivable are controlled directly in the Energy and Telecommunication Sectors. The process followed in each Sector to recover accounts receivable can be summarized as follows:

- Issuance of invoice and collection process through messengers in the telecommunications sector, with reminders of outstanding payments.
- Immediate suspension of electric and telephone services, after expiration date shown on the invoice, where the average collection period in the Telecommunications Sector is 29 days and 31 days for the Electricity Sector. The terms are established per sector and are included in the Collection Management Policy).
- Online collection process, through contracts with external collectors and banks, or internal collection through ICE cashiers.
- In the event that the balance outstanding is not recovered, the administrative collection process begins 35 days after the services have been suspended. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protector thereof so that the situation is included in the customer's credit history. For such purposes, ICE uses companies dedicated to collection or coordinating payment arrangements with customers to mitigate arrears.
- As a last resort, any residual past due accounts are processed by ICE's Legal Division and collection is pursued by legal action.

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

(i) Investments

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

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

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

Currently, there is an agreement from the Board of Directors on the maximum limit of the Institution to operate financial derivatives – coverage colon/dollar regarding liabilities.

(ii) Impairment Losses

Ageing of trade account receivables is as follows:

		As of March 31, 2015	As of December 31, 2014
Current	¢	98,958	97,248
Administrative and legal collection		45,240	42,344
Total ICE Group	¢	144,198	139,592

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Movement in the allowance for accounts receivable is as follows:

		As of March 31, 2015	As of December 31, 2013
Opening balance	¢	30,667	32,917
Allowance booked during the period		(1,770)	(9,712)
Allowance used during the period		1,356	5,890
Adjustments		230	1,572
Closing balance	¢	30,483	30,667

(b) Liquidity Risk

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

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

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

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

Similarly, inputs and coordination with businesses regarding the behavior of income and the areas responsible for managing financing that allow a better matching are important, in order to

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optimize Treasury Management and obtain a better and timely attention of the payment obligations.

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

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

Lines of credit are approved as follows: amounts greater than US\$20 million are approved by the Board of Directors and amounts equal to or of less than US\$20 million are approved by the Corporate Procurement Board. Shortfalls are determined based on the schedule of cash inflows and outflows along with the required terms so as to obtain quotes and borrow funds from the lowest cost bank. Line of credit transactions are documented with a promissory note. The purpose of using lines of credit is covering mismatches between the date of receipt of income and the date of payment of obligations and other liabilities, typical of cash flow management.

(c) Market Risk

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

ICE acquires derivative financial instruments to administer part of the existing market risk, which are valued according to the value provided by the instrument's issuer. Hedge accounting is used for those instruments that qualify, in order to mitigate volatility in the market prices of the financial instruments that have an effect on profit or loss.

Derivative financial instruments are traded with first tier banks with which confidentiality agreements and other documentation to trade derivatives have been formalized. ICE has made the decision, according to the Risk Strategy, to trade derivatives, specifically for existing liabilities.

The following risks have been determined for financial operations: variations in the interest rate (domestic and foreign) and foreign currency exchange rate, which affect the cash flow results, the value of instruments, and others. For such purpose, 9 derivative financial

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instruments have been acquired: 3 to cover interest rate risk (interest rate swaps), 1 to cover Japanese yen exchange rate to the US dollar, called Cross Currency Swap, and 5 Non Delivery Currency Swap to cover part of the colon/dollar exposure.

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

Detail	PR002 Tranche B	PPF017 Tranche B-1	PR003 Tranche A	PR005 HSBC	PR004 Yens	PR15 Dollar/colón three year	PPE016 Dollar/colón three year	PR013 Dollar/colón seven year	PPF014 Dollar/colón three year
Hedged debt:	BID-1931 B/OC-CR	BID-1931 B/OC-CR	BID-1931 A/OC-CR	Project - Extension of capacity of submarine cables	JIBC-CR-P3	Bonds 2043	BID-1908	BID-1908	Bonds 2043
Principal amount	\$90	\$90	\$121	\$3	¥5,608	\$50	\$40	\$40	\$20
Hedged amount	\$90	\$90	\$121	\$3	\$62	€25,000	€20,167	€20,132	€10,005
Exchange rate	N/A	€532,85	N/A	N/A	\$91	€500	€504,17	€503,30	€500,259
Hiring date	08/05/2008	28/04/2014	27/01/2009	04/11/2010	18/06/2012	14/11/2013	27/01/2014	29/03/2011	19/07/2013
Hedge starting date of first payment	15/08/2008	15/08/2008	14/01/2010	08/02/2010	22/10/2010	14/05/2014	25/05/2014	02/05/2011	15/11/2013
Hedge expiration date	15/02/2018	15/02/2018	14/07/2023	08/11/2015	20/04/2026	14/04/2016	25/11/2016	02/11/2017	16/05/2016
Term	10 years	4 years	15 years	5 years	14 years	3 years	3 years	7 years	3 year
Base rate	Libor 6 months	Libor 6 months	Libor 6 months	Libor 3 months	2,2%	6,38%	Libor 6 months	Libor 6 months	Libor 6 months
Spread over/under base rate	3,00%	5,75%	-	4,95%	5,11%	13,89%	9,08%	2,95 pb	-
Fixed rate	-	-	3,23%	0,95%	-	-	-	Base Rate	8,11%
Total Fixed rate	4,37%	5,75%	3,23%	5,90%	5,11%	13,89%	9,08%	Base Rate +2,95 pb	8,11%
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Hedged risk	Interest rate	Interest rate	Interest rate	Interest rate	Exchange rate Yen/dollar	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón
Hedge Type	Cash flow hedge	Cash flow hedge	Cash flow hedge	Cash flow hedge	Fair value hedge accounting	Fair value hedge accounting	Fair value hedge accounting	Fair Value Hedge Accounting	Fair Value Hedge Accounting
Hired instrument	Interest rate swap	Interest rate swap	Interest rate swap	Interest rate swap	Cross currency swap	Non deliverable currency swap	Non deliverable currency swap	Non deliverable currency swap	Non-Delivery Currency Swap

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

Millions of colones		Expected cash flows derived	less than 12 months	over 12 months
Forward starting swap	¢	4,044	1,603	2,440
Plain vanilla swap		(862)	(279)	(583)
Swap		5	5	1
Total		3,187	1,329	1,858

Millions of colones		Expected cash flows from liabilities	less than 12 months	over 12 months
BID-1931A/OC-CR	¢	61,813	7,727	54,086
BID-1931B/OC-CR		48,800	16,267	32,533
Banistmo S.A.		1,627	1,627	-
Total		112,240	25,620	86,620

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Capital Management

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

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

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

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

During the first quarter of 2015, there has been no change in the way ICE Group's capital is managed. ICE Group is not subject to external capital requirements.

