

# Instituto Costarricense de Electricidad y Subsidiaries

Consolidated Financial Statements  
June, 2012

Group ICE

ICE  
RACSA  
CNFL  
CRICRSA



Dirección de Finanzas  
Proceso Contable

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

Consolidated Balance Sheet

(In millions of colones)

As of June 30, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
<b>Property, machinery and equipment:</b>		
Operating assets - cost	€ 2,578,848	2,487,342
Accumulated depreciation of operating assets - cost	(837,319)	(764,040)
Operating assets - revalued	2,596,108	2,598,101
Accumulated depreciation of operating assets - revalued	(1,488,178)	(1,448,815)
Other operating assets - cost	344,425	322,862
Accumulated depreciation of other operating assets - cost	(188,504)	(169,662)
Other operating assets - revalued	87,360	88,063
Accumulated depreciation of other operating assets - revalued	(57,650)	(56,499)
Other operating assets under finance leases - cost	27,550	27,550
Accumulated depreciation of other operating assets under finance leases - cost	(1,229)	(922)
Other operating assets under finance leases - revalued	1,191	1,191
Accumulated depreciation of other operating assets under finance leases - revalued	(32)	(13)
Construction work in progress	629,203	501,919
Materials in transit for investment	173,984	175,416
Inventory for investment	152,637	143,341
<b>Total property, machinery and equipment, net</b>	<u>4,018,394</u>	<u>3,905,834</u>
<b>Long-term assets:</b>		
Long-term investments	20,742	20,271
Notes receivable	2,211	2,538
Accounts receivable	4	4
<b>Total long-term assets</b>	<u>22,957</u>	<u>22,813</u>
<b>Current assets:</b>		
Banks	4,305	7,952
Temporary investments	156,765	140,060
Valuation of investments	113	1,323
Restricted funds	1,644	7,146
Receivables for services rendered	107,097	100,000
Non-trade receivables	138,111	165,407
Allowance for doubtful accounts	(38,186)	(37,066)
Institutional receivables	5,845	5,803
Notes receivable	3,588	2,879
Operating inventory	65,654	90,572
Allowance for valuation of inventory	(6,734)	(7,311)
Materials and equipment held in custody	15,100	5,178
Materials in transit for operations	6,649	18,581
Prepaid expenses	30,718	24,960
<b>Total current assets</b>	<u>490,669</u>	<u>525,484</u>
<b>Other assets:</b>		
Non-operating assets - cost	53,712	51,996
Accumulated depreciation of non-operating assets - cost	(551)	(396)
Non-operating assets - revalued	14,282	14,280
Accumulated depreciation of non-operating assets - revalued	(5,921)	(5,859)
Service agreements	12,458	13,916
Project design and execution	84,629	78,918
Technical service centers	13,020	252
Amortizable items	8,065	8,155
Absorption of amortizable items	(3,075)	(3,047)
Intangible assets	70,936	61,734
Absorption of intangible assets	(33,643)	(27,962)
Securities received as guaranty deposits	5,891	4,719
Valuation of financial instruments	1,469	5,828
Guarantee and Savings Fund (restricted fund)	162,798	150,204
Transfer to Guarantee and Savings Fund	423	1,242
Operating inventory	22,312	20,282
Deferred income tax	1,382	-
<b>Total other assets</b>	<u>408,187</u>	<u>374,262</u>
	<u>€ 4,940,207</u>	<u>4,828,393</u>

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

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

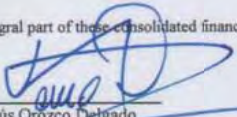
Consolidated Balance Sheet


(In millions of colones)

As of June 30, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
<b><u>Liabilities and Equity</u></b>		
<b>Long-term liabilities:</b>		
Securities payable	756.747	601.546
Loans payable	632.503	662.329
Obligations derived from credit	4.079	28.040
Security deposits	58.794	58.614
Accounts payable	64.123	44.288
<b>Total long-term liabilities</b>	<b><u>1.516.246</u></b>	<b><u>1.394.817</u></b>
<b>Short-term liabilities:</b>		
Securities payable	27.013	30.500
Loans payable	143.661	176.574
Accounts payable	122.694	122.762
Accrued finance expenses payable	20.990	16.070
Prepaid income	8.035	2.425
Deposits from private individuals or companies	7.267	6.553
Legal provisions	1.000	1.000
Accrued expenses for employer obligations	40.344	37.525
<b>Total short-term liabilities</b>	<b><u>371.004</u></b>	<b><u>393.409</u></b>
<b>Other liabilities:</b>		
Valuation of financial instruments	22.771	20.239
Accounts payable	2.422	2.491
Legal provisions	39.526	41.095
Guarantee and Savings Fund (restricted fund)	162.798	150.204
Deferred income tax	1.388	-
<b>Total other liabilities</b>	<b><u>228.905</u></b>	<b><u>214.029</u></b>
<b>Equity:</b>		
Paid-in capital	46.636	46.090
Development reserve	1.461.820	1.461.922
Asset revaluation reserve	1.179.919	1.188.155
Result of valuation of financial instruments	(20.305)	(18.583)
Legal reserve	8.696	8.696
Project development reserve	71	71
Forest development reserve	776	734
Restricted earnings from capitalization of stake in subsidiary	62.380	62.380
Retained earnings	80.116	72.301
Minority interest	4.422	4.372
Total excess of income over expenses	(479)	-
<b>Total equity and minority interest</b>	<b><u>2.824.052</u></b>	<b><u>2.826.138</u></b>
	<b><u>¢ 4.940.207</u></b>	<b><u>¢ 4.828.393</u></b>
<b>Memoranda accounts</b>	<b><u>¢ 250.486</u></b>	<b><u>209.538</u></b>

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

  
Jesús Orozco Delgado  
Head of Financial Planning  
Department

  
Lizbeth Hernández Castillo  
Accounting Management Process Coordinator

INSTITUTO COSTARRICENSE DE ELECTRICIDAD AND SUBSIDIARIES  
(San José, Costa Rica)  
Consolidated Statement of Changes in Equity  
For the periods ended as of June 30, 2012 and December 31, 2011  
(In millions of colones)

	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	Equity, net
Balance at December 31, 2010, adjusted	45,678	1,333,312	(11,843)	1,367,531	8,522	71	651	62,380	77,329	4,171	2,887,802
Donations for the year	412	-	-	-	-	-	-	-	-	-	412
Asset revaluation for the year	-	89,060	-	-	-	-	-	-	-	-	89,060
Appropriation to legal reserve	-	-	-	-	176	-	-	-	(176)	-	-
Prior period adjustments	-	(125,363)	-	3,832	-	-	-	-	-	-	(121,531)
Effect of appropriation to and realization of forest development	-	-	-	-	-	-	83	-	(83)	-	-
Deficit for the period, net	-	-	-	(11,771)	-	-	-	-	(11,094)	-	(22,865)
Realization of asset revaluation reserve	-	(117,761)	-	102,330	-	-	-	-	15,431	-	-
Realization of asset revaluation reserve in subsidiaries	-	9,028	-	-	-	-	-	-	(9,028)	-	-
Result of valuation of financial instruments:											
<i>Derivative financial instruments</i>	-	-	(6,624)	-	-	-	-	-	-	-	(6,624)
<i>Investments</i>	-	-	(116)	-	-	-	-	-	-	-	(116)
Appropriation to minority interest	-	(121)	-	-	(2)	-	-	-	(78)	201	-
Balance at December 31, 2011	46,090	1,188,155	(18,583)	1,461,922	8,696	71	734	62,380	72,301	4,372	2,826,138
Adjustments due to homologation with ICE policies	-	(2,479)	-	-	-	-	-	-	11,097	-	8,618
Balance at December 31, 2011, adjusted	46,090	1,185,676	(18,583)	1,461,922	8,696	71	734	62,380	83,398	4,372	2,834,756
Donations for the year	546	-	-	-	-	-	-	-	-	-	546
Asset revaluation for the year	-	(486)	-	-	-	-	-	-	-	-	(486)
Deficit for the period, net	-	-	-	-	-	-	-	-	(7,579)	-	(7,579)
Deficit for the period net, minority interest	-	-	-	-	-	-	-	-	(53)	-	(53)
Prior period adjustments	-	-	-	(102)	-	-	-	-	-	-	(102)
Effect of appropriation to and realization of forest development	-	-	-	-	-	-	42	-	(42)	-	-
Deficit for the period net, ICE	-	-	-	(479)	-	-	-	-	-	-	(479)
Realization of asset revaluation reserve	-	(5,224)	-	-	-	-	-	-	4,395	-	(829)
Result of valuation of financial instruments:											
<i>Derivative financial instruments</i>	-	-	(1,722)	-	-	-	-	-	-	-	(1,722)
Assets retirement during the period	-	(158)	-	-	-	-	-	-	158	-	-
Appropriation to minority interest	-	110	-	-	-	-	-	-	(160)	50	0
Balance at June 30, 2012	46,636	1,179,919	(20,305)	1,461,341	8,696	71	776	62,380	80,116	4,422	2,824,052

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

  
Jesus Orozco  
Head of Financial Planning Department

  
Elizabeth Hernández Castillo  
Accounting Management 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 as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating revenues:</b>		
Electricity services	€ 318.190	306.352
Telecom services	264.007	266.617
Institutional services	1.207	3.389
<b>Total operating revenues</b>	<u>583.404</u>	<u>576.359</u>
<b>Operating costs:</b>		
Operation and maintenance	113.236	127.264
Operation and maintenance of leased equipment	79.615	99.659
Depreciation of operating assets	116.097	100.866
Supplemental services and purchases	66.624	48.419
Production management	39.326	35.623
Technical service center	17.302	8.780
<b>Total operating costs</b>	<u>432.200</u>	<u>420.611</u>
<b>Gross profit</b>	<u>151.204</u>	<u>155.748</u>
<b>Operating expenses:</b>		
Administrative	40.741	42.848
Marketing	103.442	72.173
Preliminary studies	10.403	9.844
Preinvestment studies	2.915	2.141
Other operating expenses	1.177	845
<b>Total operating expenses</b>	<u>158.678</u>	<u>127.850</u>
<b>Operating profit (deficit)</b>	<u>(7.474)</u>	<u>27.898</u>
<b>Other income:</b>		
Finance income	14.655	7.040
Foreign exchange differences	48.055	18.500
Other income	29.567	36.746
<b>Total other income</b>	<u>92.277</u>	<u>62.286</u>
<b>Other expenses:</b>		
Interest	44.580	23.624
Commissions	16.371	1.293
Foreign exchange differences	8.614	2.116
Other expenses	21.152	23.254
<b>Total other expenses</b>	<u>90.717</u>	<u>50.286</u>
<b>Profit (deficit) before tax and minority interest</b>	<u>(5.914)</u>	<u>39.898</u>
<b>Tax and minority interest:</b>		
Deferred tax	45	45
Minority interest	53	25
<b>Profit (deficit), net</b>	<u>€ (5.816)</u>	<u>39.968</u>

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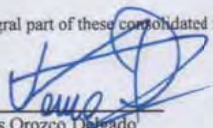
  
Lizbeth Hernández Castillo  
Accounting Management Process Coordinator

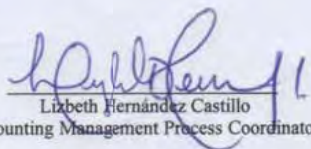
INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES  
(San José, Costa Rica)

Consolidated Statement of Cash Flows  
For the periods as of ended June 30, 2012 and 2011  
(In millions of colones)

	<u>2012</u>	<u>2011</u>
Sources (uses) of cash:		
Operating activities:		
Profit (deficit), net	€ (5.816)	39.968
Items not requiring (providing) cash:		
Depreciation	133.178	110.867
Legal provisions	10.467	8.687
Accrued expenses for employer obligations	17.777	20.304
Accumulated vacations	7.880	6.626
Allowance for doubtful accounts	1.775	1.830
Allowance for valuation of inventory	14	39
Absorption of amortizable and intangible items	10.136	9.807
Litigation	756	510
Foreign exchange differences	(39.460)	(16.179)
Valuation of financial instruments	6.379	-
Minoritary interest	(53)	(25)
Cash provided by operations	<u>148.849</u>	<u>142.466</u>
Cash provided by (used for) changes in:		
Committed temporary investments	24	(505)
Notes and accounts receivable	19.773	(23.464)
Operating inventory	26.337	(10.913)
Other assets	3.970	(583)
Accounts payable	19.698	31.356
Security deposits	180	(1.715)
Other liabilities	(23.302)	(43.787)
Cash provided by operating activities	<u>189.713</u>	<u>132.823</u>
Financing activities:		
Decrease in equity	(54)	-
Increase in securities payable	197.753	30.814
Amortization of securities payable	(30.565)	(77)
Increase in loans payable	177.952	90.042
Amortization of loans payable	(216.706)	(32.955)
Increase in obligations derived from credit	(23.961)	38.334
Net cash provided by financing activities	<u>104.419</u>	<u>126.158</u>
Investing activities:		
Increase in long-term investments	773	(8.867)
Additions to property, machinery and equipment	(248.088)	(228.613)
Increase in other assets	(33.735)	(33.055)
Net cash used in investing activities	<u>(281.050)</u>	<u>(270.535)</u>
Increase (decrease) in cash and cash equivalents	13.082	(11.555)
Cash and cash equivalents at beginning of the year:	146.872	191.059
Cash and cash equivalents at end of the year	<u>€ 159.954</u>	<u>179.504</u>

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

  
Jesús Orozco Delgado  
Head of Financial Planning  
Department

  
Lizabeth Hernández Castillo  
Accounting Management Process Coordinator

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

June 30<sup>th</sup>, 2012

(with data corresponding to the year 2011)

### **Note 1. Reporting Entity**

The Instituto Costarricense de Electricidad and Subsidiaries (hereinafter “ICE Group”) is an autonomous government entity created by Decree – Law Number N° 449 of April 8<sup>th</sup> of the year 1949 and Law 3226 of October 28<sup>th</sup> of the year 1963. Its corporate address is located in Sabana Norte, district of Mata Redonda, in the city of San José.

Its main activity consists in the development of the existing energy producing sources in the country and the provision of energy services, as well as providing telephone (basic, landlines and mobile units) and internet services.

Said activities, such as those executed by its subsidiaries, are regulated by the General Comptroller of the Republic, the General Superintendence of Securities (SUGEVAL), the National Stock Exchange of Costa Rica, S.A., the Law for the Regulation of Securities Market, the Regulating Entity for Public Services (ARESEP), the Telecommunications Superintendence (SUTEL), and the Pensions Superintendence (SUPEN); its subsidiary, CNFL, is subject to the regulations set forth by the General Comptroller of the Republic (CGR) and articles 57 and 94 of Law 8131 for Management and Public Budgets, the Regulating Entity for Public Services (ARESEP), as well as the framework contained in the General Internal Control Law and the Law Against Corruption and the Law Against Corruption and Illicit Enrichment, among others.

A significant portion of these activities have 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 the National Stock Exchange of Costa Rica.

ICE Group is a group of government owned companies, comprised by the Instituto Costarricense de Electricidad (ICE, ultimate parent entity) and its subsidiaries, Compañía Nacional de Fuerza y Luz, S.A. (C.N.F.L.), Radiográfica Costarricense, S.A. (RACSA) and Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICRSA).

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

Compañía Nacional de Fuerza y Luz, S.A. (CNFL) is a corporation created under Law Number 21 of April 8<sup>th</sup> of the year 1941, referred to as “Electrical Contract”, amended by Law Number 4977 of May 19<sup>th</sup> of the year 1972 and current until August 8<sup>th</sup> of the year 2008.

The main objective is to provide energy services to the domestic market and its main energy supplier is ICE.

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# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

### **Radiográfica Costarricense, S.A.**

Radiográfica Costarricense, S.A. (RACSA), is a mixed corporation created on July 27<sup>th</sup> of the year 1964 under the laws of the Republic of Costa Rica, owned by Instituto Costarricense de Electricidad and Compañía Radiográfica Internacional de Costa Rica, S.A. (proportionate share of 50%). It was created through Law Number 3293 of June 18<sup>th</sup> of the year 1964. It is regulated by the provisions contained in the Executive Decrees Number 7927-H and 14666-H of January 2<sup>nd</sup> of the year 1978 and May9<sup>th</sup> of the year 1983, respectively, contained in the Civil and Commerce Codes.

Its main activity is the exploitation of telecommunications services in Costa Rica, domestic connectivity and internet services, international connectivity for transmission of data and video, information services, and data centers, among others.

### **Compañía Radiográfica Internacional de Costa Rica, S.A.**

Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICRSA) was created through Law Number 47 of July 25<sup>th</sup> of the year 1921. Its main activity is the exploitation of a concession involving wireless communications. Currently, the Company does not have any officials or employees, as ICE Group provides the accounting and administrative services.

## **Note 2. Basis for the preparation of the interim consolidated financial statements**

### (a) Statement of Compliance

The attached interim consolidated financial statements correspond to a period of six months, ending on June 30<sup>th</sup> of the year 2011, and were prepared in accordance with the accounting principles contained in the ICE's Accounting Policies Manual for interim financial information, accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica, regulating entity for the National Accounting Subsystem. These consolidated financial statements do not include all the information or additional details required in the creation of annual audited consolidated financial statements. Therefore, they shall be read jointly with the consolidated financial statements for the annual term ending December 31<sup>st</sup> of the year 2010, for their correct interpretation. The aforementioned policy manuals considers the conceptual framework included in the Accounting Principles applicable to the Costa Rican Public Sector, as well as the supplementary use of the International Financial Reporting Standards (IFRS). This supplementary use is subject to the fulfillment of the following:

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# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

## Notes to the Interim Consolidates 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 Accounting Policy Manual. This means that its application is allowed solely if this the applicable IFRS to be used is explicitly and specifically contained the manual.

According to the decrees issued by the National Accounting of the Ministry of Finances and the current laws, ICE may use the Accounting Principles applicable to the Costa Rican Public Sector contained in Executive Decree Number 34460-H dated February 14<sup>th</sup> of the year 2008 or the legal framework that has been applied, until December 31<sup>st</sup> of the year 2013, which is the transition year towards the International. Financial Reporting Standards (IFRS) by ICE.

Additionally, Executive Decree Number 35616H, issued by National Accounting and published in Official Newspaper La Gaceta Number 234 of December 2<sup>nd</sup> of the year 2009, states the following in article 8, temporary III:

“Until the International. Financial Reporting Standards are permanently implemented, each Public Company included in the scope of the Decree contained herein, acting as Trustee of National Accounting, must continue to apply the Applicable Accounting Principles for the Costa Rican Public Sector, set forth in the Executive Decree Number 34460H of February 14<sup>th</sup> of the year 2008 or the legal framework applied thereof.”

As has been set forth by ICE Group with regards to accounting standards, the common practice is the supplementary use be expressly contained in the standard, in detail, indicating the hierarchy of the applicable accounting standards sources regarding the matters being regulated which must be observed when aspects exist which were not anticipated for in ICE's Accounting Policy Manual.

The comparison of the interim consolidated financial statements is referred to semesters ending on June 30<sup>th</sup> of the years 2012 and 2011, except the consolidated balance sheet comparing data to June 30<sup>th</sup> of the year 2012 with data to December 31<sup>st</sup> of the year 2011.

The interim consolidated financial statements were authorized for issuance by ICE's Management on September 12<sup>th</sup> of the year 2012.

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# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

### (b) Basis for measurement

The basis for measurement used for the initial recording of the transactions is the historical cost, pursuant to Decree Number 34460-H of February 14<sup>th</sup> of the year 2008. However, for the date of issuance for the attached consolidated financial statements, some entries were valued using other basis for measurement, as detailed in ICE's Accounting Policy Manual.

### (c) Functional and presentation currency

ICE's accounting records, as well as the consolidated financial statements and their respective Notes are expressed in 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 Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica, require that Management issue judgments, estimations, and assumptions that affect the application of policies and amounts of assets, liabilities, income and expenses reported. The actual results may vary from these estimations.

In the preparation of these interim consolidated financial statements, significant judgments issued by ICE Group Management in the application of accounting policies and the main sources of uncertainty in the estimation were the same as those applied to the consolidated financial statements to and for the year ending December 31<sup>st</sup> of the year 2010.

The relevant accounting estimations and the assumptions were reviewed on a recurrent basis. The changes arising from new information or new events are adjusted, affecting the results for the term for which the estimation was reviewed and any other future term affected or ICE Group's assets, in relation to the account being affected.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Note 3. Significant Accounting Policies and Guidelines**

The accounting policies applied by ICE Group in the presentation of the interim consolidated financial statements correspond to the semester ending on June 30<sup>th</sup> of the year 2011, are the same as those applied by ICE Group in the preparation of the consolidated financial statements to December 31<sup>st</sup> of the year 2010 and for the year ending on that date, except for the following:

(a) Annual accounting policies not applied for interim terms

ICE's accounting policies contain a series of rules that regulate the accounting practices for ICE Group and that mainly focus on accounting practices applied for an accounting term, which regarding ICE corresponds to one calendar year term from January 1<sup>st</sup> to December 31<sup>st</sup>.

Some of the accounting policies must be strictly applied for the annual term, as established in practice, given the implicit complexity of processing monthly or quarterly with regards to the calculation for determining or updating values.

The accounting practices for interim terms are detailed below, which differ from the annual practices performed for the closing of each accounting term.

(i) *Property, machinery and equipment:*

In order to strengthen internal control of the institution with regards to transaction records, important guidelines were issued concerning property, machinery and equipment, such as the following:

Guidelines for the control of construction works.

Guidelines for the process of withdrawing operational assets.

These directives or guidelines aim at increasing the level of detail contained in the documentation supporting the transaction records, complementing the existing Accounting Practices and other guidelines that have been issued in previous terms.

(ii) *Revaluation of assets:*

ICE Group's accounting policies regarding the revaluation of assets state that said updating of the value of the assets and their corresponding depreciation is performed yearly. Therefore, the interim consolidated financial statements attached do not include the effect resulting of revaluation since the last annual report presented.

The balances of operating assets and other operating assets and their accumulated depreciation for December 31<sup>st</sup> of the previous year are revalued annually using index provided by ICE Group for each significant component of the asset.

(Continues)

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

## Notes to the Interim Consolidates Financial Statements

*(In millions of colones)*

Additionally, the adjustments on reserves due to revaluation of assets towards the development reserves, originating in the depreciation of revalued assets, is performed as part of the annual closing procedures and are not performed during interim terms.

*(iii) Estimation for valuation of the warehouse stock:*

Pursuant to the provisions contained in the policy for the estimation of valuation of inventory, the amount for estimation of valuation of inventory – operation must be reviewed periodically to guarantee coverage of eventual obsolescence, deterioration or absence.

The final process for the performance of the accounting records for updating this estimation includes a series of comprehensive tasks executed by the Logistics and Institutional Resources Management, in coordination and observance of the Logistic Management Direction. These tasks involve all of ICE Group's departments, since inventory is kept throughout the country and is performed on a yearly basis. Therefore, estimation is not reviewed nor modified during interim terms.

*(iv) Updating of balances in foreign currency:*

ICE performs transactions in foreign currency and the accounting records for these transactions must be done in the functional currency, using the corresponding exchange rate for the immediately previous closing year, according to ICE Group's policies.

The balances pertaining entries in foreign currency, to the closing of the annual term, will be converted according to the current exchange rate for the date, as issued by the Central Bank of Costa Rica.

For interim terms, an updating of balances in foreign currency is performed, according to the exchange rate to the closing of the interim term, based on the accounts that were used for the immediately previous closing year, including all the most relevant entries subject to be updated.

*(v) Withdrawal of assets:*

Withdrawal of assets is performed at different times during the term or at the end of each year, according to the complexity of the analysis and the components to be withdrawn, as well as the nature of the business. Frequent withdrawals in the interim financial information correspond to the items recorded in other operating assets and non-operating assets.

For production assets, the withdrawal terms have a longer term for determination, due to the exhaustive analysis process involved, since the nature and volume of assets of ICE Group can result in situations where determination of assets to be withdrawn from the institutional asset system and on an accounting level is performed at the closing of the annual term.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

(b) Subsidiaries

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

<b>Subsidiaries</b>	<b>Country</b>	<b>Percentage of Participation</b>	
		<b>up to June 30th</b>	<b>up to Dec. 31th</b>
		<b>2012</b>	<b>2011</b>
Compañía Nacional de Fuerza y Luz (CNFL)	Costa Rica	98,6%	98,6%
Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICRSA)	Costa Rica	100%	100%
Radiográfica Costarricense, S.A. (RACSA)	Costa Rica	100%	100%

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

**Note 4. Assets in Operation**

The assets in operation at cost are detailed as follows:

Assets in operation cost	Plants, substations, lines, stations and other Up to December 31								Up to June 30 2012	
	2010	Additions	Withdraw and transfers	Adjust. and reclassif...	2011	Additions	Withdraw and transfers	Adjust. and reclassif...		
<b>ICE electricity:</b>										
Hydraulic generation	¢	180.953	389.092	(668)	(106)	569.271	3.544	(2.570)	-	570.245
Thermic generation (5)		74.141	2.203	(122)	540	76.762	8.999	(175)	(175)	85.411
Substations		89.320	17.179	(7)	(9)	106.483	4.455	(10)	(8)	110.920
Transmission lines		63.037	15.304	-	(44)	78.297	1.025	-	-	79.322
Distribution lines (3)		124.888	7.739	(1.529)	(12)	131.086	13.900	-	-	144.986
Public lighting		2.881	51	-	-	2.932	196	-	-	3.128
Geothermic generation		110.556	41.874	-	-	152.430	4.473	-	-	156.903
Aeolian generation		7.363	1.007	(972)	-	7.398	-	-	-	7.398
Solar generation		1.873	-	-	-	1.873	-	-	-	1.873
Micro generation - Hydraulic plant		166	-	-	-	166	-	-	-	166
Control, communication and infrastructure equipment (4)		5.673	-	-	-	5.673	10.523	-	-	16.196
<b>Subtotal ICE electricity</b>	¢	<b>660.851</b>	<b>474.449</b>	<b>(3.298)</b>	<b>369</b>	<b>1.132.371</b>	<b>47.115</b>	<b>(2.755)</b>	<b>(183)</b>	<b>1.176.548</b>
<b>ICE telecommunications:</b>										
Transportation (2)	¢	453.313	38.798	(12.274)	27	479.864	15.932	(45)	-	495.751
Access (1)		280.025	75.349	(13.294)	2	342.082	18.464	-	(65)	360.481
Civil and electromechanics		168.375	11.570	(901)	(35)	179.009	6.646	-	-	185.655
Platforms		27.880	35.440	(31)	(181)	63.108	979	45	-	64.132
<b>Subtotal ICE telecommunications</b>	¢	<b>929.593</b>	<b>161.157</b>	<b>(26.500)</b>	<b>(187)</b>	<b>1.064.063</b>	<b>42.021</b>	<b>-</b>	<b>(65)</b>	<b>1.106.019</b>
<b>Subtotal ICE</b>	¢	<b>1.590.444</b>	<b>635.606</b>	<b>(29.798)</b>	<b>182</b>	<b>2.196.434</b>	<b>89.136</b>	<b>(2.755)</b>	<b>(248)</b>	<b>2.282.567</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