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

Index Debt - Capital	Up to March 30, 2015	Up to December 31, 2014
Group ICE		
Total liabilities	¢ 2,479,556	2,496,412
(-) Cash and equivalent to cash	(146,099)	(133,143)
Debt, net	2,333,457	2,363,269
Total patrimony	3,029,054	3,006,160
Minus:		
Amount accumulated in patrimony in relation to coverage of cash flow	(6,486)	(6,556)
Capital adjusted	3,035,540	3,012,716
Index debt Group ICE	0.770	0.785

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Exposure to Credit Risk

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

Value in books of financial assets		Up to March 30, 2015	Up to December 31, 2014
Group ICE			
Cash and vaults and banks	¢	146,099	133,143
Transitory investments		85,842	64,333
Long term investments		60,513	53,778
Funds of restricted use		4,539	8,035
Documents and account payable		190,456	209,134
Total Group ICE	¢	487,449	468,423

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

By geographical region		Up to March 30, 2015	Up to December 31, 2014
National	¢	183,334	203,776
External		7,122	5,358
Total by geographical region	¢	190,456	209,134

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

By type of client		Up to March 30, 2015	Up to December 31, 2013
Private people	¢	70,114	100,306
Clients high, medium and low tension		21,929	21,693
Telephonic administrators		3,096	2,316
Distributing companies		12,971	9,774
Others Government		15,608	13,153
Operators and suppliers of services		7,122	5,254
Public lighting system		1,024	919
Others		58,592	55,719
Total by type of client	¢	190,457	209,134

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The risk ratings for ICE Group reported as of March 31, 2015 are shown as follows:

Issuing	ISIN	Instrument	Risk Rating
ICE			
Bank BAC San José, s.a.	00BSJ00C36W0	Term Certificate of Deposit (global note)	F1+ (cri)
Bank BAC San José, s.a.	CRBSJ00B1640	Bonds BSJ	AAA (cri)
Bank BANSOL Bank de Solutions	00BASOLC05X8	Certificate of Time Deposit (electronic shop)	SCR2
Bank BANSOL Bank de Solutions	00BASOLC40W7	Certificate of Time Deposit (electronic shop)	SCR2
Bank BANSOL Bank de Solutions	00BASOLC61X1	Term Certificate of Deposit (global note)	SCR2
Bank BANSOL Bank de Solutions	00BASOLC71X0	Term Certificate of Deposit (global note)	SCR2
Bank BANSOL Bank de Solutions	00BASOLC72X8	Term Certificate of Deposit (global note)	SCR2
Bank BCT	00BCT00C54J3	Term Certificate of Deposit (global note)	SCR2+
Bank BCT	00BCT00C57J6	Term Certificate of Deposit (global note)	SCR2+
Bank BCT	CRBCT00B0143	Bonds BCT	SCR AAA
Bank Cathay	00CATAYC5848	Term Certificate of Deposit (global note)	SCR2-
Bank Cathay	00CATAYC5970	Term Certificate of Deposit (global note)	SCR2-
Bank Cathay	00CATAYC6218	Term Certificate of Deposit (global note)	SCR2
Bank Cathay	00CATAYC6226	Term Certificate of Deposit (global note)	SCR2
Bank Cathay	00CATAYC6275	Term Certificate of Deposit (global note)	SCR2-
Central Bank of Costa Rica	CRBCCR0B3215	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3264	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3314	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3330	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3553	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B3579	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3827	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B3835	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4072	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4080	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B4080	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4221	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B4353	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B4361	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B4379	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4395	Bonds fixed rate monetary stabilization	BB
Central Bank of Costa Rica	CRBCCR0B4395	Repurchase	BB
Bank Citibank (CMB Costa Rica)	00CITIBC25D0	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C29L7	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C30L5	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C34K9	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C48K9	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C52L9	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C73J9	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	00BCAC0C83K6	Term Certificate of Deposit (global note)	F1+ (cri)
Farm Credit Bank of Cartago	CRBCAC0B1181	Bonds BCAC	AA+(cri)
Farm Credit Bank of Cartago	CRBCAC0B1256	Bonds BCAC	AA+(cri)
Farm Credit Bank of Cartago	CRBCAC0B1314	Bonds BCAC	AA+(cri)
Farm Credit Bank of Cartago	CRBCAC0C1248	Comercial paper	F1+ (cri)
Bank Davivienda (Costa Rica) S.A.	00BDAVIC0991	Term Certificate of Deposit (global note)	F1+ (cri)
Bank of Costa Rica	00BCR00CKE16	Term Certificate of Deposit (global note)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00539	Certificate of Time Deposit (electronic shop NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00540	Certificate of Time Deposit (electronic shop NB)	F1+ (cri)
Mortgage Housing Bank -BANHVI-	0NR0ICE00474	Term Certificate of Deposit (fisc shop)	SCR AA+
Mortgage Housing Bank -BANHVI-	CRBANVIB0037	Bonds Banhvi	SCR AA+

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Mortgage Housing Bank -BANHVI-	CRBANVIC0044	Comercial paper	SCR AA+
Bank Improsa	00BIMPRC7929	Term Certificate of Deposit (global note)	SCR2
International Bank C.R. -Miami-	0NR0ICE00046	Overnight	AA+(cri)
International Bank C.R. -Miami-	0NR0ICE00051	Overnight	AA+(cri)
International Bank C.R. -Miami-	0NR0ICE00052	Overnight CLIPP	AA+(cri)
International Bank C.R. -Miami-	0NR0ICE00280	Overnight Ampliación Cachi	AA+(cri)
International Bank C.R. -Miami-	0NR0ICE00358	Overnight BID 2747	AA+(cri)
International Bank C.R. -Miami-	0NR0ICE00375	Overnight BCIE 2109 PH Reventazón	AA+(cri)
Bank Lafise	00BLAFIC07J2	Term Certificate of Deposit (global note)	SCR2
Bank Lafise	00BLAFIC22J1	Term Certificate of Deposit (global note)	SCR2
Bank Lafise	00BLAFIC29J6	Term Certificate of Deposit (global note)	SCR2
Bank Lafise	00BLAFIC75H3	Term Certificate of Deposit (global note)	SCR2
National Bank of Costa Rica	00BNCR0C49S8	Term Certificate of Deposit (global note)	F1+ (cri)
National Bank of Costa Rica	CRBNCR0B1695	Bonds BNCR	AA+(cri)
Popular Bank and Community Development	00BPDC0CAA53	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAA61	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAB37	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAB52	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAC77	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAD35	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAD68	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAG32	Repurchase	F1+ (cri)
Popular Bank and Community Development	00BPDC0CAJ13	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CU142	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CV199	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CV934	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CV959	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CW114	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CW932	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CX476	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CZ604	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CZ745	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	00BPDC0CZ893	Term Certificate of Deposit (global note)	F1+ (cri)
Popular Bank and Community Development	CRBPDC0B6947	Bonds BPDC	F1+ (cri)
Popular Bank and Community Development	CRBPDC0B6954	Repurchase	F1+ (cri)
Popular Bank and Community Development	CRBPDC0B7051	Repurchase	F1+ (cri)
Popular Bank and Community Development	CRBPDC0B7077	Repurchase	F1+ (cri)
Bank Promérica	CRBPROMB1284	Bonds BPROM	SCR AA +
Scotiabank	00SCOTICI350	Term Certificate of Deposit (global note)	F1+ (cri)
Scotiabank	CRSCOTIB1235	Bonds Scotiabank	AAA (cri)
Compañía Nacional de Fuerza y Luz -CNFL-	CRCFLUZB0207	Bonds CNFL	AAA (cri)
Financiam Desyfin	00FDESYC11T3	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC36R4	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC45T1	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC47T7	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC53S7	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC62Q2	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC72R9	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	00FDESYC86T5	Term Certificate of Deposit (global note)	SCR2
Financiam Desyfin	CRFDESYB0218	Bonds FDESY	SCR AA
Florida ICE & Farm Company S.A.	CRFIFCOB0972	Bonds FIFCO	SCR AAA
Florida ICE & Farm Company S.A.	CRFIFCOB0998	Bonds FIFCO	SCR AAA
Government	0NR0ICE00522	Property title macro zero coupon	BB
Government	0NR0ICE00523	Property title macro zero coupon	BB