Assets in operation cost	Plants, substations, lines, stations and other									
	Up to December 31									
	<u>2010</u>	Additions	Withdraw and transfers	Adjust. and reclassif...	<u>2011</u>	Additions	Withdraw and transfers	Adjust. and reclassif...	<u>Up to June, 30 2012</u>	
<b>CNFL:</b>										
Lands	¢	3.219	-	-	54	3.273	-	-	-	3.273
Improvements to lands		5.720	446	-	-	6.166	-	-	(44)	6.122
Buildings		10.574	1.349	-	(54)	11.869	15	-	-	11.884
Plants		49.486	244	-	-	49.730	41	-	-	49.771
Distribution		81.941	11.196	(413)	-	92.724	3.205	(145)	-	95.784
Transmission		2.022	-	-	-	2.022	-	-	-	2.022
Substations		13.110	335	-	-	13.445	16	-	-	13.461
Service connections		15.161	2.016	(78)	-	17.099	960	(32)	-	18.027
Equipment for road lighting		3.654	371	(187)	-	3.838	9	(15)	122	3.954
Public lighting		4.790	916	-	-	5.706	582	-	-	6.288
General equipment		21.402	3.884	(921)	-	24.365	709	(438)	(59)	24.577
Communication system		412	221	-	-	633	42	-	-	675
<b>Subtotal CNFL</b>	<b>¢</b>	<b>211.491</b>	<b>20.978</b>	<b>(1.599)</b>	<b>-</b>	<b>230.870</b>	<b>5.579</b>	<b>(630)</b>	<b>19</b>	<b>235.838</b>
<b>RACSA:</b>										
Lands	¢	203	-	-	-	203	-	-	-	203
Building		763	5	-	-	768	-	-	-	768
Communication equipment		37.127	549	(1.555)	-	36.121	640	(694)	-	36.067
General equipment		6.486	71	(93)	(130)	6.334	471	(12)	-	6.793
Submarine cable - Maya I		4.227	2.605	-	-	6.832	-	-	-	6.832
Submarine cable - Arcos I		2.447	2	-	-	2.449	-	-	-	2.449
Submarine cable - Costa Rican pacific coast		7.331	-	-	-	7.331	-	-	-	7.331
<b>Subtotal RACSA</b>	<b>¢</b>	<b>58.584</b>	<b>3.232</b>	<b>(1.648)</b>	<b>(130)</b>	<b>60.038</b>	<b>1.111</b>	<b>(706)</b>	<b>-</b>	<b>60.443</b>
<b>Total Group ICE</b>	<b>¢</b>	<b>1.860.519</b>	<b>659.816</b>	<b>(33.045)</b>	<b>52</b>	<b>2.487.342</b>	<b>95.826</b>	<b>(4.091)</b>	<b>(229)</b>	<b>2.578.848</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Year 2012:**

**(1) Telecommunications, Access**

For June 30<sup>th</sup> of the year 2012, the assets in operation for the Telecommunications Sector present additional in the sum of ¢18,464, mainly corresponding to the Copper Network in an amount of ¢12,130 and Equipment for Terminals for a total of ¢3,054.

**(2) Telecommunications, Transport**

The Telecommunications Sector shows an increase of ¢15,932, due to capitalization on the transport component, mainly regarding the Expansion and Modernization project in the sum of ¢10,779 and the Optical Cable project for the sum of ¢3,538.

**(3) Distribution lines**

For the accounting cut for June 2012, additions are performed to civil distribution works and public lighting for ¢5,435 and in electrical distribution works and lighting for a total of ¢8,466.

**(4) Communication control equipment and infrastructure**

To June 2012, the Energy Sector made improvements on the trunked radio network equipment, for a total of ¢10,510.

**(5) Thermal generation**

To June 2012, there is an increase in additions in the sum of ¢8,999, mainly for the improvements performed on the Moín III powerhouse in the amount of ¢5,076 and in the San Antonio plant in the amount of ¢2,213.

(Continúa)



INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

The accrued depreciation of the cost of the operational assets is detailed below:

Depreciation accumulated cost	Plants, substations, lines, stations and other Up to December 31					2011	Depreciation	Withdraw and transfers	Adjustments and reclassif.....	Up to June 30, 2012
	2010	Depreciation	Withdraw and transfers	Adjust. and reclassif.						
<b>ICE electricity:</b>										
Hydraulic generation	¢	51.280	7.189	(373)	-	58.096	7.444	(71)	-	65.469
Thermic generation		13.445	3.404	40	7	16.896	1.823	(13)	-	18.706
Substations		20.674	4.346	(3)	58	25.075	2.467	(2)	-	27.540
Transmission lines		7.897	2.745	-	-	10.642	1.221	-	-	11.863
Distribution lines		35.337	9.195	(557)	-	43.975	4.779	-	-	48.754
Public lighting		1.947	127	-	-	2.074	38	-	-	2.112
Geothermic generation		32.771	3.752	-	-	36.523	2.264	-	-	38.787
Aeolian generation		2.275	363	(100)	-	2.538	218	-	-	2.756
Solar generation		410	82	-	-	492	41	-	-	533
Micro generation - Hydraulic plant		7	6	-	-	13	3	-	-	16
Control, communication and infrastructure equipment		2.203	926	-	-	3.129	463	-	-	3.592
<b>Subtotal ICE electricidad</b>	¢	<b>168.246</b>	<b>32.135</b>	<b>(993)</b>	<b>65</b>	<b>199.453</b>	<b>20.761</b>	<b>(86)</b>	<b>-</b>	<b>220.128</b>
<b>ICE telecomunicaciones:</b>										
Transporte	¢	197.955	38.952	(11.303)	-	225.604	20.010	(3)	-	245.611
Acceso		108.773	38.633	(12.915)	-	134.491	15.854	-	-	150.345
Civil y electromecánico		95.349	11.460	(880)	-	105.929	5.755	-	-	111.684
Plataformas		10.719	7.105	(79)	-	17.745	5.765	3	-	23.513
<b>Subtotal ICE telecomunicaciones</b>	¢	<b>412.796</b>	<b>96.150</b>	<b>(25.177)</b>	<b>-</b>	<b>483.769</b>	<b>47.384</b>	<b>-</b>	<b>-</b>	<b>531.153</b>
<b>Subtotal ICE</b>	¢	<b>581.042</b>	<b>128.285</b>	<b>(26.170)</b>	<b>65</b>	<b>683.222</b>	<b>68.145</b>	<b>(86)</b>	<b>-</b>	<b>751.281</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

Depreciation accumulated cost	Plantas, subestaciones, líneas, estaciones y otros									
	Al 31 de diciembre de									
	<u>2010</u>	Depreciation	Withdraw and transfers	Adjust. and reclassify.	<u>2011</u>	Depreciation	Withdraw and transfers	Adjustments and reclassif.....	<u>Up to June 30, 2012</u>	
<b>CNFL:</b>										
Mejoras a terrenos	¢ 743	136	-	-	879	67	-	1	947	
Edificios	1.549	218	-	-	1.767	104	-	10	1.881	
Plantas	6.798	1.293	-	-	8.091	569	-	-	8.660	
Distribución	15.469	3.068	(127)	-	18.410	1.092	(50)	-	19.452	
Transmisión	276	68	-	-	344	33	-	-	377	
Sub-estaciones	2.298	471	-	-	2.769	182	-	-	2.951	
Conexiones de servicios	2.743	553	(23)	-	3.273	273	(9)	-	3.537	
Equipo de alumbrado en las calles	660	147	(181)	-	626	43	(15)	119	773	
Alumbrado público	665	171	-	-	836	98	-	-	934	
Equipo general	9.194	2.202	(772)	1	10.625	719	(340)	477	11.481	
Sistema de comunicaciones	66	14	-	-	80	10	-	-	90	
<b>Subtotal CNFL</b>	<b>¢ 40.461</b>	<b>8.341</b>	<b>(1.103)</b>	<b>1</b>	<b>47.700</b>	<b>3.190</b>	<b>(414)</b>	<b>607</b>	<b>51.083</b>	
<b>RACSA:</b>										
Edificio	¢ 187	25	-	-	212	12	-	-	224	
Equipo de comunicación	24.309	3.791	(1.123)	-	26.977	1.766	(689)	-	28.054	
Equipo general	1.652	576	(81)	-	2.147	269	(11)	-	2.405	
Cable Submarino Maya I	1.171	247	-	-	1.418	191	-	-	1.609	
Cable Submarino Arcos I	668	110	-	-	778	54	-	-	832	
Cable submarino pacifico costarricense	1.097	489	-	-	1.586	245	-	-	1.831	
<b>Subtotal RACSA</b>	<b>¢ 29.084</b>	<b>5.238</b>	<b>(1.204)</b>	<b>-</b>	<b>33.118</b>	<b>2.536</b>	<b>(700)</b>	<b>-</b>	<b>34.955</b>	
<b>Total Grupo ICE</b>	<b>¢ 650.587</b>	<b>141.864</b>	<b>(28.477)</b>	<b>66</b>	<b>764.040</b>	<b>73.871</b>	<b>(1.200)</b>	<b>607</b>	<b>837.319</b>	

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

The revaluated assets in operation are detailed in the chart below:

Assets in operation - revaluation	Detail, plants, substations, lines, stations and other								
	Up to December 31					2011	Withdraw and transfers	Adjust. and reclassif.	Up to June, 30 2012
	2010	Revaluation	Withdraw and transfers	Adjust. and reclassif.					
<b>ICE electricity:</b>									
Hydraulic generation	¢	1.081.373	62.780	(12.296)	(4)	1.131.853	-	-	1.131.853
Thermic generation		80.788	8.043	(317)	66	88.580	-	-	88.580
Substations		140.585	11.459	(19)	-	152.025	-	-	152.025
Transmission lines		83.958	6.331	-	-	90.289	-	-	90.289
Distribution lines		229.872	17.617	(3.341)	(23)	244.125	-	-	244.125
Public lighting		4.118	332	-	-	4.450	-	-	4.450
Geothermic generation		283.331	20.191	-	-	303.522	-	-	303.522
Aeolian generation		3.859	576	-	-	4.435	-	-	4.435
Solar generation		1.222	157	-	-	1.379	-	-	1.379
Micro generation hydraulic plants		(2)	-	-	-	(2)	-	-	(2)
Control, communication and infrastructure equipment		6.587	610	-	-	7.197	-	-	7.197
<b>Subtotal ICE electricity</b>	<b>¢</b>	<b>1.915.691</b>	<b>128.096</b>	<b>(15.973)</b>	<b>39</b>	<b>2.027.853</b>	<b>-</b>	<b>-</b>	<b>2.027.853</b>
<b>ICE telecommunications:</b>									
Transportation	¢	47.136	-	(8.750)	-	38.386	(916)	-	37.470
Access		147.061	-	(5.457)	-	141.604	(6)	-	141.598
Civil and electro mechanics		80.104	4.971	(473)	-	84.602	-	-	84.602
Platforms		42	-	(42)	-	-	-	-	-
<b>Subtotal ICE telecommunications</b>	<b>¢</b>	<b>274.343</b>	<b>4.971</b>	<b>(14.722)</b>	<b>-</b>	<b>264.592</b>	<b>(922)</b>	<b>-</b>	<b>263.670</b>
<b>Subtotal ICE</b>	<b>¢</b>	<b>2.190.034</b>	<b>133.067</b>	<b>(30.695)</b>	<b>39</b>	<b>2.292.445</b>	<b>(922)</b>	<b>-</b>	<b>2.291.523</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

Assets in operation - revaluation	Detail, plants, substations, lines, stations and other Up to December 31								
	<u>2010</u>	Revaluation	Withdraw and transfers	Adjust. and reclassif.	<u>2011</u>	Withdraw and transfers	Adjust. and reclassif.	<u>Up to June, 30 2012</u>	
<b>CNFL:</b>									
Lands	¢	14.018	816	-	-	14.834	-	-	14.834
Improvement to lands		6.842	595	-	-	7.437	-	(2)	7.435
Buildings		16.488	1.261	-	37	17.786	-	3	17.789
Plants		61.301	5.460	-	-	66.761	-	2	66.763
Distribution		110.789	9.051	(1.413)	-	118.427	(470)	-	117.957
Transmission		1.360	163	-	-	1.523	-	(1)	1.522
Substations		18.267	1.353	-	-	19.620	-	-	19.620
Service connections		26.516	2.078	(213)	-	28.381	(93)	-	28.288
Public lighting		10.345	915	(245)	-	11.015	(41)	135	11.109
General equipment		6.049	-	(503)	-	5.546	(243)	-	5.303
Communication system		200	30	-	-	230	-	1	231
<b>Subtotal CNFL</b>	<b>¢</b>	<b>272.175</b>	<b>21.722</b>	<b>(2.374)</b>	<b>37</b>	<b>291.560</b>	<b>(847)</b>	<b>138</b>	<b>290.851</b>
<b>RACSA:</b>									
Lands		11	-	-	-	11	-	-	11
Buildings		2.287	-	-	-	2.287	-	-	2.287
Communication equipment		10.819	-	(630)	-	10.189	-	(344)	9.845
General equipment		1.670	-	(61)	-	1.609	-	(18)	1.591
<b>Subtotal RACSA</b>	<b>¢</b>	<b>14.787</b>	<b>-</b>	<b>(691)</b>	<b>-</b>	<b>14.096</b>	<b>-</b>	<b>(362)</b>	<b>13.734</b>
<b>Total Group ICE</b>	<b>¢</b>	<b>2.476.996</b>	<b>154.789</b>	<b>(33.760)</b>	<b>76</b>	<b>2.598.101</b>	<b>(1.769)</b>	<b>(224)</b>	<b>2.596.108</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

The accrued depreciation corresponding to the revalued assets in operation is detailed below:

Depreciation accumulated - revaluation	Detail, plants, substations, lines, stations and other										
	Up to December 31										
	2010	Depreciation	Revaluation	Withdraw and transfers	Adjustments and reclassif...	2011	Depreciation	Withdraw and transfers	Adjustments and reclassif...	Up to Jun 30, 2012	
<b>ICE electricity:</b>											
Hydraulic generation	¢	585.698	27.502	30.921	(7.092)	-	637.029	13.762	(594)	-	650.197
Thermic generation		47.133	1.613	3.158	(120)	1	51.785	1.612	-	-	53.397
Substations		85.216	4.658	5.230	(12)	(13)	95.079	2.580	(4)	-	97.655
Transmission lines		56.921	2.875	2.364	-	-	62.160	1.330	-	-	63.490
Distribution lines		131.860	8.014	8.226	(2.024)	118	146.194	4.431	-	-	150.625
Public lighting		3.930	26	276	-	-	4.232	14	-	-	4.246
Geothermic generation		94.236	9.268	6.510	-	-	110.014	4.985	-	-	114.999
Aeolian generation		1.241	199	178	-	-	1.618	118	-	-	1.736
Solar generation		349	47	38	-	-	434	27	-	-	461
Control, communication and infrastructure equipment		4.918	386	354	-	-	5.658	238	-	-	5.896
<b>Subtotal ICE electricity</b>	<b>¢</b>	<b>1.011.502</b>	<b>54.588</b>	<b>57.255</b>	<b>(9.248)</b>	<b>106</b>	<b>1.114.203</b>	<b>29.097</b>	<b>(598)</b>	<b>-</b>	<b>1.142.702</b>
<b>ICE telecommunications:</b>											
Transportation	¢	35.465	21.279	-	(8.162)	(18.063)	30.519	9.266	-	(9.438)	30.347
Access		101.817	9.807	-	(5.416)	(2.848)	103.360	5.554	-	(1.513)	107.401
Civil and electromechanics		49.784	14.217	2.422	(496)	(10.552)	55.375	7.050	-	(5.511)	56.914
Platforms		11	386	-	(42)	(354)	1	192	-	(193)	-
<b>Subtotal ICE telecommunications</b>	<b>¢</b>	<b>187.077</b>	<b>45.689</b>	<b>2.422</b>	<b>(14.116)</b>	<b>(31.817)</b>	<b>189.255</b>	<b>22.062</b>	<b>-</b>	<b>(16.655)</b>	<b>194.662</b>
<b>Subtotal ICE</b>	<b>¢</b>	<b>1.198.579</b>	<b>100.277</b>	<b>59.677</b>	<b>(23.364)</b>	<b>(31.711)</b>	<b>1.303.458</b>	<b>51.159</b>	<b>(598)</b>	<b>(16.655)</b>	<b>1.337.364</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

Depreciation accumulated - revaluation	Detail, plants, substations, lines, stations and other Up to December 31										
	2010	Depreciation	Revaluation	Withdraw and transfers	Adjustments and reclassif...	2011	Depreciation	Withdraw and transfers	Adjustments and reclassif...	Up to Jun 30, 2012	
<b>CNFL:</b>											
Improvement to lands	¢	1.700	148	116	-	-	1.964	87	-	-	2.051
Buildings		6.281	294	352	-	36	6.963	235	-	-	7.198
Plants		18.121	1.731	1.228	-	-	21.080	1.490	-	-	22.570
Distribution		57.383	3.320	3.470	(1.032)	-	63.141	2.737	(349)	-	65.529
Transmission		435	55	34	-	-	524	25	-	-	549
Substations		7.924	616	402	-	-	8.942	376	-	-	9.318
Service connections		17.873	568	1.027	(157)	-	19.311	893	(74)	-	20.130
Public lighting		5.953	276	355	(237)	-	6.347	428	(39)	-	6.736
General equipment		4.711	290	-	(466)	-	4.535	115	(223)	-	4.427
Communication system		65	8	7	-	-	80	3	-	-	83
<b>Subtotal CNFL</b>	<b>¢</b>	<b>120.446</b>	<b>7.306</b>	<b>6.991</b>	<b>(1.892)</b>	<b>36</b>	<b>132.887</b>	<b>6.389</b>	<b>(685)</b>	<b>-</b>	<b>138.591</b>
<b>RACSA:</b>											
Building	¢	1.088	91	-	(63)	-	1.116	25	-	-	1.141
Communication equipment		10.529	196	-	(631)	-	10.094	51	(344)	-	9.801
General equipment		1.183	77	-	-	-	1.260	39	(18)	-	1.281
<b>Subtotal RACSA</b>	<b>¢</b>	<b>12.800</b>	<b>364</b>	<b>-</b>	<b>(694)</b>	<b>-</b>	<b>12.470</b>	<b>115</b>	<b>(362)</b>	<b>-</b>	<b>12.223</b>
<b>Total Group ICE</b>	<b>¢</b>	<b>1.915.575</b>	<b>107.947</b>	<b>66.668</b>	<b>(25.950)</b>	<b>142</b>	<b>1.448.815</b>	<b>57.663</b>	<b>(1.645)</b>	<b>(16.655)</b>	<b>1.488.178</b>

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Notes to the Consolidated Financial Statements

(In millions of colones)

**Note 5. Other assets in operation**

Other assets in operation – cost are detailed below:

Up to December 31								
Other assets in operation cost	2010	Additions	Adjust. And reclass....	Withdraw and transfers	2011	Additions	Withdraw and transfers	Up to June 30, 2012
Lands	2.603	-	-	-	2.603	-	-	2.603
Land communication ways	83	1.677	-	-	1.760	-	-	1.760
Buildings	14.847	8.864	(9)	(11)	23.691	3.750	(2)	27.439
Machinery and equipment for production	2.203	67	-	(34)	2.236	20	(927)	1.329
Equipment for construction	38.860	11.291	-	(560)	49.591	5.977	1.364	56.932
Transportation equipment	73.163	6.467	(71)	(607)	78.952	1.342	(96)	80.198
Communication equipment	11.584	1.657	11	(710)	12.542	685	(662)	12.565
Furniture and office equipment	6.946	1.233	-	(232)	7.947	678	(181)	8.444
Equipment and computer programs	64.260	9.582	(18)	(7.999)	65.825	4.302	(1.294)	68.833
Sanitary equipment for laboratory and investigation	23.754	4.684	9	(743)	27.704	2.855	(285)	30.274
Educational, sport and recreational equipment and furniture	734	214	-	(85)	863	36	(279)	620
Diverse machinery and equipment	11.361	2.959	-	31	14.351	1.586	5	15.942
Maintenance machinery and equipment	21.419	10.379	1	(411)	31.388	2.603	(160)	33.831
Equipment for photography, video and publications	2.498	1.042	1	(137)	3.404	1.611	(1.360)	3.655
Livestock	5	1	-	(1)	5	-	(5)	-
<b>Total Group ICE</b>	<b>274.320</b>	<b>60.117</b>	<b>(76)</b>	<b>(11.499)</b>	<b>322.862</b>	<b>25.445</b>	<b>(3.882)</b>	<b>344.425</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

The accrued depreciation of other assets in operation – cost is detailed below:

Up to December 31							
Depreciation accumulated - other assets in operation - cost	2010	Depreciation	Withdraw and transfers	2011	Depreciation	Withdraw and transfers	Up to June 30, 2012
Buildings	3.000	376	(2)	3.374	256	(1)	3.629
Machinery and equipment for production	792	110	-	902	48	(324)	626
Construction equipment	19.531	6.609	(287)	25.853	3.817	13	29.683
Transportation equipment	44.659	13.042	(733)	56.968	4.556	(2)	61.522
Communication equipment	4.693	1.472	(536)	5.629	766	(571)	5.824
Office furniture and equipment	2.764	652	(187)	3.229	353	(99)	3.483
Equipment and computer programs	36.822	11.154	(7.793)	40.183	5.887	(1.034)	45.036
Sanitary equipment for laboratory and investigation	10.985	2.462	(584)	12.863	1.565	(266)	14.162
Educational, sport and recreational equip. and furniture	379	55	(43)	391	33	(222)	202
Diverse machinery and equipment	4.680	1.949	(165)	6.464	1.113	(49)	7.528
Maintenance machinery and equipment	8.476	4.117	(260)	12.333	2.820	(109)	15.044
Equipment for photography, video and publications	1.029	476	(35)	1.470	402	(107)	1.765
Livestock	4	-	(1)	3	-	(3)	-
<b>Total Group ICE</b>	<b>137.814</b>	<b>42.474</b>	<b>(10.626)</b>	<b>169.662</b>	<b>21.616</b>	<b>(2.774)</b>	<b>188.504</b>



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Notes to the Consolidated Financial Statements

(In millions of colones)

Other assets in operation expressed at their revalued value are detailed below:

<b>Up to December 31</b>							
<b>Other assets in operation - revaluation</b>	<b>2010</b>	<b>Revaluation</b>	<b>Withdraw and transfers</b>	<b>2011</b>	<b>Withdraw and transfers</b>	<b>Up to June 30, 2012</b>	
Lands	6.259	313	-	6.572	-	6.572	¢
Buildings	41.844	2.441	(145)	44.140	-	44.140	
Machinery and equipment for production	1.750	85	-	1.835	(206)	1.629	
Construction equipment	9.134	1.208	(487)	9.855	(123)	9.732	
Transportation equipment	12.810	1.871	(385)	14.296	(9)	14.287	
Equipment de communications	-	-	-	-	-	-	
Office furniture and equipment	1.964	263	(182)	2.045	(70)	1.975	
Equipment y programs de computer	-	-	-	-	-	-	
Sanitary equipment for laboratory and investigation	4.913	794	(470)	5.237	(228)	5.009	
Educational, sport and recreational equipment and furniture	55	26	(1)	80	(35)	45	
Diverse machinery and equipment	790	267	(27)	1.030	(13)	1.017	
Machinery and equipment for maintenance	2.276	561	(82)	2.755	(16)	2.739	
Equipment for photography, video and publications	144	79	(5)	218	(3)	215	
<b>Total Group ICE</b>	<b>81.939</b>	<b>7.908</b>	<b>(1.784)</b>	<b>88.063</b>	<b>(703)</b>	<b>87.360</b>	¢

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

The accrued depreciation corresponding to other revalued assets in operation is detailed below:

Deprec. accumulated others assets in operat. - revaluation	Up to December 31				2011	Depreciation	Withdraw and transfers	Up to June 30, 2012
	2010	Depreciation	Revaluation	Withdraw and transfers				
Buildings	22.920	901	1.085	(86)	24.820	479	-	25.299
Machinery and equipment for production	899	100	22	-	1.022	51	(63)	1.010
Construction equipment	8.780	181	349	(487)	8.824	222	(122)	8.924
Transportation equipment	11.819	520	718	(379)	12.678	535	(9)	13.204
Communication equipment	(0)	(9)	-	(1)	(10)	(2)	13	1
Office furniture and equipment	1.674	98	82	(171)	1.683	51	(66)	1.668
Equipment and computer programs	1	-	-	-	1	-	-	1
Sanitary equipment for laboratory and investigation	4.327	172	238	(459)	4.279	151	(221)	4.209
Educational, sport and recreational equipment and furniture	50	1	13	(1)	63	2	(33)	32
Diverse machinery and equipment	640	64	81	(26)	759	59	(13)	805
Maintenance machinery and equipment	2.105	80	131	(78)	2.237	113	(12)	2.338
Equipment for photography, video and publications	119	14	24	(4)	143	18	(2)	159
<b>Total Group ICE</b>	<b>53.326</b>	<b>2.122</b>	<b>2.743</b>	<b>(1.692)</b>	<b>56.499</b>	<b>1.679</b>	<b>(528)</b>	<b>57.650</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Note 6. Other assets in operation under lease contracts**

Other assets in operation under lease contracts are detailed below:

		<u>Up to June 30</u>	<u>Up to December 31</u>
		<u>2012</u>	<u>2011</u>
Lands	¢	1.151	1.151
Buildings		25.315	25.315
Office furniture and equipment		1.084	1.084
<b>Total Group ICE</b>	<b>¢</b>	<b>27.550</b>	<b>27.550</b>

The accrued depreciation corresponding to the other assets in operation under lease contracts are detailed below:

<b>Accumulated depreciation</b>		<b>Up to December 31</b>		<b>Up to June 30</b>	
		<b>2010</b>	<b>Depreciation</b>	<b>2011</b>	<b>Depreciation</b>
Buildings	¢	253	506	760	1.013
Office furniture and equipment		54	-	162	216
<b>Total Group ICE</b>	<b>¢</b>	<b>307</b>	<b>506</b>	<b>922</b>	<b>1.229</b>

On January 29<sup>th</sup> of the year 2010, Banco de Costa Rica (BCR) and ICE agreed to use a structure called “Securitization Trust”, which consists in the creation of trust contract in which ICE acts as the trustor and trustee and BCR acts as fiduciary. The general goal of this contract is the independent generation and management of the resources necessary for the acquisition of the property called Centro Empresarial La Sabana. This property is an office building located in San José, Sabana Sur, where the Telecommunications Sector administrative offices are located. The trust may obtain financial resources through commercial loans and issuance, placement and management of debt bonds as a result of the securitization process. Currently, the trust is authorized to issue public debt securities, and for June 30<sup>th</sup> of the year 2012 and 2011, it records liabilities for this concept. The trust, acting as owner of Centro Empresarial La Sabana, leases the property to ICE for a term of 12 years, at the end of which ICE may exercise the option to purchase, which has been established in the amount of US\$1 (one dollar). The lease has been classified by ICE as a financial lease. According to our accounting policies, the trust is not part of the in the entities to be included in the consolidated financial statements for ICE Group.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

- The objectives of the trust are:
  - a) Acquire the products and services necessary for operation and maintenance of the building included in the contract, according to the purchasing plans provided by the Trust, as applicable.
  - b) Lease the building equipped by ICE, manage the cash flow for repayment of the financing and provide preventive and corrective maintenance to the facilities, under the agreed terms.
  - c) Become a means for issuance and placement of securities, pursuant to the conditions and characteristics set forth in the issuance prospect and the current contract, 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 for obtaining the necessary resources for financing, in accordance to the financial conditions present in the market.
- With the amount received by the Trust for the lease of the property, the loan will be paid and yield from the securities placed in the stock market, as well as for the 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 and execute the object of the Trust contract.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Note 7. Details of the construction works and other construction works are shown below:**