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Government	0NR0ICE00525	Property title macro zero coupon	BB
Government	0NR0ICE00537	Property title macro zero coupon	BB
Government	0NR0ICE00538	Property title macro zero coupon	BB
Government	0NR0ICE00541	Property title macro zero coupon	BB
Government	CRG0000B14H6	Property title	BB
Government	CRG0000B25H2	Repurchase	BB
Government	CRG0000B27H8	Property title	BB
Government	CRG0000B35G3	Repurchase	BB
Government	CRG0000B41G1	Repurchase	BB
Government	CRG0000B41H9	Repurchase	BB
Government	CRG0000B42H7	Repurchase	BB
Government	CRG0000B42H7	Property title	BB
Government	CRG0000B55G1	Repurchase	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B59G3	Repurchase	BB
Government	CRG0000B59G3	Property title	BB
Government	CRG0000B60G1	Repurchase	BB
Government	CRG0000B60G1	Property title	BB
Government	CRG0000B63G5	Property title	BB
Government	CRG0000B63G5	Property title	BB
Government	CRG0000B72G6	Repurchase	BB
Government	CRG0000B72G6	Property title	BB
Government	CRG0000B73G4	Repurchase	BB
Government	CRG0000B80G9	Property title	BB
Government	CRG0000B81G7	Repurchase	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B89G0	Repurchase	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B92G4	Property title	BB
Government	CRG0000B93G2	Repurchase	BB
Government	CRG0000B97G3	Property title	BB
Government	USP3699PAA59		BB
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCJ411	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCJ775	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCK039	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCK138	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCK385	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCL813	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	00MADAPCM084	Mortgage participation certificate	SCR2
Group Housing Alajuela- Mutual Savings and Loan	CRMADAPB2277	Bonds MADAP	SCR AA +
Group Housing Alajuela- Mutual Savings and Loan	CRMADAPB2368	Bonds MADAP	SCR AA +
La Nación S.A.	CRNACIOB0142	Bonds La Nación S.A.	SCR AAA
La Nación S.A.	CRNACIOB0167	Repurchase	F1+ (cri)
La Nación S.A.	CRNACIOB0175	Bonds La Nación S.A.	SCR AAA
Mutual Savings and Loan Cartago	00MUCAPC5792	Mortgage participation certificate	SCR2
Mutual Savings and Loan Cartago	00MUCAPC6014	Mortgage participation certificate	SCR2
Mutual Savings and Loan Cartago	00MUCAPC6063	Mortgage participation certificate	SCR2
Mutual Savings and Loan Cartago	00MUCAPC6253	Mortgage participation certificate	SCR2
Mutual Savings and Loan Cartago	00MUCAPC6261	Mortgage participation certificate	SCR2
Mutual Savings and Loan Cartago	00MUCAPC6287	Mortgage participation certificate	SCR2
Costa Rican Petroleum Refinery	CRRECOPB0012	Bond standardized Recope	AAA (cri)
Costa Rican Petroleum Refinery	CRRECOPB0020	Bond standardized Recope	AAA (cri)
SAFI BAC San José	SAJCPeFI	BAC San José liquidity C ND	SCR AA+F2

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Issuing	ISIN	Instrument	Risk Rating
SAFI Bank of Costa Rica	BCRLIcFI	BCR-not short term colones diversificado-	SCR AA+F2
SAFI Bank of Costa Rica	BCRLIcFI	BCR-not short term colones diversificado-	SCR AAF2
SAFI Bank of Costa Rica	BCRMXcFI	BCR mixed short term colones -not diversificado-	SCR AAF2
SAFI Bank of Costa Rica	FI-00000022	BCR F.I dollar liquidity	SCR AA+F2
SAFI Bank of Costa Rica	FI-00000022	BCR F.I dollar liquidity	SCR AA+F2
SAFI Bank of Costa Rica	FI-00000066	F.I. Mixed BCR dollars	SCR AAF2
SAFI National Bank of Costa Rica	BNASUPER\$FI	BN Superfund ¢	F1+ (cri)
SAFI National Bank of Costa Rica	BNASUPERcFI	BN Superfund ¢	SCR AAF2
SAFI National Bank of Costa Rica	BNASUPERcFI	BN Superfund ¢	SCR AAF2
SAFI National Bank of Costa Rica	FI-00000001	F.I. BN dinerfondo ¢	SCR AA+F2
SAFI National Bank of Costa Rica	FI-00000002	F.I. BN dinerfondo dollars	F1+ (cri)
SAFI Popular Bank	FI-00000006	People money market ¢ -not diversificado-	SCR AAF2
SAFI Popular Bank	FI-00000006	People money market ¢ -not diversificado-	SCR AAF2
SAFI National Insurance Institute	BACLACcFI	F.I. not diversificado INS - liquidity C	SCR AAF 2
SAFI National Insurance Institute	BACLAD\$FI	F.I. not diversificado INS - liquidity D	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASCcFI	INS liquidity ¢ -not diversificado-	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASD\$FI	INS liquidity dollars -not diversificado-	SCR AAF 2
SAFI Scotiabank	ITFCPPUSFI	F.I public ND \$ Scotiabank	SCR AAF 3
SAFI Scotiabank	ITFCPPUSFI	F.I public ND Scotiabank	SCR AAF3
SAFI Scotiabank	ITFCPPUCFI	F.I. BN dinerfondo ¢	SCR AAF2
Ministry of hacienda	CRG0000B25H2	Repurchase	BB
Ministry of hacienda	CRG0000B26H0	Repurchase	BB
Ministry of hacienda	CRG0000B35G3	Repurchase	BB
Ministry of hacienda	CRG0000B46G0	Repurchase	BB
Ministry of hacienda	CRG0000B93G2	Repurchase	BB
ICE	CRICE00B0044	Repurchase	AAA(cri)
CRICSA			
SAFI National Bank of Costa Rica			scrAA+f2

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Estimation of Potential Losses:

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

Term	International rating			Weighting
	Moody's	Standard & Poor's	Fitch	
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%

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

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

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

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Exposure to Liquidity Risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the impact of the offsetting agreements:

Liabilities	Value on Books	Expected Cash Flow	12 months or less	1-2 years	2-5 years	More than 5 years
Long Term Liabilities						
Title deeds payable	¢ 1,116,470	1,116,470	776	37,513	494,156	584,024
Documents payable	732,160	732,160	-	142,638	278,909	310,613
Accounts payable	11,102	11,102	7,106	3,996	-	-
Total Long Term Liabilities	1,859,732	1,859,732	7,882	184,147	773,065	894,637
Circulating						
Documents payable	104,832	104,832	104,832	-	-	-
Accounts payable	103,083	103,083	103,083	-	-	-
Total Short Term Liabilities	207,915	207,915	207,915	-	-	-
Total Group ICE	¢ 2,067,647	2,067,647	215,797	184,147	773,065	894,637

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The table below presents the periods in which cash flows related to derivative financial instruments are generated. The calculation of expected cash flows includes the projected estimated cash flows for each derivative instrument:

Millions Dollar	Book Value	Expected Cash Flows	6 months or less		1-2 year	2-5 years	More than 5 years
			6 months or less	6-12 months			
Cross Currency Swap							
Liabilities	(9,152)	10,397	863	830	1,547	3,730	3,426
Liabilities	(5)	5	3	2	1	-	-
Forward Starting Swap							
Liabilities	(4,851)	4,044	890	713	942	1,170	329
Plain Vanilla Swap							
Liabilities	(3,015)	(862)	(115)	(164)	(364)	(219)	-
Plain Vanilla Swap							
Liabilities	(790)	(3,774)	(1,072)	(903)	(1,260)	(539)	-
Non Delivery Currency Swap 3 year							
Liabilities	491	3,384	865	855	1,664	-	-
Non Delivery Currency Swap 7 years							
Liabilities	(4)	5,988	1,022	1,024	2,017	1,925	-
Non Delivery Currency Swap 3 years							
Liabilities	558	4,190	1,029	1,061	2,100	-	-
Non Delivery Currency Swap 3 years							
Liabilities	304	1,187	420	396	371	-	-
Total	(16,463)	24,559	3,905	3,815	7,018	6,067	3,755

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The lines of credit with financial institutions used for working capital, acquired during the period ended as of March 31, 2015:

Financial Institution	Purpose	Global Features credit line				Terms of disbursements made				Disbursement Amount (in millions of U.S. dollars, as indicated)
		Currency	Interest Rate	Amount approved line	Disbursement Date	Expiration date	Date cancellation	Renewal Date		
Scotiabank	Opening letters of credit and refinancing, working capital, issuance 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			15	
Global bank	Capital de trabajo	US\$	Fixed rate 1.25%	20	23/12/2014*	12/01/2015	12/01/2015		20	

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Lines of credit as of December 31, 2014

Global Features credit line		Terms of disbursements made									
Financial Institution	Purpose	Currency	Interest Rate	Amount approved line	Disbursement Date	Expiration date	Date cancellation	Renewal Date	Disbursement Amount (in millions of U.S. dollars, as indicated)		
Citibank	Working Capital, Opening letters of credit and refinancing	US\$	Libor (1m) + 2.10% = 2.26735%	80	13/12/2013**	30/12/2013	-	30/12/2013	14		
		US\$	Libor (2m) + 2.10% = 2.3128%		30/12/2013**	13/02/2014	13/02/2014	-	14		
		US\$	Libor (2m) + 1.30% = 1.49075%		09/06/2014	08/08/2014	08/08/2014	-	18		
	Scotiabank	Opening letters of credit and refinancing, working capital, issuance of performance bonds	US\$	Libor (1m) + 1.13% = 1.2985%		13/12/2013	30/12/2013	-	30/12/2013	5	
			US\$	Fixed rate 1.295%		30/12/2013	13/02/2014	-	13/02/2014	31	
			US\$	Fixed rate 1.2973%		27/12/2013	10/02/2014	-	10/02/2014	5	
			US\$	Fixed rate 1.40%		10/02/2014	10/06/2014	10/06/2014	-	31	
			US\$	Fixed rate 1.40%		13/02/2014	13/06/2014	13/06/2014	-	5	
			US\$	Fixed rate 1.40%		14/02/2014	13/06/2014	13/06/2014	-	24	
			US\$	Fixed rate 1.40%	75	31/01/2014	30/05/2014	30/05/2014	-	33	
BLADEX	Opening letters of credit and refinancing and working capital	US\$	Fixed rate 1.40%		09/06/2014	08/08/2014	-	08/08/2014	31		
		US\$	Fixed rate 1.38%		08/08/2014	07/10/2014	-	07/10/2014	31		
		US\$	Fixed rate 1.38%		07/08/2014	06/10/2014	-	06/10/2014	18		
		US\$	Fixed rate 1.335%		07/10/2014	22/12/2014	22/12/2014	-	31		
		US\$	Fixed rate 1.335%		06/10/2014	22/12/2014	22/12/2014	-	18		
		US\$	Fixed rate 1.26%		23/12/2014	12/01/2015	-	-	4		
		US\$	Fixed rate 1.47%		23/12/2014	21/05/2015	-	-	4		
		US\$	Libor (1m) + 0.95% = 1.1185%		08/11/2013	27/12/2013	-	27/12/2013	13		
		US\$	Libor (1m) + 0.95% = 1.1185%		13/11/2013	27/12/2013	-	27/12/2013	10		
		US\$	Fixed rate 1.1185%		27/12/2013	10/02/2014	-	10/02/2014	23		
BLADEX	Opening letters of credit and refinancing and working capital	US\$	Libor (1m) + 1.00% = 1.1670%		25/11/2013	30/12/2013	-	30/12/2013	38		
		US\$	Libor (1m) + 1.00% = 1.1675%		06/12/2013	30/12/2013	-	30/12/2013	32		
		US\$	Libor (1m) + 1.00% = 1.1675%	100	13/12/2013	30/12/2013	-	30/12/2013	7		
		US\$	Fixed rate 1.1675%		30/12/2013	13/02/2014	-	13/02/2014	77		
		US\$	Fixed rate 1.41823%		10/02/2014	10/06/2014	10/06/2014	-	23		
		US\$	Fixed rate 1.41823%		13/02/2014	13/06/2014	-	13/06/2014	77		
		US\$	Fixed rate 1.67980%		13/06/2014	11/09/2014	-	18/09/2014	77		
		US\$	Fixed rate 1.49410%		08/08/2014	07/10/2014	07/10/2014	-	20		

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Financial Institution	Purpose	Currency	Interest Rate	Amount approved line	Disbursement Date	Expiration date	Date cancellation	Renewal Date	Disbursement Amount (in millions of U.S. dollars, as indicated)
Global bank	Capital de trabajo	US\$	Fixed rate 1.25%		13/12/2013	30/12/2013	-	30/12/2013	10
		US\$	Fixed rate 1.75%	20	30/12/2013	13/02/2014	13/02/2014	-	10
		US\$	Fixed rate 2.25%		12/06/2014	11/08/2014	11/08/2014	-	20
Mercantil Commerce Bank	Working capital, openness and credit card financing	US\$	Fixed rate 1.25%		23/12/2014	12/01/2015	-	-	20
		US\$	Fixed rate 1.10%		08/11/2013	27/12/2013	-	27/12/2013	5
		US\$	Fixed rate 1.14%		27/12/2013	10/02/2014	10/02/2014	-	5
		US\$	Fixed rate 1.125%		09/12/2013	30/12/2013	-	30/12/2013	20
		US\$	Fixed rate 1.14%		30/12/2013	13/02/2014	13/02/2014	-	20
		US\$	Fixed rate 1.30%		11/02/2014	10/06/2014	10/06/2014	-	5
		US\$	Fixed rate 1.14%		14/02/2014	13/06/2014	13/06/2014	-	20
		US\$	Fixed rate 1.30%		31/01/2014	30/05/2014	30/05/2014	-	5
		US\$	Fixed rate 1.35%	50	09/06/2014	08/08/2014	-	41859	5
		US\$	Fixed rate 1.35%		12/06/2014	11/08/2014	-	41862	4
Mercantil Commerce Bank	Working capital, openness and credit card financing	US\$	Fixed rate 1.375%		17/07/2014	13/11/2014	-	41956	15
		US\$	Fixed rate 1.35%		08/08/2014	07/10/2014	07/10/2014	-	5
		US\$	Fixed rate 1.35%		11/08/2014	10/10/2014	10/10/2014	-	4
		US\$	Fixed rate 1.34%		14/10/2014	29/12/2014	42002	-	6
		US\$	Fixed rate 1.30%		10/11/2014	29/12/2014	42002	-	5
		US\$	Fixed rate 1.30%		13/11/2014	29/12/2014	42002	-	15

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Market Risk

Exposure to Currency Risk

As of March 31, 2015, ICE Group's exposure to foreign currency risk is the following:

Assets	US\$			Yenes			EUROS		
	March 2015	December 2014	March 2015	December 2014	March 2015	December 2014	March 2015	December 2014	
ICE									
Material in transit for investment	32	39	-	-	1	12	29		
Long Term Investments	2	2	-	-	-	-	-		
Receivables	6	6	-	38	-	1	-		
Banks and temporary investments	116	155	-	-	-	-	-		
Restricted funds	1	2	-	-	-	-	-		
Accounts receivable for services	17	12	-	-	-	-	-		
Accounts receivable no trade	8	6	-	-	-	-	-		
Guarantees received in securities	1	1	-	-	-	-	-		
Material in transit for operation	0	29	-	-	-	0	-		
Valuation of derivative financial instruments	5	10	-	-	-	-	-		
Total foreign currency ICE's assets	188	262	-	39	12	12	30		
Total foreign currency ICE Group's assets	188	262	-	39	12	12	30		
Liabilities									
ICE									
Securities payable	1,608	1,608	-	-	-	-	-		
Notes payable long term and short term	1,283	1,313	12,565	11,336	-	-	-		
Obligations against loans	5	-	-	-	-	-	-		
Deposits received as collateral	3	2	-	-	-	-	-		
Accounts payable	64	86	-	38	-	-	35		
Financial accrued expenses	56	35	-	-	-	-	-		
Income received in advance	-	-	-	-	-	-	-		
Deposits by individuals	1	1	-	-	-	-	-		
provisions	-	-	-	-	-	-	-		
Valuation of derivative financial instruments	37	47	-	-	-	-	-		
Total foreign currency ICE's liabilities	3,057	3,092	12,565	11,374	-	-	35		
Excess of assets over liabilities	-	-	-	-	12	-	-		
Excess of liabilities over ICE Group's assets	2,869	2,830	12,565	11,335	-	-	5		

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Items in U.S. dollars were updated using the sell exchange for the colón with respect to the U.S. dollar established by the Central Bank of Costa Rica for operations with the non-banking public sector, which as of March 31, 2015, was ₡534,40 (₡542,22 as of December 31, 2014).

The main exchange rates used are as follows:

Name of currency	Exchange rate to U.S. \$	
	At 31 March 2015	At 31 December 2014
Corona Sueca	8,60	7,81
Libra Esterlina	1,48	1,56
Franco Suizo	0,97	0,99
Euro	1,08	1,21
Colones	534,40	542,22
Yen Japonés	119,93	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 (...)”.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Sensitivity Analysis

The table below shows the sensitivity as of March 31, 2015 to an increase or decrease in the foreign exchange rate of the US dollar/colon. ICE Group applies a sensitivity index of 10%, which represents its best estimate of foreign exchange rate variations of the US dollar/colon.

Dollars		
Sensitivity to an increase in the exchange rate:		
Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1.533.193.600.000,00
Net dollar position	US\$	2.869.000.000,00
10% increase in the exchange rate	¢	1.686.512.960.000,00
Loss	¢	<u>(153.319.360.000,00)</u>
Sensitivity to a disminución in the exchange rate:		
Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1.533.193.600.000,00
Net dollar position	US\$	2.869.000.000,00
10% decrease in the exchange rate	¢	1.379.874.240.000,00
Gain	¢	153.319.360.000,00

This analysis assumes that all other variables, particularly interest rates and other currencies, remains constant.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Exposure to Interest Rate Risk

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

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

	Note
Securities payable	19
Temporary Investments	8
Notes payable	20
Long Term Investments	6
Effects receivable	10

Sensitivity Analysis

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

During the year ended March 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:

	Effect on income income-expenditure	
	At March 31, 2015	
	Strengthening of 1%	Weakening of 1%
ICE		
Temporary investments	1.427	(1.427)
Long-term financial investments	604	(604)
Short-term financial investments	0	-
Long-term receivables	70	(70)
Short-term receivables	18	(18)
Titles payable long-term value	10.757	(10.757)
Securities payable short term	519	(519)
Notes payable Long-term	7.002	(7.002)
Notes payable short term	829	(829)
Net effect group ICE	21.225	(21.225)

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

Note 38. ICE Group's Operating Segments

The segments are ICE Group's identifiable components that provide related goods and services (business segments), which are subject to different risk and yields from other segments. The business segments are determined based on ICE Group's internal organizational and informational structure.

The segments identified by ICE Group are:: ICE Telecommunications Segment, which includes Telecommunications Sector-ICE, RACSA, CRICSA y Cable Visión and ICE Electricity, which includes the electricity segment ICE and CNFL. These segments provide different products and services, and are separately managed, as they require different technologies and marketing strategies. The following summary describes the operations of each segment to be reported:

<u>Segment to be reported</u>	<u>Operations</u>
Electricity	Generation services, transmission and distribution of electric energy nationally, and to a lesser extent, in Central America
Telecommunications	Basic telephony services, fixed telephony, mobile services, prepaid, post-paid, mobile Internet, messaging and international services, commuted, dedicated and advanced network Internet, as well as various business services.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

The information for these segments is detailed below:

As of March 31, 2015 and December 31, 2014								
Assets and liabilities by segment	<u>Electricity</u>		<u>Telecom</u>		<u>Eliminations</u>		<u>Consolidated total</u>	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets	¢ 4,251,734	4,233,956	1,500,601	1,505,811	(243,726)	(237,196)	5,508,610	5,502,572
Liabilities	2,225,681	2,224,459	452,453	463,550	(198,577)	(191,597)	2,479,556	2,496,412
For the periods ended March 31, 2015 and 2014								
Profit and loss by segment	<u>Electricity</u>		<u>Telecom</u>		<u>Eliminations</u>		<u>Consolidated total</u>	
	2015	2014	2015	2014	2015	2014	2015	2014
Profit by segment	¢ 250,471	240,873	142,034	137,334	(60,768)	(58,155)	331,736	320,052
Depreciation of operating assets	36,181	31,539	35,224	34,378	(2)	(42)	71,403	65,875
Other income	10,095	192,387	4,863	4,888	(1,523)	(1,378)	13,435	195,898
Other foreign exchange income	24,241	18,109	3,154	2,395	(81)	1,983	27,314	22,488
Finance expenses	24,063	17,765	3,624	3,297	(892)	(698)	26,794	20,363
Other expenses	2,561	180,139	40	98	(378)	(324)	2,223	179,912
Other foreign exchange expenses	3,080	147,375	561	20,599	(0)	2,136	3,642	170,110
Consolidated profit (deficit), net	18,231	(154,183)	1,929	(19,431)	(337)	(177)	19,822	(173,791)

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As of March 31, 2015, the principal eliminations entries that affect the statement of position of the electricity and telecommunication businesses of ICE are the following:

Inter-Sector Memorandum of Understanding (OPGW)- Services provided by the electric sector to the telecommunications sector for right of use of fiber optic (OPGW) installed in the transmission lines, post lines, fiber optics network, and electric distribution, affecting the following balance sheet items:

- Operating assets – cost ¢14.790
 - Accumulated depreciation of operating assets– cost ¢2.897
 - Notes receivable, long term ¢27.653
 - Prepaid expenses ¢7.345
 - Income received in advance, long term ¢44.278
 - Income received in advance, short term ¢2.554
 - Development reserve ¢68
 - Net surplus ¢9
- ICE´s long term investment and the capital contributed in the subsidiaries for ¢35.245.
 - Reclassification of dividends in shares, declared by CNFL, from capital stock to restricted earnings for the capitalization of shares in subsidiaries, for ¢62,380 and ¢2 of RACSA.
 - Rendering of services CNFL-ICE for ¢13.792.
 - Agreement between ICE and CNFL for energy purchase ¢23.237.
 - Accounts receivable and payable for the sale of energy by ICE to CNFL for ¢28,109.
 - Profit from Balsa Inferior Project bills, ¢7.612.
 - Sale of energy of ICE to CNFL for ¢56.814.