	Up to December 31, 2011	Additions	Capitalizations	Interests capitalized to work	Adjustments and Reclassifications	Reclassifications to Inventory	Up to June 30, 2012
<b>Works under construction and other works under construction</b>							
<b>ICE</b>							
Reventazon Hydroelectric Project (1)	109,328	52,409	-	3,770	(698)	-	164,809
Transmission Line Rio Macho-Moin (2)	34,889	9,156	-	2,094	(5,442)	-	40,697
(P.E.S.S.O.) (3)	34,258	2,845	-	445	-	-	37,548
Extension of mobile telephone service (4)	19,742	7,987	(57)	267	(44)	(3)	27,892
Extension and modernization of transportation system (5)	8,709	28,639	(10,689)	315	-	(29)	26,945
Optic fiber of advance connectivity (FOCA) (6)	12,426	7,332	(7,786)	-	10,317	(543)	21,746
Cachi Hydroelectric Project (7)	14,127	8,042	-	494	(1,278)	-	21,385
Data Center (8)	10,119	9,917	-	98	(3)	(1)	20,130
Auxiliary Bars (9)	17,012	1,124	-	743	(311)	(4)	18,564
Network development (10)	15,965	5,425	(5,202)	530	-	(142)	16,576
Transmission Line Peñas Blancas-Garita (11)	14,980	1,939	-	539	(908)	-	16,550
Formation and rehabilitation of civil structures (12)	14,528	7	(1,450)	33	(131)	-	12,987
Management system of logic security (13)	10,932	445	(1)	13	866	-	12,255
Continuous Quality Improvement (14)	10,547	2,561	(2,031)	500	4	(183)	11,398
Technical services for projects of distribution	11,856	2,985	(6,180)	662	(5)	(17)	9,301
San Miguel Toro Desvio	8,346	-	-	-	-	-	8,346
Transmission Line Cariblanco -Trapiche	4,223	3,033	-	354	(384)	-	7,226
Improvement in Transportation Network	6,019	4,040	(4,409)	8	503	(78)	6,083
Advanced Mobile Services	133	5,970	(63)	-	(4)	(14)	6,022
Transmission Posts	4,433	3,158	-	240	(2,287)	-	5,544
Management of network elements	2,603	4,515	(1,848)	-	52	(18)	5,304
Rio Macho Hydroelectric Project	2,778	1,636	(5)	93	(30)	-	4,472
Infrastructure Sustainability and Soundproofing	5,575	3,014	(4,215)	22	(38)	(25)	4,333
Income Sustainability and Growth	6,781	3,008	(5,984)	-	(69)	(17)	3,719
Transmission Cobano	2,912	689	-	71	(14)	-	3,658
Transmission - Coronado	1,110	2,534	-	10	-	-	3,654
Expansion and renewal of the platform	3,411	104	-	21	-	-	3,536
Modernization S.T. - Rio Macho	2,345	996	-	100	-	-	3,441
Energy transformation	2,160	1,117	-	46	-	(2)	3,321
Electricity transportation network improvement	3,237	1,557	(2,226)	262	6	(8)	2,828
Miravalles Generation Center	-	2,661	-	-	-	-	2,661
Las Pailas Geothermic Project	3,687	(1,912)	1,604	303	(1,326)	-	2,356
Interconnection Ingenio El Viejo	2,086	135	-	113	(4)	-	2,330
Arenal Hydroelectric Project	3,263	119	(1,293)	266	(54)	-	2,301
Corobici Hydroelectric Project	2,432	700	(919)	88	(19)	-	2,282
Merlink	-	12,538	(8,885)	-	(1,509)	-	2,144
Technological Infrastructure	1,722	253	(12)	162	-	-	2,125
Public Lighting	1,270	291	(44)	59	-	(9)	1,567
Transmission - Tarbaca	1,127	159	-	64	-	-	1,350
Multibuoy - Pacific	1,166	204	-	-	(34)	-	1,336
Sandillal Hydroelectric Project	1,639	157	(643)	61	-	-	1,214
Transmission - Miravalles V	904	191	-	45	-	-	1,140
Thermic Project - Guápiles	1,131	101	(248)	74	-	-	1,058
<b>Various Projects</b>	<b>44,415</b>	<b>12,103</b>	<b>(26,167)</b>	<b>979</b>	<b>(16,661)</b>	<b>(111)</b>	<b>14,558</b>
<b>Sub-total ICE</b>	<b>460,326</b>	<b>203,884</b>	<b>( 88,753)</b>	<b>13,944</b>	<b>( 19,505)</b>	<b>( 1,204)</b>	<b>568,692</b>
<b>CNFL:</b>							
Balsa Inferior Hydroelectric Project (15)	37,973	7,628	-	-	10,207	-	55,808
Anonos Hydroelectric Project	986	270	-	-	-	-	1,256
San Buenaventura Aeolian Project	548	47	-	-	-	-	595
Materials for projects	-	-	-	-	(3,756)	-	(3,756)
Others	1,546	9,001	(4,870)	-	-	-	5,677
<b>Subtotal CNFL</b>	<b>41,053</b>	<b>16,946</b>	<b>( 4,870)</b>	<b>-</b>	<b>6,451</b>	<b>-</b>	<b>59,580</b>
<b>RACSA:</b>							
Units UPS	305	101	-	-	-	-	406
Aerial optic fiber network	121	108	-	-	-	-	229
Forestry projects	-	42	-	-	-	-	42
Others	114	139	-	-	-	-	253
<b>Subtotal RACSA</b>	<b>540</b>	<b>390</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>930</b>
<b>Total Group ICE</b>	<b>501,919</b>	<b>221,220</b>	<b>( 93,623)</b>	<b>13,944</b>	<b>( 13,054)</b>	<b>( 1,204)</b>	<b>629,203</b>

A brief explanation of the main construction work projects is detailed below:

**(1) Reventazón Hydroelectric Project**

This Project is located in the medial basin of the Reventazón River, Limón - Costa Rica with an energy generation capacity of 305 MW. The investments performed during the years 2012 and 2011 have been financed by ICE's resources and the funds originating from other financial plans executed by ICE. The total investment for the development of the project is estimated at approximately US\$1,200 million.

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**(2) Río Macho – Moín Transmission Lines**

This line is located in the cantons of Paraíso, Turrialba, Siquirres and Limón.

It consists of the reconstruction of the Río Macho-Moín Transmission Line, expanding its transporting capacity from 138 to 230 kilowatts. Reconstruction consists of the replacement of the structures supporting the cables, increasing their height and the transporting capacity of the cable. Within this same project, the expansion of the Moín Substation is included.

**(3) Evolution Plan for the Business Operation Support Systems (P.E.S.S.O.):**

The scope of this Project consists in replacing all the current applications to latest generation, which support the operations of the telecommunication business, based on the best industry practices and the TOM Model (a framework which identifies the business processes in a reference guide that classifies all the business activities of a service provider and presents them at different levels or views; it is a communications tool), with a cost not exceeding US\$155,2 million.

**(4) Expansion of mobile telephone services**

The increase of the mobile telephone service expansion project mainly arises from the GSM Network Expansion Project, Project Management for Mobile Network and the acquisition of equipment, licenses and services necessary to inter-operate and integrate the GSM technology system with the 3G technology system.

**(5) Expansion and Modernization of ICE's carrier system**

The scope of the project consists on covering the institutional needs with regards to transport, through a global study analyzing the current situation to determine the technical and strategic requirements of this project. The approximate cost totals US\$105 million, projected for the year 2015.

**(6) Advanced Connectivity Fiber Optics (FOCA)**

The objective of this project consists in migrating part of the Fixed Access Network to a New Generation Network, based on optical solutions and multiservice nodes that provide the necessary bandwidth, transmission quality and safety.

**(7) Cachí Hydroelectric Project**

Cachí hydroelectric plant is the second water exploitation of the medial basin of Reventazón River. The powerhouse is located 4km south of Juan Viñas 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.

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The whole project consists of the construction of an additional tunnel for reenergizing the plant with 20 additional megas, an oscillation tank and two inspection windows, as well as the expansion of the existing powerhouse. It is expected that construction be completed by the second semester of the year 2014.

This project will be financed through loan BCIE 2076, which was signed on February of the year 2012, between ICE and BCIE, for a total amount of US\$140 million, with a fixed interest rate of 6.40% annually, with a term of 16 years with up to a 4 year period of grace.

**(8) Internet Data Center (CDI)**

The object of this Project is the construction of world class redundant two buildings with safety features, high capacity, minimum delay in transactions, housing the institution and other company's various computer assets. The approximate investment is US\$108 million.

**(9) High tension rods**

As part of reinforcements to the Transmission Network that the country must execute to interconnect reliably and safely, through the Central American Energy Interconnection Project (SIEPAC), it must readjust the auxiliary rods scheme.

Among the works comprising this project, the following substations are included: Coco, Heredia, Sabanilla, Desamparados, Alajuelita, Colorado and Turrialba, with a capacity of 138 KW and, considering the changes to the Río Claro, Cañas and Corobicí schemes, with 230 KW.

**(10) Network Development**

The Distribution Network System Development Project aims at increasing the energy distribution coverage through the construction of lines to benefit the electrical supply to citizens yet not receiving this service.

**(11) Peñas Blancas-Garita Transmission**

This Project consists of reinforcing the energy transmission network in the northern region of the country, with the goal of increasing the necessary reliability and safety for carrying energy production.

It will serve as an alternate connection point between the Peñas Blancas Hydroelectric Project and the National Energy System (SEN).

**(12) Creation and rehabilitation of the civil and metal structures**

The objective of this project consists of providing support to the various energy generation and transmission projects, through the creation of metal and civil structures, according to the needs.

(Continues)

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**(13) Logic Safety Management System for the Advanced Internet Network (RAI)**

The project has the main goal of implementing an integral logic safety system for the Advanced Internet Network, that may guarantee information integrity and the services provided for the various access networks that use the IP network as a means of transportation. The approximate cost of the project is US\$18.5 million.

**(14) Continuous quality improvement (Energy distribution)**

The objective of this project is to improve the infrastructure, installation and remote operation of the energy distribution equipment, which pretends to implement modern maintenance practices that constantly and permanently promote quality improvement and continuity of the energy supply, providing competitiveness to the economic processes, such as industry, tourism, commerce and services.

**(15) Balsa Inferior Hydroelectric Project**

The Balsa Inferior Hydroelectric Project will have an installed power of 37.5 MW for an average annual production of 122 GWH. This hydroelectric project is located in Santa Rita of Florencia, canton of San Carlos, province of Alajuela.

The total investment for the development of this project is estimated approximately in US\$185 million, through a contract with the OAS-Engevix Consortium in a total amount of US\$81 million for the dam/intake and powerhouse structures and with ICE in the amount of \$104 million for the construction of the remaining works of the project.

The investments performed have been financed with CNFL resources and internal debt.

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**Note 8. Long term investments**

The long term investments are detailed below:

	Up to June 30 2012	Up to December 31 2011
<b>ICE:</b>		
<b>Investments in shares valued at cost:</b>		
Empresa Propietaria de la Red, S.A.	¢ 2.871	2.872
Cooperativa de Electrificación Rural	43	43
	<b>2.914</b>	<b>2.915</b>
<b>Long term financial investments:</b>		
Government (External Debt Bonds)	5.865	5.878
Central Bank of Costa Rica (Bond)	1.756	1.748
Banco Popular y de Desarrollo Comunal	-	1.500
Banco de Costa Rica	1.000	1.000
Junta Administrativa de Servicios Eléctricos Cartago	564	581
Banco Hipotecario de la Vivienda (Bond)	500	500
Banco de San José (BAC)	500	-
Instituto Nacional de Cemento	350	-
Banco Scotiabank de Costa Rica (Certificate)	-	259
Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	316	315
Mutual Cartago de Ahorro y Préstamo	1.403	-
	<b>12.254</b>	<b>11.781</b>
<b>Subtotal ICE</b>	<b>¢ 15.168</b>	<b>14.696</b>
<b>CNFL:</b>		
Eólico Valle Central, S.A.	5.322	5.322
Empresa Propietaria de la Red, S.A.	252	253
<b>Subtotal CNFL</b>	<b>¢ 5.574</b>	<b>5.575</b>
<b>Total long term investments - Group ICE</b>	<b>¢ 20.742</b>	<b>20.671</b>

ICE Group holds shares in Empresa Propietaria de la Red, S.A. (EPR), which was appointed to execute the Energy Interconnection System for Central American Countries (SIEPAC).