(Continues)

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Note 39. Contingent Assets and Liabilities

Current judicial proceedings involving ICE Group as of March 31, 2015 are as follows:

Proceedings	Nature and current status	As of	
		March 31, 2015	December 31, 2014
		Estimated amount of the suit	Litigation provision
Contingent assets - lawsuits filed by ICE:			
Legal collections	The Legal Collections area handles executive processes in order to recover unpaid amounts for electricity services.	3,821	-
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, a 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."	9,717	-
Ordinary Administrative	Ordinary Administrative proceedings against the State and other defendants. One of the proceedings addresses the situation of an objection filed by the defendants, seeking the declaration of unlawfulness. The transfer of the claim has not been completed because two of the defendants need to be located for their notification. In other proceedings the plaintiff seeks the annulment of administrative acts for collection of fines that ICE executed at the time, which the judgment of the Administrative Court N° 173-2013-I modified the first instance, and rejects the claim on all grounds, with the legal costs for both parties assigned to the plaintiff, but the decision is not final. On January 21, 2014 the plaintiff filed an appeal which ICE opposes.	2,902	-
Total contingent assets - ICE Group		16,440	-

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Proceedings	Nature and current status	As of March 31, As of December	
		2015	31, 2014
		Estimated amount of the suit	Litigation provision
	Brought forward	16,440	-
Administrative Contracting	Lawsuit seeking payment for lease of machinery, which according to the plaintiff were not recognized in the execution of the contract. In addition to canceling a readjustment of prices, awaiting the judgment hearing, which has been delayed because this case was joined with other two files.	1,898	-
Ordinary Administrative	Collection of damages derived from the agreements and convictions ruled in the United States against Alcatel-Lucent. Currently reviewing an appeal for reversal filed by ICE, after the Court endorsed a preliminary exception of transaction filed by Alcatel, whereby the amount paid to the State settles the amounts that we claim in these proceedings. This process substitutes the previous process filed in the United States, and seeks payment for damages derived from the convictions and agreements of Alcatel in the United States.	9,218	-
Ordinary	Claim filed against an insurance company to recover that invested in correcting damages caused by a landslide and that were not covered by the policy. The insurance company deposited in the Court 78% of the total amount requested. There was a favorable ruling for ICE Group in the second instance.	1,134	-
Total contingent assets - ICE Group		28,690	-
		¢	

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Proceedings	Nature and current status	As of March 31, As of December	
		2015	31, 2014
		Estimated amount of the suit	Litigation provision
Contingent liabilities - lawsuits filed against ICE Group:			
Expropriation	As of December 31, 2014, there are 654 judicial proceedings regarding forced expropriation, in order to obtain possession and gain 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 process corresponds to an arbitration which included two claims: Main claim: Declaration of civil liability in an alleged purchase-sale agreement. Updating of the amount to present value plus interest. Alternative claim: Civil liability in respect of delivery of provisional works and concrete forms, in addition to the updating of the amount to present value plus interest and legal costs. Within this process the Arbitration Court admitted the subsidiary claim. The arbitration process ended with the issuing of the Arbitration Award. Said Arbitration Award is being executed by ASTALDI through the judicial proceedings before the Administrative Court under file 15-000763-1027-CA notified on April 6, 2015.	9,096	-
Ad Hoc Arbitration		500	-
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 rejected ICE's claim and ordered it to pay the legal costs. The process is currently reviewing an appeal for reversal filed by ICE. The best estimate includes the costs indicated in the decision plus legal costs.	2,000	667
Ordinary	Corresponds to ordinary proceedings, one for the annulment of administrative acts which imposed fines during the period from August 2009 to November 2010, for the lease of machinery and construction equipment. It is in the stage for producing expert evidence since July 2013. In the other process ICE filed an appeal objecting to the remedy, at the request of the plaintiffs. The technical area of ICE has indicated that the amount requested by the company is unlikely to be awarded in the judgment. The process relates to the claim for damages due to differential rates.	2,595	-
Ordinary Administrative	Administrative proceedings caused by: Request for payment from ICE, relating to the lease of equipment, fines and contractual breach, readjustment of prices, economic balance of the contract and payment of interest, as well as environmental damages and lack of indigenous consultation. The cases are in instances of: Execution of judgment, appeal, declaratory phase and preliminary hearing.	5,309	-
Total contingent liabilities - ICE Group		19,500	667

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Proceedings	Nature and current status	As of March 31, As of December	
		2015	31, 2014
		Estimated amount of the suit	Litigation provision
	Brought forward	19,500	667
Ordinary Administrative	Process caused by the transfer of charges determined in the audit of the period from January - December 2012, Electricity Sector, due to improper tax credits, which were notified on 20/02/2015 and accepted on 27/02/2015 by ICE. These were settled at the beginning of 2015.	2,936	2,936
Ordinary	Lawsuit against Compañía Nacional de Fuerza y Luz S.A. by the minority shareholders relating to the donation of a plot to Fundación Consejo de la Tierra los Hermanos, S.A., which was authorized by the legislative assembly. As of December 31, 2010, there is no judgment or settlement of the claimed amounts.	1,386	-
Ordinary	Compañía Nacional de Fuerza y Luz S.A. filed special proceedings for allocation of payment, based on a compensation for flooding in a property near Lago Cote, a hydroelectric project, and the plaintiff does not agree with the established sum. (Ruifea S.A.) 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 interests. Pending resolution of the settlement of legal costs as of 31/10/2014.	200	72
Ordinary	The plaintiff sues CNFL S.A. and CONAVI, given that the illumination works of the Florencio del Castillo Highway was allegedly built without complying with the standards relating to said activity, and as a consequence her husband died in a car accident. (Vega Fonseca Wendy)	445	-
Ordinary	Rejection by Compañía Nacional de Fuerza y Luz S.A. 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, Compañía Nacional de Fuerza y Luz must return US\$14,953,70 in favor of Hydrocote. Hydrocote was sentenced to pay the legal costs in favor of Compañía Nacional de Fuerza y Luz.	1,528	16
Total contingent liabilities - ICE Group		25,995	755
			667
			3,691

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Proceedings	Nature and current status	As of March 31, As of December	
		2015	31, 2014
		Estimated amount of the suit	Litigation provision
	Brought forward	25,995	755
Ordinary	Counterclaim against Compañía Nacional de Fuerza y Luz relating to the intended collection of fines from a third party regarding the execution of the underground electrification project for the city of San José and delays in the review and approval of the engineering. There is no judgment or settlement of the claimed amounts.	4,801	-
Ordinary	Counterclaim against CNFL in response to the collection sought by a third party to collect 15 claims submitted during the San Jose underground electrification project. There is no judgment or settlement of the claimed amounts.	5,090	-
Ordinary	The plaintiff requested an extension of the period for execution, the annulment of some acts of Compañía Nacional de Fuerza y Luz S.A., annulment of the fine withholdings and return the money plus applicable legal interests. There is no judgment or settlement of the claimed amounts. (Ghella Spa Costa Rica)	359	-
Ordinary	Claim that seeks the annulment of the limitations imposed in Addendum No. 01 of the contract for the design, construction and equipment and start up of operations for a hydroelectric project and its annexes, to recognize price readjustments, therefore Compañía Nacional de Fuerza y Luz S.A. must pay the plaintiff for those readjustments. The preliminary hearing was held; awaiting the decision of the public oral proceedings.	18,332	-
Ordinary	The plaintiff requested a precautionary measure against Compañía Nacional de Fuerza y Luz S.A. for having executed the performance bond and collected fines. In addition, it filed a formal complaint for consequential damages, lost wages and lost opportunity costs. (Grupo Corporativo Saret). Compañía Nacional de Fuerza y Luz challenged the complaint and the preliminary hearing was held in 2014. However, it was not completed that same day; therefore, the court will reschedule the continuation.	13,878	-
Ordinary	Claim for non-contractual civil liability for damages.	275	-
Ordinary	Claim by Banco San José for voltage changes that caused damage to computer equipment and lights. Provision for sentence 2608 - 2012. (Bac San José)	-	10
Total contingent liabilities - ICE Group		68,730	765
			3,691

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Proceedings	Nature and current status	As of March 31, As of December	
		2015	31, 2014
		Estimated amount of the suit	Litigation provision
		68,730	765
Ordinary	Brought forward Ordinary proceedings, collection of criminal clause. Appeal for annulment partially accepted and appeal under review for the final decision issued by the deciding body.	42	-
Ordinary	Judicial proceeding filed by Asociación de Desarrollo Integral de la Reserva Indígena de Térraba [Association for the Comprehensive Development of the Térraba Indigenous Reservation] (ADIT), with the Sixth Section of the Administrative Litigation Court requesting the nullity of Decree No. 34312-MP-MINAE of 2008 and eviction from the indigenous territories allegedly occupied by ICE. As a result of alleged cultural damages and occupation of indigenous territories by ICE, the plaintiff seeks compensation for US\$200 (in millions) (see below).	108,444	-
Ordinary administrative and labor	Several minor processes, ordinary administrative and labor, that are in different stages.	48	-
Administrative	Administrative claim. A precautionary measure was issued. The claim was supplemented. Pending draft of the precautionary measure.	1,463	-
Ordinary Administrative	Payment arrangement DAE. CJ-AP-415-2014, with the Ministry of Finance, for sales tax on internet services, period from 2008 to 2010	9,042	9,042
	Total contingent liabilities - ICE Group	187,769	9,807
			3,701

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Note 40. Laws

Law for the Creation of *Instituto Costarricense de Electricidad*

The purpose of this Law was the creation of *Instituto Costarricense de Electricidad*, hereinafter *Instituto*, entrusted with the rational development of the physical energy producing sources of the Nation, particularly, hydraulic resources.

The law stipulates that the *Instituto* shall have legal capacity and full autonomy to be in a better position to fulfill its objectives.

This Law states that as an autonomous institution, the *Instituto* shall exercise its administrative and technical management entirely independent from the Executive Branch, and exclusively guided by the decisions made by its Board of Directors, which shall act based on its criteria and in compliance with any relevant laws and regulations and technical principles, and shall be responsible for managing it in a comprehensive and inescapable manner.

This Law states that a key duty of ICE, before Costa Ricans, is to channel the use of the hydroelectric energy to strengthen the national economy and foster the greatest wellbeing of the Costa Rican people.

Said Law states that the duties of the *Instituto* are as follows:

- (i) Give a timely and effective solution to the lack of electricity in the Nation, if any, and try to have energy available at all times to meet the normal demand and foster the development of new industries, the use of electricity in rural areas, and a greater domestic consumption.

The main tasks of the *Instituto* shall be aimed at this objective, through the use of all the necessary technical, legal, and financial resources, and its basic work program shall be the construction of new hydroelectric energy plants and distribution networks. This task shall be carried out within the limits of economically justified investments.

- (ii) Join efforts to meet the needs of electric energy, through technical procedures that ensure the highest performance of the energy and its distribution systems.

(Continues)

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- (iii) Foster the industrial development and the highest production of the country by making a preferential use of electric energy as the driving force and heating source and contribute through advice and technological research to achieving world-class know-how and use of the wealth sources of the country.
- (iv) Ensure a rational use of the natural resources and end the destructive and wasteful use of such resources. It shall particularly try to promote the domestic use of electricity for heating purposes instead of fuels taken from the national forests and imported fuels, and foster the use of wood as an industrial raw material.
- (v) Preserve and defend the hydraulic resources of the country by protecting the watersheds, the river beds and sources, a task that shall have the cooperation of the National Electricity Service and the Ministries of Agriculture and Public Works, through a mutual cooperation program.
- (vi) Contribute to the use of lands for agricultural purposes through irrigation and regulation of rivers, if economically feasible, by comprehensively developing sites to produce electric energy.
- (vii) Make its technical, administrative, and financial procedures become efficiency models that not only ensure the proper functioning of the *Instituto*, but also be a benchmark for other activities performed by Costa Ricans.
- (viii) Ensure the establishment, improvement, extension, and operation of telecommunications networks in a sustainable manner, and provide and market telecommunications, infocommunications, and information goods and services, and other convergent goods and services. The concessions required by ICE and its companies to achieve these objectives shall be subject to the terms, duties, obligations, and other requirements set forth in any applicable laws.

Nevertheless, pursuant to the conditions set forth in the previous paragraph, ICE shall be able to keep the ownership of the concessions granted in its favor and under use during the corresponding legal term.

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(b) Law of the Regulatory Authority for Public Services

The Law of the Regulatory Authority for Public Services No. 7593, was published in the Official Newspaper *La Gaceta* number 169 of September 5, 1996, which stipulates the transformation of the former National Electricity Service (SNE) into the Regulatory Authority for Public Services (ARESEP).

This Law stipulates that one of the duties of ARESEP is to ensure the compliance with standards of quality, quantity, reliability, opportunity, continuity, and optimal provision of the public services defined by article 5- such as the provision of electric energy services during the generation, transmission, distribution, and commercialization stages.

As a provider of electric energy public services during the generation, transmission, distribution, and commercial stages, ICE shall be subject, among others, to the following relevant obligations:

- i. Comply with the provisions stipulated by ARESEP regarding the provision of the service.
- ii. Maintain facilities and equipment in good working order as to avoid damages to people or properties or any interruption of the service.
- iii. Provide ARESEP with timely information related to the provision of the service and the accounting statements of its operations.
- iv. Protect, preserve, recover, and use natural resources related to the use of the service in a rational manner.
- v. Carry out unprofitable activities or investments within its territorial and material purview.
- vi. Provide the service to whoever requests it without discrimination.
- vii. Provide the service in the short term in the event of an increased demand.
- viii. Provide the service under proper conditions with the frequency and safety indicated by its nature, concession, or permit.
- ix. Provide the service on equal footing and charge a fair price.

Regarding penalizations, ARESEP is authorized to penalize public services providers that perform any of the following activities:

- i. Charge rates or prices different from those set by ARESEP, or rates not previously set by ARESEP.
- ii. Poor maintenance of the infrastructure or equipment used to provide the public service, which might put people or property at risk.

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- iii. Fraudulent use of goods and services to avoid a regulated payment.
- iv. Unauthorized provision of a service.
- v. Removal, without an express authorization of the entity that granted the concession or permit, of the equipment or facilities necessary to provide the public service.
- vi. Failure to comply with the obligation to insure employees with the CCSS and with an occupational hazard regime.
- vii. Failure to comply with the binding conditions imposed in rate resolutions upon the public services provider.
- viii. Failure to comply with the quality standards and principles in the provision of the public service, other than an Act of God or force majeure.

On another note, as a service provider ICE is required to pay to the Regulatory Authority for Public Services an annual fee per each regulated activity; such fee is calculated by ARESEP in accordance with the principle of service at cost, including a proper costing system for each regulated activity, in conformity with the provisions set forth in article 82 of Law No. 7593.

(c) General Telecommunications Law

The General Telecommunications Law Number 8642 was published in Official Bulletin La Gaceta of June 30, 2008, setting forth the scope and regulation mechanisms for telecommunications, including the use and exploitation of networks and provision of services.

The objectives defined by this Law are:

- Guarantee the right of inhabitants to access telecommunications services, in the terms established in this Law.
- Ensure the application of the principles of universality and solidarity regarding the telecommunications services.
- Strengthen the mechanisms of the principles of universality and solidarity regarding the telecommunications services, guaranteeing access to inhabitants who require them.
- Protect the rights of the telecommunication service users, ensuring efficiency, equality, continuity, quality, larger and better coverage, more and better information, more and better alternatives in the provision of services, as well as guaranteeing the privacy and confidentiality in the communications, according to the Political Constitution of Costa Rica.
- Promote effective competition in the telecommunications market, as a mechanism for increasing availability of services, improving their quality and insuring accessible prices.

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- Promote the development and use of telecommunications services within the scope of information and knowledge and as a means of support to sectors, such as health, public safety, education, culture, commerce and electronic government.
- Ensure the efficient and effective allocation, use, exploitation, management, and control of the radio electric spectrum and other scarce 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.
- Try for the country to obtain the maximum benefits regarding technological progress and convergence.
- Obtain telecommunications development indexes to similar to those of developed countries.

In addition, this law indicates that concessions will be granted for the use and exploitation of the radio electric spectrum frequencies, as required for the operation and exploitation of telecommunications networks. Said concessions will enable the holder for the operation and exploitation of 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.