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To June 30<sup>th</sup> of the year 2012, the main characteristics of the long term financial investments are detailed below:

Tool	Code ISIN	Risk Qualification	Currency	Issuer	Purchase date	Expiration date	Term	Facial Value	Up to June 30, 2012			
									Agreed value	Type of rate	Coupon rate	Net Yield
Bond CNFL	CRCFLUZB0207	AAA (cri)	Colones	Compañía Nacional de Fuerza y Luz	4-10-2010	30-9-2017	2516 €	400	400	Fixed	10,53%	10,51%
Bond Banhvi	CRBANVIB0037	F1+ (cri)	Colones	Banco Hipotecario de la Vivienda -BANHVI-	15-4-2010	7-4-2015	1792	500	504	Variable	10,50%	10,32%
Bond MADAP	CRMADAPB2277	SCR AA +	Colones	Grupo Mutua Alajuela-La Vivienda de Ahorro y Prestamo	13-1-2011	9-12-2015	1766	318	318	Variable	9,40%	9,63%
Bond BCR	CRBCCR00B2760	AA (cri)+	Colones	Banco de Costa Rica	28-4-2011	14-6-2013	766	1.000	1.074	Fixed	10,12%	8,14%
Bond BSJ	CRBSJ00B1608	SCR AAA	Colones	Banco BAC San José, S.A.	28-6-2012	27-3-2014	629	500	500	Fixed	10,85%	10,85%
Bond MUCAP	CRMUCAPB1383	F1+ (cri)	Colones	Mutual de Ahorro y Préstamo	28-6-2012	25-3-2016	1347	500	468	Fixed	10,50%	12,66%
Bond MUCAP	CRMUCAPB1383	F1+ (cri)	Colones	Mutual de Ahorro y Préstamo	28-6-2012	25-3-2016	1347	500	468	Fixed	10,50%	12,68%
Bond MUCAP	CRMUCAPB1383	F1+ (cri)	Colones	Mutual de Ahorro y Préstamo	28-6-2012	25-3-2016	1347	500	468	Fixed	10,50%	12,68%
Bond INC (HOLCIM)	CRINC00B0126	AAA (cri)	Colones	Industria Nacional de Cemento	7-5-2012	2-5-2014	715	350	351	Variable	10,35%	10,29%
Title deed	CRG0000B45G2	Risk country	Colones	GOVERNMENT	12-1-2011	27-3-2013	795	1.000	1.061	Fixed	9,84%	8,14%
Title deed	CRG0000B45G2	Risk country	Colones	GOVERNMENT	14-1-2011	27-3-2013	795	1.000	1.062	Fixed	9,84%	8,11%
Title deed	CRG0000B45G2	Risk country	Colones	GOVERNMENT	14-1-2011	27-3-2013	795	300	318	Fixed	9,84%	8,16%
Title deed	CRG0000B62G7	Risk country	Colones	GOVERNMENT	23-3-2011	19-3-2014	1076	1.000	996	Fixed	8,28%	8,41%
Title deed	CRG0000B62G7	Risk country	Colones	GOVERNMENT	23-3-2011	19-3-2014	1076	1.000	995	Fixed	8,28%	8,46%
Title deed	CRG0000B55G1	Risk country	Colones	GOVERNMENT	12-1-2011	28-6-2017	2326	1.000	1.023	Fixed	9,89%	9,45%
Currency Stabilization Bond - Fixed Rate	CRBCCR0B3371	Risk country	Colones	GOVERNMENT	4-3-2011	19-11-2014	1065	286	281	Fixed	7,47%	8,70%
Currency Stabilization Bond - Fixed Rate	CRBCCR0B3371	Risk country	Colones	GOVERNMENT	4-3-2011	19-11-2014	1065	500	491	Fixed	7,47%	8,70%
Currency Stabilization Bond - Fixed Rate	CRBCCR0B3496	Risk country	Colones	GOVERNMENT	6-4-2011	3-7-2013	807	1.000	1.000	Fixed	7,06%	7,91%
<b>Total inversiones</b>							€	<b>11.654</b>	<b>11.779</b>			
Tool	Code ISIN	Risk Qualification	Currency	Issuer	Purchase date	Expiration date	Term	Facial Value	Agreed value	Type of rate	Coupon rate	Net Yield
Private Issuance Bond - JASEC -	CRJASECB0036	***	Dollars	Junta Adm. de Servicios Electricos Cartago	13-12-2010	10-12-2012	717	1.120	1.120	Fixed	5,25%	5,25%
External debt bond - Costa Rica	USP3699PEM51	***	Dollars	Government	11-5-2009	20-3-2014	1749	613	628	Fixed	6,55%	6,13%
External debt bond - Costa Rica	USP3699PEM51	***	Dollars	Government	9-3-2010	20-3-2014	1451	498	557	Fixed	6,55%	4,18%
External debt bond - Costa Rica	USP3699PAA59	***	Dollars	Government	12-1-2011	1-8-2020	3439	20	28	Fixed	10,00%	5,12%
<b>Total investments</b>							US\$	<b>2.251</b>	<b>2.333</b>			

\*\*\* According to the information of SUGEVAL in not qualified

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The main characteristics of the long term financial investments of the year 2011 are detailed below:

Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term	As of December 31, 2011				
								Face Value	Value Traded	Rate	Coupon	Net return
BPDC bond	CRBPDC0B6509	AA (cri)	Colones	BPDC	21-01-2011	23-06-2012	512	500	512	Fixed	10,50%	9,22%
BPDC bond	CRBPDC0B6509	AA (cri)	Colones	BPDC	21-01-2011	23-06-2012	512	1.000	1.022	Fixed	10,50%	9,32%
BANHVI bond	CRBANVIB0037	AA (cri)	Colones	BANHVI	15-04-2010	07-04-2015	1.792	500	504	Variable	10,50%	10,32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	MADAP	13-01-2011	09-12-2015	1.766	318	318	Variable	9,40%	9,63%
BCR bond	CRBCR00B2760	AA (cri)+	Colones	BCR	28-04-2011	14-06-2013	766	1.000	1.074	Fixed	10,12%	8,14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	12-01-2011	27-03-2013	795	1.000	1.061	Fixed	9,84%	8,14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-01-2011	27-03-2013	795	1.000	1.062	Fixed	9,84%	8,11%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-01-2011	27-03-2013	795	300	318	Fixed	9,84%	8,16%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-03-2011	19-03-2014	1.076	1.000	996	Fixed	8,28%	8,41%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-03-2011	19-03-2014	1.076	1.000	995	Fixed	8,28%	8,46%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	12-01-2011	28-06-2017	2.326	1.000	1.023	Fixed	9,89%	9,45%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	04-03-2011	19-11-2014	1.335	286	281	Fixed	7,47%	8,70%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	04-03-2011	19-11-2014	1.335	500	491	Fixed	7,47%	8,70%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3496	Country risk	Colones	Government	06-04-2011	03-07-2013	807	1.000	1.000	Fixed	7,06%	7,91%
<b>Total investments</b>								<b>€</b>	<b>10.404</b>	<b>10.657</b>		
Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term	Face Value	Value Traded	Rate	Coupon	Net return
Scotiabank debt bond	CRSCOTIB0989	AAA (cri)	US\$	Scotiabank	21-05-2010	21-05-2012	724	500	500	Fixed	3,15%	3,09%
JASEC - Private issue bond	CRJASECB0036	***	US\$	JASEC	13-12-2010	10-12-2012	717	1.120	1.120	Fixed	5,25%	5,25%
Costa Rican external debt bond	USP3699PEM51	***	US\$	Government	11-05-2009	20-03-2014	1.749	613	628	Fixed	6,55%	6,13%
Costa Rican external debt bond	USP3699PEM51	***	US\$	Government	09-03-2010	20-03-2014	1.451	498	557	Fixed	6,55%	4,18%
Costa Rican external debt bond	USP3699PAA59	***	US\$	Government	12-01-2011	01-08-2020	3.439	20	28	Fixed	10,00%	5,12%
<b>Total inversiones</b>								<b>US\$</b>	<b>2.751</b>	<b>2.833</b>		

\*\*\* Individualized debt securities have no ISIN and are not traded on a stock exchange.

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**Note 9. Effects and receivables**

The short and long term receivables are detailed below:

	To June 30, 2012		To December 31 2011	
	Long term	Short term	Long term	Short term
<b>ICE:</b>				
Individuals	€ -	2.996	-	2.621
Power cooperatives and municipal power distribution companies	159	80	183	81
Receivable payment arrangement	-	101	-	94
Employees	-	14	-	15
Credit to autonomous entities	2.267	-	2.347	-
VSAT Racsa agreement payment	-	-	387	1.423
Reclassification adjustment for pending loans between sectors	(221)	221	-	-
<b>Sub total ICE</b>	<b>€ 2.205</b>	<b>3.412</b>	<b>2.530</b>	<b>2.811</b>
<b>CNFL:</b>				
Payment agreements	-	65	-	40
Judicial transactions	-	108	-	24
Employees	6	3	8	4
Moin III Thermal Plant - Interests	-	-	-	-
Moin III Thermal Plant - Capital	0	-	-	-
Estimation of uncollectables	-	-	-	-
<b>Sub total CNFL</b>	<b>€ 6</b>	<b>176</b>	<b>8</b>	<b>68</b>
<b>Total ICE Group</b>	<b>€ 2.211</b>	<b>3.588</b>	<b>2.538</b>	<b>2.879</b>

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The accounts receivable for services rendered and accounts receivable for non commercial services are detailed below:

Accounts receivable services rendered	Up to June 30 2012	Up to December 31 2011
<b><u>ICE:</u></b>		
Private people	¢ 50.067	44.717
Telephone administrations	6.244	5.977
Electric cooperatives and municipal companies of electric distribution	8.309	8.551
Selling of devices (terminals)	3.520	4.750
Public offices	4.836	3.738
Operators and suppliers of services	6.090	4.651
Fixed services to private people	973	972
<b>Sub total ICE</b>	<b>¢ 80.039</b>	<b>73.356</b>
<b><u>CNFL:</u></b>		
Electric services consumers	20.264	18.529
Electric services government	42	537
Electric services	492	484
<b>Sub total CNFL</b>	<b>¢ 20.798</b>	<b>19.550</b>
<b><u>RACSA:</u></b>		
Clients	¢ 2.312	2.676
Others	1.613	1.566
Foreign lines	969	1.463
Accounts under judicial collection	1.267	1.274
Government of Costa Rica	98	114
Accounts under payment settlement	1	1
<b>Sub total RACSA</b>	<b>¢ 6.260</b>	<b>7.094</b>
<b>Total Group ICE</b>	<b>¢ 107.097</b>	<b>100.000</b>

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Accounts receivable not commercial		Up to June 30 2012	Up to December 31 2011
<b>ICE:</b>			
Private people (1)	¢	13.637	55.966
Toro III (2)		70.437	55.941
Judicial and administrative collection		36.934	35.931
Other		3.441	2.317
Government tax		3.631	3.936
Employees		140	174
<b>Sub total ICE</b>	<b>¢</b>	<b>128.220</b>	<b>154.265</b>
<b>CNFL:</b>			
I.N.S. Cote Plant indemnity		2.014	4.146
Covenants, services cleared and others		1.614	1.292
Fiscal credit sales tax		1.325	1.562
Accounts receivable various		459	879
Damages to electric installations		964	884
Other services rendered		683	656
Retention 2% income tax		358	635
Commercial transactions receivable		673	393
Funds of savings and loans		200	200
Various services government		658	109
Advance payment sales tax		86	78
Officers		16	18
Bounced checks		8	8
<b>Sub total CNFL</b>	<b>¢</b>	<b>9.058</b>	<b>10.860</b>
<b>RACSA:</b>			
Advance payment income tax		108	174
Accounts receivable - others		721	88
Interests receivable		4	19
<b>Sub total RACSA</b>	<b>¢</b>	<b>833</b>	<b>282</b>
<b>Total Group ICE</b>	<b>¢</b>	<b>138.111</b>	<b>165.407</b>

- (1) For the 2012 term, there is a decrease in the advance payments to particulars, which results in a decrease of non commercial accounts receivable due to less fuel purchases.
- (2) Starting on the 2011 term, invoices were recorded for advances in the works for a construction contract with the Securitization Trust for the Toro III Hydroelectric Project. These invoices have a 30 day term and do not accrue interests.

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**Note 10. Temporary investments**

Temporary investments are detailed below:

				Up to June 30, 2012			
	Issuer	Type of Financial Tool	Balance	Facial Value	Yield rate	Validity in months	
<b>ICE:</b>							
<b>Electricity</b>							
<b>Not committed</b>							
<i>Available for selling</i>	<b>Colones</b>	Banco Nacional de Costa Rica	Investment Funds	4,204	-	5.66%-5.71%	At sight
		Banco de Costa Rica	Investment Funds	2,636	-	6.02%-6.71%	At sight
		Instituto Nacional de Seguros	Investment Funds	3,664	-	6.05%	At sight
		Repurchase operations	Repurchase	5,016	5,051	6.81%-7.33%	May 2012 to Aug. 2012
	<b>US Dollars</b>	Banco Internacional de Costa Rica	Overnight	4,529	-	0.20%	At sight
		Scotiabank de Costa Rica	Investment Funds	1	-	1.61%	At sight
		Banco BANSOL Banco de Soluciones	Term Deposit Certificate	1,008	1,037	3.25%	May 2012 to July 2012
<i>Kept at expiration</i>	<b>Colones</b>	Banco de Costa Rica	Term Deposit Certificate	380	380	4.14%	June 2012 to July 2012
		Banco Central de Costa Rica	Term Electronic Deposit	110	110	3.04%	June 2012 to July 2012
		Banco Nacional de Costa Rica	Short Term Investment	16,551	16,551	6.00%	June 2012 to July 2012
	<b>US Dollars</b>	Banco Nacional de Costa Rica	Term Deposit Certificate	1,512	1,555	1.20%	May 2012 to July 2012
		Scotiabank de Costa Rica	Term Deposit Certificate	3,779	3,887	2.00%	May 2012 to July 2012
		Banco Popular	Term Deposit Certificate	2,518	2,592	1.36%	May 2012 to July 2012
		BAC San José	Term Deposit Certificate	3,779	3,887	2.50%	May 2012 to July 2012
		Banco de Costa Rica	Term Deposit Certificate (window)	655	2,436	0.28%	June 2012 to July 2012
<b>Total Electricity</b>				<b>50,342</b>			
<b>Telecommunications</b>							
<b>Committed:</b>							
<i>Available for selling</i>	<b>US Dollars</b>	Banco Nacional de Costa Rica	Term Deposit Certificate	1,108	1,140	1.93%	May 2012 to Nov. 2012
<b>Not committed</b>							
<i>Available for selling</i>	<b>Colones</b>	Banco Nacional de Costa Rica	Investment Funds	4,566	-	5.66%-5.71%	At sight
		Banco Nacional de Costa Rica	Term Deposit Certificate	4,700	4,700	8.10%-10.25%	Jan. 2012 to May 2013
		Banco Nacional de Costa Rica	Commercial paper	310	316	8.22%	May 2012 to Sept. 2012
		Banco de Costa Rica	Investment Funds	8,006	-	6.02%-6.71%	At sight
		Banco de Costa Rica	Term Deposit Certificate	5,200	5,200	7.92%-9.15%	Sept. 2011 to Nov. 2012
		Banco de Costa Rica	Commercial paper (Macro-title)	6,843	7,000	7.59%-8.39%	Oct. 2011 to Feb. 2013
		Government	Property title macro zero coupon	8,352	9,000	8.64%-9.14%	May 2012 to June 2013
		Instituto Nacional de Seguros	Investment Funds	2,346	-	6.05%	At sight
		Banco Popular	Investment Funds	2,445	-	5.28%	At sight
		Banco Popular	Term Deposit Certificate	2,151	2,151	7.68%-9.90%	May 2012 to Nov. 2012
		Banco Popular	Commercial paper	974	1	9.10%	April 2012 to Oct. 2012
		Banco Central de Costa Rica	Currency Stabilization Bond	2,082	2,182	7.45%-8.73%	March 2012 to May 2013
		Banco Crédito Agrícola de Cartago	Term Deposit Certificate	5,000	4,993	6.90% - 8.45%	July 2011 to Nov. 2012
		Repurchase operations	Repurchase	13,953	14,110	6.93%-7.41%	May 2012 to Aug. 2012
		BCIE	Commercial paper	500	500	9.42%	June 2012 to Dec. 2012
	<b>US Dollars</b>	Banco Nacional de Costa Rica	Investment Funds	-	-	1.17%	At sight
		Banco de Costa Rica	Investment Funds	-	-	1.45%	At sight
	<b>US Dollars</b>	Banco de Costa Rica	Commercial paper (Macro-title)	513	529	2.45%	Feb. 2012 to Aug. 2012
		Banco Internacional de Costa Rica	Overnight Tele. # 104600328 BICSA S	4,493	259	0.20%	At sight
		Banco Crédito Agrícola de Cartago	Term Deposit Certificate	252	259	3.90%	May 2012 to May 2013
		Repurchase operations	Repurchase	-	322	2.39%-2.41%	Feb. 2012 to April 2012
		Instituto Nacional de Seguros	Investment Funds	-	-	1.25%	At sight
		Banco Popular	Term Deposit Certificate	1,007	1,037	3.90%	May 2012 to Nov. 2012
		Banco Popular	Commercial paper	503	518	2.75%	Jan. 2012 to July 2012
<i>Kept at expiration</i>	<b>Colones</b>	Banco Nacional de Costa Rica	Short Term Investment	7,156	7,156	6.00%	June 2012 to July 2012
		Government	Term Deposit Certificate	1,000	1,000	9.11%	June 2012 to Nov. 2012
		Government	Property title macro zero coupon (window)	3,080	3,142	8.10%	April 2012 to July 2012
		Banco Popular	Term Deposit Certificate	4,225	4,225	10.65%-10.80%	March 2012 to Nov. 2012
		Banco CMB (Costa Rica) S.A.	Term Deposit Certificate	1,500	1,500	8.55%	Jan. 2012 to July 2012
		BANHVI	Term Deposit Certificate	2,159	2,159	8.00%	Jan. 2012 to July 2012
		BAC San José	Term Deposit Certificate	7,558	7,775	2.00%-2.65%	Jan. 2012 to July 2012
	<b>US Dollars</b>	Banco de Costa Rica	Term Deposit Certificate (window)	176	181	0.28%	June 2012 to July 2012
		Banco Internacional de Costa Rica	Term Deposit BICSA MIAMI	1,008	1,037	2.00%	March 2012 to Sept. 2012
		Banco Popular	Term Deposit Certificate	2,519	2,592	3.50%	Jan. 2012 to July 2012
<b>Total Telecommunications</b>				<b>105,685</b>			
<b>Total ICE</b>				<b>156,027</b>			
<b>CNFL:</b>							
	<b>US Dollars</b>	Banco Nacional de Costa Rica	Corporate Bond US\$	108	108	2.13%	June 2012 to Aug. 2012
<b>Sub total CNFL</b>				<b>108</b>			
<b>RACSA:</b>							
	<b>US Dollars</b>	BICSA	Term Deposit Certificate	616	-	1%	April 2012 to July 2012
<b>Total RACSA</b>				<b>616</b>			
<b>CRICRSA:</b>							
	<b>Colones</b>	BN Sociedad de Fondos de Inversión, S.A.	Investment Funds	14	-	-	-
<b>Total CRICRSA</b>				<b>14</b>			
<b>Total Group ICE</b>				<b>156,765</b>			

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**Investments Valuation**

The accounting treatment for temporary 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 subject to amortization according to the effective interest method.

The available investments for sale 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 patrimonial section, in the account called “Results of the Valuation of Financial Instruments”.

To June 30<sup>th</sup> of the year 2012 and as a result of the valuation of the temporary investments, ICE recognized an net unrealized gain in the amount of ¢113 (¢1,323 in December of the year 2011), which is presented as part of the entry corresponding to “Results of Valuation of Financial Instruments”, in the patrimonial section.

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**Note 11. Restricted use funds**

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

Funds of restricted use	Up to June 30 2012	Up to December 31 2011
<b>ICE:</b>		
<b>Guaranties received from thirds:</b>		
Guaranties in dollars - Account 164475-0	¢ 700	786
Guaranties in dollars - Account 192916-0	466	437
Guaranties in colones - Account 192915-1	187	203
Guaranties in colones - Account 58166-6	87	71
<b>Sub total ICE</b>	<b>1.440</b>	<b>1.497</b>
<b>CNFL:</b>		
<b>Fund with specific goal:</b>		
BCR Platinum (¢) Effective payment of services to ICE	51	3.499
BNCR Gold - Effective amortization, short term debt	153	2.146
BCR Platinum bonds	-	4
<b>Sub total CNFL</b>	<b>204</b>	<b>5.649</b>
	-	
<b>Total Group ICE</b>	¢ <b>1.644</b>	<b>7.146</b>

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**Other assets**

**Note 12. Contracts for services**

The main contracts for services executed with third parties are detailed below:

Contracts for services	Up to June 30 2012	Up to December 31 2011
<b><u>ICE:</u></b>		
Toro III Hydroelectric Project	9.918	12.755
Balsa Inferior Hydroelectric Project	1.695	-
Global System for Mobile	600	-
Las Pailas Geothermal Project	113	-
ICE - SIEPAC Line General Agreement	38	-
Company Owner of the Network	-	184
Cariblanco Plant - Rehabilitation	59	62
Others	35	916
<b>Total Group ICE</b>	<b>12.458</b>	<b>13.916</b>

*Toro III Hydroelectric Project:*

The Toro III Hydroelectric Project is located over the Río Sarapiquí tributary, Heredia, Costa Rica. It is forecasted that this project will generate 46 megawatts for the National Energy System.

The construction of this Project will be in charge of ICE and Junta Administrativa del Servicio Eléctrico de Cartago (JASEC), pursuant to an alliance agreement executed by both entities, which established that ICE and JASEC will have an equitable participation regarding rights and obligations and will jointly perform the activities and paperwork necessary for the design, financing, construction, operation and maintenance of the Toro III Project. In order to execute this project, the parties have agreed to create a trust with Banco de Costa Rica, which must ensure financing and resource management to develop the infrastructure works necessary for energy generation, which will be later leased to ICE and JASEC for their operation.

It is estimated that the works will be completed by the first semester of the year 2013. The amount of ¢9.918 (¢12.755 in December, 2011), corresponds to the balance pending for reimbursement by the trust for the construction costs and the technical services rendered by ICE.

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*Balsa Inferior Hydroelectric Project:*

Located in Santa Rosa de Florencia, canton of San Carlos, province of Alajuela, with an installed capacity of 37.5 MW for an annual generation of 122 GW-h. A contract was signed with ICE in the amount of \$104 million for the execution of the underground works, the reservoir, the oscillation tank, the pressure tubing, the transmission line and the hoisting substation. The amount of ¢1.695 mainly corresponds to the collection for services pertaining manpower and machinery destined for the development of the works.

**Note 13. Design and planning for the execution**

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

<b>Design and Planning of the Execution</b>	<b>Up to June 30 2012</b>	<b>Up to December 31 2011</b>
El Diquís Hydroelectric Project	63.321	60.954
Borinquen Geothermic Project	12.177	11.497
Transmission Lines	6.249	5.270
Las Pailas II Geothermic Project	1.021	397
Deviation Toro San Miguel	709	-
Deviation la Carpio	565	-
Moín Combined Cycle	175	-
Photovoltaic Projects	117	-
Tejona Hydroelectric Project	111	-
Others	184	800
<b>Total Grupo ICE</b>	<b>84.629</b>	<b>78.918</b>

*El Diquís Hydroelectric Project (PHED):*

This project is located in the southern part of Costa Rica, and it is project that will have power at 650 megawatts (MV) and a generation of 3,050 GWh/year. It has been declared of national interest, pursuant to Decree Number 34312-MP MINAE of the year 2008.

By June 30<sup>th</sup> of the year 2012, the PHED includes the costs incurred prior to construction, as well as the disbursements done during the investment phase, which include design of the works and the technical, economic and financial studies in the amount of ¢63,321, necessary for completing the Feasibility Studies and the final Environmental Impact Study. The PHED is in the processing of completion, followed by a presentation to the National Technical

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Environmental Secretariat (SETENA) of the Environmental Impact Study. The environmental viability or license is necessary to begin construction, which is issued with SETENA's approval of the study.

Within the area required for the PHED, some indigenous territories are located, such as: China Kichá (Cabécar) and Térraba (Térraba), which require the use of 97 and 818 hectares, respectively (approximately 13% of the reservoir's area). Legal and advisory processes have started with these communities, searching for an agreement for the Project's execution. In the opinion of ICE's Institutional Legal Division, consultations with the indigenous territories represent a binding event for granting the Environmental License required from ICE for commencement of the PHED's construction phase.

The PHED is currently undergoing a legal process, Number 11-001691-1027-CA, preferential proceeding, presented by the Asociación de Desarrollo Integral de la Reserva Indígena de Térraba in Buenos Aires, against ICE, The Government and José Delfín Granados Agüero, in the Sixth Section of the Administrative Litigation Court. Through ruling 2011, the suspension of proceedings is ordered, given the existence of two unconstitutional actions over the object of the process. These unconstitutional actions are the following:

1-) Action No. 11-007321-0007-CO, presented by a Bribri community, which was ruled inadmissible through constitutional vote Number No. 12-010569.

2-) Action No. 11-002463-0007-CO, presented by the Asociación Indígena de Salitre, against articles contained in the Indigenous Law, regarding organization and legal representation imposed by said law, as contrary to the government determination granted by international instruments. This action is currently under evaluation and no ruling has been issued to this date.

A judicial acknowledgment is pending with regards to property Number 145342-000 in the province of Puntarenas, where the drilling works and exploratory gallery are located, for which the respondent considers as part of the tunnel construction process, given its magnitude, and therefore, the project execution works are a reality. Through ruling of the year 2012, the Administrative Litigation Court rejected the arguments presented by the Government and ICE, opposing this acknowledgment and it is so ordered to establish which is the area to be acknowledged and the object contained therein, regarding the process or theory of the case, the notification for entering said property, the actions for guaranteeing entrance to the gallery or tunnel by ICE, for all participants of this legal process, according to the same arguments presented by ICE in the appeal presented against ruling of February 14<sup>th</sup> of the year 2012 ordering said acknowledgement.

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*Borinquén Geothermal Project:*

The Project is located in the Guanacaste Mountain Range, on the Pacific slope of Rincón de la Vieja Volcano, and will have an estimated power of 55 megawatts (MV).

To June 30<sup>th</sup> of the year 2012, the costs incurred are due to works performed for site preparation for deep drilling of the wells. It is expected that construction could be by the end of the year 2015.

**Note 14. Non-operating assets**

A transformer is acquired for the Barranca Substation, in the amount of ¢1,075. This results from a claim stating damage to the equipment presented to the insurance company in the year 2006, under Policy U-500 (Claim Number INS TR 2006-05) and recorded for accounting in January, 2012.

Also recorded are easements for the San Miguel and Cariblanco transmission lines in the amount of ¢218 million, the acquisition of a property for the San Miguel transmission line in the amount of ¢90 million and an expansion of the easement and two sites for the Peñas Blancas transmission line tower.

**Note 15. Guarantee and Savings Fund (restricted fund)**

The Guarantee and Savings Fund for ICE Employees was created through Law 3625 of December 16<sup>th</sup> of the year 1965. According to this law, ICE must destine reserves and funds for the payment of occupational rights and for the personal fund, and 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 for savings of the contributors and, in part, paid for the annual yield distribution.

To June 30<sup>th</sup> of the year 2012, the balance of the employer contributions transferred by ICE Group to the Guarantee and Savings Fund is distributed as follows:

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	Up to Jun 30 2012		Up to Diciembre 31 2011	
	Amount	%	Amount	%
<b><u>ICE:</u></b>				
Electricity	¢ 65.485	41%	60.329	41%
Telecommunications Corporation	84.650	53%	77.985	53%
	9.583	6%	8.828	6%
<b>Sub total ICE</b>	<b>159.718</b>	<b>100%</b>	<b>147.142</b>	<b>100%</b>
<b><u>RACSA:</u></b>				
FGA RACSA	3.080	100%	3.062	100%
<b>Sub total RACSA</b>	<b>3.080</b>	<b>100%</b>	<b>3.062</b>	<b>100%</b>
<b>Total Group ICE</b>	<b>¢ 162.798</b>	<b>100%</b>	<b>150.204</b>	<b>100%</b>

From the employer's contributions, ¢93,875 correspond to the Supplementary Retirement Plan and ¢65,843 is destined to the Savings Fund, according to the application of 4.5% and 6%, respectively, over the monthly wages for permanent ICE employees.