Through the procedures set forth in this Law, concessions or authorizations relating to the operation of public telecommunications networks associated with rendering services for basic traditional telephone services cannot be granted. In this case, the legislative special concession referred to in subparagraph 14 of article 121 of the Political Constitution is required. For this process, the winning bids were presented by Claro CR Telecomunicaciones, in the amount of US\$75 million for one concession, and Azules y Platas (Telefónica) for US\$95 million, for another concession.

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This Law created the national telecommunications fund (Fondo Nacional de Telecomunicaciones – FONATEL) as an instrument for managing the resources allocated to finance compliance with the goals regarding universal access, universal service and solidarity established in this Law, as well as the goals and priorities defined in the National Telecommunications Development Plan. SUTEL is responsible for managing FONATEL's resources.

Other important matters contained in this Law are the following:

- The operators of public networks and providers of telecommunication services available to the public must guarantee the secret of communications, the right to privacy and the protection of the personal information regarding clients and final users, through the implementation of the systems and technical and administrative measures necessary.
- The rates for telecommunication services available to the public are established initially by SUTEL, pursuant to the use of methodology of maximum prices, or any other that promotes competition and efficiency in the use of resources, according to the bases, procedures and periodicity set forth in the regulations.
- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of limited resources, and greater benefits for users. Interconnection prices shall be aligned with costs, as prescribed in paragraph 13) of article 6 of this law, and are to be freely negotiated among operators using the procedures established by SUTEL.
- A tax corresponding to SUTEL is established for the Telecommunication 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.

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- Taxpayers will be the network operators or telecommunication service providers to whom frequency bands within the radio electric spectrum has been assigned, regardless of the use of the band or lack thereof. The amount to be paid for this tax is estimated directly by SUTEL, considering a number of engineering and economic parameters established in the law. This tax is defined by the taxpayer in a tax return issued for periods of one calendar year. The term for filing the tax return and paying the corresponding tax is two months and fifteen days after yearend.

(d) **Law for Strengthening and Modernizing Public Entities in the Telecommunications Sector**

The Law for Strengthening and Modernizing Public Entities in the Telecommunications Sector Number 8660 was published in Official Bulletin La Gaceta on August 13th of the year 2008, creating through it the Telecommunications Sector and the Telecommunications Superintendence (SUTEL), which will be the entity in charge of regulating, applying, overseeing and controlling the legal framework regarding 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 this Law are the following:

- Strengthen, modernize and provide the *Instituto Costarricense de Electricidad* (ICE), its companies and affiliated entities with the legislation that will allow adapting to all the changes in the legal framework regarding generation and rendering of services in the energy sector, as well as telecommunications, info-communication, information products and services, and other converging services.
- Supplement Law Decree Number 449 of April 8, 1949, Regulation for the Creation of *Instituto Costarricense de Electricidad*, and its amendments, to provide ICE with the legal, financial, and administrative conditions necessary to continue providing and marketing products and services within the energy and telecommunication sectors within the national territory and abroad.
- Create the Telecommunications Sector and its regulating entity, as well as developing the rights and functions and powers pertaining to the Sector Minister, who will create the National Telecommunications Development Plan, along with the President of the Republic.
- Streamline and expand the mechanisms and procedures concerning public procurement for ICE and its companies.

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- Guarantee and ensure the administrative and financial autonomy of ICE and its companies.
- Guarantee accountability and evaluation of results by ICE and its companies.

The Law authorizes ICE to enter into strategic alliances, sell services regarding consultancies, training and any other related product or service, to implement the usual commercial practices, create promotions, including the provision of terminal equipment (free of charge or not), discounts, sponsoring, service packages, among others.

ICE may enter into contracts for the creation of trusts of any nature, within the country or abroad.

It states that when ICE and its companies act as carriers or providers for in the national competitive markets for telecommunication or energy services and products, it shall be subject to the payment of income and sales tax. Payment of income tax is excluded for income resulting from basic traditional telephone service.

It is established that neither the State nor its institutions may impose financial restrictions or limitations to ICE and its companies investments and debts not contained in the Law, nor may they request or demand transfers, purchase of bonds. In general terms, ICE and its companies cannot be compelled to keep deposits in checking accounts or in Government securities.

ICE is entitled to negotiate, contract and enforce, autonomously, medium and long term internal and external debt up to an indebtedness level of 45% with regards to its total assets. Indebtedness will be calculated based on the consolidated total of the value of ICE's total assets and its companies as of December 31 of the previous year. In the event that ICE requires increasing its debt in a higher percentage than the one stated above, it shall present its additional financing requirements for approval from the Executive Branch of the Government of Costa Rica.

Additionally, it may issue all types of securities, in domestic or foreign currency, with the interest and amortization rate, and amount the Board determines appropriate, under the terms of the applicable laws. Said securities shall have the guarantee that ICE and its companies appoint in the issuance agreement. For this, it may securitize its current and future income or its property, through financial contracts, such as leases or trusts, or may burden its properties or income.

ICE and its companies will have a Corporate Acquisition Board, whose goal shall be enforcing the corresponding administrative procurement procedures, including awarding bids and contestations.

(e) Law for the Transfer of Telecommunications to ICE and the Partnering of ICE with RACSA

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

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

This Law stipulates that *Instituto Costarricense de Electricidad* shall provide, upon the enactment of this law, the telecommunications services set forth in Law N° 47 of July 25, 1921, for an indefinite period of time in accordance with the terms and conditions set forth therein.

Through this law, *Instituto Costarricense de Electricidad* is authorized to organize a corporation that shall be referred to as *Compañía Radiográfica Costarricense Sociedad Anónima (RACSA)*, in combination with *Compañía Radiográfica Internacional de Costa Rica (CRICSA)*, in order to provide telecommunications services during a thirteen-year term.

In accordance with the regulations of this law, the capital stock shall be held 50% by ICE and the remaining 50% by *Compañía Radiográfica Internacional de Costa Rica*. By mutual consent, on November 29, 1975, RACSA acquired the entirety of the shares of CRICSA, which were later sold to ICE; therefore, ICE became the sole stockholder of RACSA. Since ICE held 50 % of the shares of RACSA, ICE became the sole holder of 100% of the shares of *Radiográfica Costarricense, S.A. (RACSA)*.

In 1977, the Legislative Assembly extended the concession to RACSA for the provision of telecommunications for another ten years. Once again in 1985, the concession was extended for another ten years as of 1988. In 1992, the Legislative Assembly, through Law No.7298, extended the corporate term of RACSA for another 25 years. Finally, through Law No. 8660 published in the Official Newspaper *La Gaceta* No. 156 of August 13, 2008, the Legislative Assembly stipulated that the corporate term of *Radiográfica Costarricense Sociedad Anónima* is ninety-nine (99) years as of the entry into force of this Law.

(f) **Electricity Agreement**

Compañía Nacional de Fuerza y Luz CNFL was created through Agreement-Law number 2 of April 8, 1941, referred to as the Electricity Agreement of 1941, which authorized the merger of the Costa Rica Electric Light and Traction Company, Limited, *Compañía Nacional de Electricidad*, and *Compañía Nacional Hidroeléctrica* (or *Compañía Electriona*) into *Compañía Nacional de Fuerza y Luz*, and which was legally organized on May 15, 1941.

Through Law No. 4197 of September 20, 1968, the Government authorizes the acquisition of the shares of CNFL by ICE and amends the Electricity Agreement and the Law for the Creation of ICE. It is currently organized as a corporation.

Through Law No. 8660 published in the Official Newspaper *La Gaceta* No. 156 of August 13, 2008, the Legislative Assembly stipulated that the corporate term of *Compañía Nacional de Fuerza y Luz*, is ninety-nine (99) years as of the entry into force of this Law.

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