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**Note 16. . Payable Securities (Bonds)**

A detail of the securities (debt bonds) issued by ICE is presented below:

	Securities payable						
	Up to december 31, 2011	Amortization of the period	Exchange difference	Disbursement of the period	Up to June 30, 2012	Long term	Short term
<b>ICE:</b>							
<b>Internal debt:</b>							
Title Nº 1 - INS	12.388	-	(346)	-	12.042	12.042	-
Title Nº 2 - INS	1.230	-	(34)	-	1.196	1.196	-
Title Nº 3 - INS	30.500	30.500	-	-	-	-	-
Issuance of Bonds Serial A1	50.000	-	-	-	50.000	50.000	-
Issuance of Bonds Serial A2	6.328	-	-	-	6.328	6.328	-
Issuance of Bonds Serial B1	38.875	-	(1.086)	-	37.789	37.789	-
Issuance of Bonds Serial B2	25.917	-	(724)	-	25.193	25.193	-
Issuance of Bonds Serial A2 - Year 2010	28.426	-	-	-	28.426	28.426	-
Issuance of Bonds Serial B3-US\$-Electricity	38.875	-	(1.086)	-	37.789	37.789	-
Issuance of Bonds Serial A3 Colones	20.000	-	-	-	20.000	20.000	-
Issuance of Bonds Serial E1-US\$-Electricity	30.357	-	(849)	-	29.507	29.507	-
Issuance of Bonds Serial A4-Telecommunications	10.000	-	-	-	10.000	10.000	-
Issuance of Bonds Serial A5- Electricity	20.000	-	-	-	20.000	20.000	-
Issuance of Bonds Serial A2-Electricity	15.246	-	-	-	15.246	15.246	-
Issuance of Bonds Serial E1-Electricity	8.518	-	(238)	-	8.280	8.280	-
Issuance of Bonds Serial A6-Electricity	18.756	-	-	-	18.756	18.756	-
Issuance of Bonds Serial E2-Electricity	64.791	-	(1.810)	-	62.981	62.981	-
Issuance of Bonds Serial F1	-	-	(479)	17.155	16.676	16.676	-
Issuance of Bonds Serial F3-Elec \$	-	-	-	5.627	5.627	5.627	-
<b>External debt:</b>							
Placement of Bonds A Credit Suisse First Boston	20.733	-	(579)	-	20.154	20.154	-
Placement of Bonds B Credit Suisse First Boston	31.100	-	(869)	-	30.231	30.231	-
International Issuance of Bonds	129.583	-	(7.240)	129.583	251.925	251.925	-
<b>Others:</b>							
Premium Issuance of Bonds Serial A1	151	3	-	-	148	148	-
Premium Issuance of Bonds Serial A2	90	1	-	-	89	89	-
Premium Issuance of Bonds Serial B1	161	6	-	-	155	155	-
Premium Issuance of Bonds Serial B2	376	38	-	-	338	338	-
Premium Issuance of Bonds Serial A2 - Year 2010	8	-	-	-	8	8	-
Premium Issuance of Bonds Serial B3 - US\$ - Electricity	1.216	40	-	-	1.176	1.176	-
Premium Issuance of Bonds Serial A3 - Electricity	4	-	-	-	4	4	-
Premium Issuance of Bonds Serial E1 - Electricity	195	8	-	-	187	187	-
Premium Issuance of Bonds Serial E1 - Elec. US\$	4	0	-	-	3	3	-
Premium Issuance of Bonds Serial A6 - Elec. - colones	1	-	-	-	1	1	-
Premium Issuance of Bonds Serial F3-Elec \$	-	-	-	3	3	3	-
Premium Issuance International of Bonds ICE	-	-	-	6.479	6.479	6.479	-
<b>Discounts:</b>							
Discount Issuance of Bonds A2 -2010	(612)	(6)	-	-	(606)	(606)	-
Discount Issuance of Bonds Serial A3 - Electricity	(94)	(3)	-	-	(91)	(91)	-
Discount Issuance of Bonds Serial A4-Telecommunications	(23)	(1)	-	-	(21)	(21)	-
Discount Issuance of Bonds Serial A2 - Electricity	(440)	(6)	-	-	(434)	(434)	-
Discount Issuance of Bonds Serial E2 US\$ Electricity	(207)	(5)	-	-	(203)	(203)	-
Discount Issuance of Bonds Serial F 1	-	(9)	-	(244)	(235)	(235)	-
<b>Sub total Securities payable long term ICE</b>	<b>602.449</b>	<b>30.565</b>	<b>(15.341)</b>	<b>158.602</b>	<b>715.147</b>	<b>715.147</b>	<b>-</b>
<b>Securities payable short term - ICE</b>							
<b>Government Debt:</b>							
Standardized Commercial Paper	-	-	(134)	27.147	27.013	-	27.013
<b>Sub total Securities payable short term ICE</b>	<b>-</b>	<b>-</b>	<b>(134)</b>	<b>27.147</b>	<b>27.013</b>	<b>-</b>	<b>27.013</b>
<b>Total Securities payable ICE</b>	<b>602.449</b>	<b>30.565</b>	<b>(15.475)</b>	<b>185.749</b>	<b>742.160</b>	<b>715.147</b>	<b>27.013</b>
<b>CNFL:</b>							
<b>Government Debt:</b>							
Issuance of Bonds Serial B-1	14.996	-	-	4	15.000	15.000	-
Issuance of Bonds Serial B-2	14.600	-	-	-	14.600	14.600	-
Issuance of Bonds Serial B-3	-	-	-	12.000	12.000	12.000	-
<b>Sub total CNFL</b>	<b>29.596</b>	<b>-</b>	<b>-</b>	<b>12.004</b>	<b>41.600</b>	<b>41.600</b>	<b>-</b>
<b>Total Grupo ICE</b>	<b>632.046</b>	<b>30.565</b>	<b>(15.475)</b>	<b>197.753</b>	<b>783.760</b>	<b>756.747</b>	<b>27.013</b>

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The characteristics of these debt bonds are detailed below:

Creditor	Tool	Securities payable					Date of Cont.	Date of expiration	Up to June 30, 2012	Up to december 31, 2011
		Currency	Interest rate	Type of rate	Rate for Commission					
<b>ICE:</b>										
<b>Bonds colones:</b>										
Issuance of Bonds Serial A1	Standardized bonds	Colones	11,00%	Variable	-	30/09/2009	30/09/2021	50.000	50.000	
Issuance of Bonds Serial A2	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	6.328	6.328	
Issuance of Bonds Serial A2 2010	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	28.426	28.426	
Issuance of Bonds Serial A2 2011	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	15.246	15.246	
Issuance of Bonds Serial A3	Standardized bonds	Colones	11,41%	Fixed	-	03/11/2010	03/11/2020	20.000	20.000	
Issuance of Bonds Serial A4	Standardized bonds	Colones	10,87%	Fixed	-	14/12/2010	14/12/2017	10.000	10.000	
Issuance of Bonds Serial A5	Standardized bonds	Colones	11,45%	Variable	-	16/12/2010	16/12/2025	20.000	20.000	
Issuance of Bonds Serial A6	Standardized bonds	Colones	12,15%	Variable	-	11/08/2011	11/08/2023	18.756	18.756	
Issuance of Bonds Serial F3	Standardized bonds	Colones	12,25%	Variable	-	03/04/2012	03/04/2023	5.627	0	
Premium Issuance of Bonds Serial A1	Standardized bonds	Colones	11,00%	Variable	-	30/09/2009	30/09/2021	148	151	
Premium Issuance of Bonds Serial A2	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	89	90	
Premium Issuance of Bonds Serial A2	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	8	8	
Premium Issuance of Bonds Serial A3	Standardized bonds	Colones	11,41%	Fixed	-	03/11/2010	03/11/2020	4	4	
Premium Issuance of Bonds Serial A6	Standardized bonds	Colones	12,15%	Variable	-	11/08/2011	11/08/2023	1	1	
Premium Issuance of Bonds Serial F3	Standardized bonds	Colones	12,25%	Variable	-	03/04/2012	03/04/2023	3	0	
Discount Issuance of Bonds A2	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	(606)	(612)	
Discount Issuance of Bonds A2 2011	Standardized bonds	Colones	11,50%	Variable	-	06/11/2009	06/11/2024	(434)	(440)	
Discount Issuance of Bonds A4	Standardized bonds	Colones	10,87%	Fixed	-	14/12/2010	14/12/2017	(21)	(23)	
Discount Issuance of Bonds A3	Standardized bonds	Colones	11,41%	Fixed	-	03/11/2010	03/11/2020	(91)	(94)	
<b>Bonds US\$ dollars:</b>										
International Bonds	Standardized bonds	Dollars	6,95%	Fixed	-	10/11/2011	10/11/2021	128.395	129.583	
International Bonds	Standardized bonds	Dollars	6,95%	Fixed	-	10/05/2012	10/11/2021	123.530	-	
Credit Suisse First Boston	Placement of bonds B	Dollars	6,45%	Fixed	-	03/02/2004	03/02/2014	30.231	31.100	
Credit Suisse First Boston	Placement of bonds A	Dollars	7,10%	Fixed	-	01/12/2003	10/12/2013	20.154	20.733	
Issuance of Bonds Serial B1	Standardized bonds	Dollars	7,65%	Fixed	-	17/11/2009	17/11/2021	37.789	38.875	
Issuance of Bonds Serial B2	Standardized bonds	Dollars	5,71%	Fixed	-	20/05/2010	20/05/2016	25.193	25.917	
Issuance of Bonds Serial B3	Standardized bonds	Dollars	7,18%	Fixed	-	24/06/2010	24/06/2022	37.789	38.875	
Issuance of Bonds Serial E1	Standardized bonds	Dollars	5,98%	Fixed	-	14/02/2011	12/11/2020	29.507	30.357	
Issuance of Bonds Serial E1 2011	Standardized bonds	Dollars	5,98%	Fixed	-	14/02/2011	12/11/2020	8.280	8.518	
Issuance of Bonds Serial E2 2011	Standardized bonds	Dollars	7,61%	Fixed	-	12/12/2011	12/12/2024	62.981	64.791	
Issuance of Bonds Serial F1	Standardized bonds	Dollars	5,97%	Fixed	-	13/02/2012	13/02/2019	16.676	-	
Premium Issuance of Bonds Serial B1	Standardized bonds	Dollars	7,65%	Fixed	-	17/11/2009	17/11/2021	155	161	
Premium Issuance of Bonds Serial B2	Standardized bonds	Dollars	5,71%	Fixed	-	20/05/2010	20/05/2016	338	376	
Premium Issuance of Bonds Serial B3	Standardized bonds	Dollars	7,18%	Fixed	-	24/06/2010	24/06/2022	1.176	1.216	
Premium Issuance of Bonds Serial E1	Standardized bonds	Dollars	5,98%	Fixed	-	14/02/2011	12/11/2020	187	195	
Premium Issuance of Bonds Serial E1 2011	Standardized bonds	Dollars	5,98%	Fixed	-	14/02/2011	12/11/2020	3	4	
Premium Issuance International of Bonds	Standardized bonds	Dollars	6,95%	Fixed	-	10/11/2011	10/11/2021	6.479	0	
Discount Issuance of Bonds E2 2011	Standardized bonds	Dollars	7,61%	Fixed	-	12/12/2011	12/12/2024	(203)	(207)	
Discount Issuance of Bonds Serial F1	Standardized bonds	Dollars	5,97%	Fixed	-	13/02/2012	13/02/2019	(235)	-	
<b>Titles:</b>										
INS	Title 3	Colones	13,75%	Variable	0,75%	06/03/2009	06/03/2012	-	30.500	
INS	Title 1	Dollars	2,73%	Variable	0,75%	11/11/2008	12/11/2013	12.042	12.388	
INS	Title 2	Dollars	2,74%	Variable	0,75%	11/11/2008	28/11/2013	1.196	1.230	
<b>Standardized Commercial Paper:</b>										
Standardized Commercial Paper	Title	Colones	0,00%	-	-	08/03/2012	08/12/2012	27.013	-	
<b>Sub total ICE</b>								<b>742.160</b>	<b>602.449</b>	
<b>CNFL:</b>										
<b>Bonds US\$ dollars:</b>										
Issuance of Bonds Serial B-2	Standardized bonds	Dollars	TBP + 3,21%	Variable	-	25/01/2012	25/01/2027	12.000	-	
Issuance of Bonds Serial B-3	Standardized bonds	Dollars	TBP + 3,27%	Variable	-	28/06/2011	28/06/2023	14.600	14.600	
Issuance of Bonds Serial B-1	Standardized bonds	Dollars	11,45%	Fixed	-	30/09/2010	30/09/2017	15.000	15.000	
<b>Sub total CNFL</b>								<b>41.600</b>	<b>29.596</b>	
<b>Total Grupo ICE</b>								<b>783.760</b>	<b>632.046</b>	

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**Bond Issuance – ICE**

Serial	Date of Issuance	Date of expiration	Annual Nominal Interest rate	Million colones						
				Authorized and issued	Placed by serial	Balance available	Premium on issuance of bonds	Discount on issuance of bonds		
A1	30/09/2009	30/09/2021	Passive basic rate +1,75	¢	50.000	50.000	-	¢	148	-
A2	06/11/2009	06/11/2024	Passive basic rate +1,75		50.000	50.000	-		97	1.040
A3	03/03/2010	03/11/2020	Fixed rate 11,41%		20.000	20.000	-		4	91
A4	14/12/2010	14/12/2017	Fixed rate 10,87%		10.000	10.000	-		-	21
A5	16/12/2010	16/12/2025	Passive basic rate +2,20%		20.000	20.000	-		-	-
A6	11/08/2011	11/08/2023	Passive basic rate +2,15%		20.000	18.756	1.244		1	-
C2	08/03/2012	08/12/2012	Zero coupon		36.000	16.000	20.000		-	-
C1	02/05/2012	02/11/2012	Zero coupon		-	10.000	10.000		-	-
				¢	<b>206.000</b>	<b>184.756</b>	<b>1.244</b>	¢	<b>250</b>	<b>1.152</b>

Serial	Date of Issuance	Date of expiration	Annual Nominal Interest rate	Million colones						
				Authorized and issued	Placed by serial	Balance available	Premium on issuance of bonds	Discount on issuance of bonds		
B1	17/11/2009	17/11/2021	Fixed rate 7,65%	US\$	75	75	-	US\$	155	-
B2	20/05/2010	20/05/2016	Fixed rate 5,71%		50	50	-		338	-
B3	24/06/2010	24/06/2022	Fixed rate 7,18%		75	75	-		1.176	-
E1	14/02/2011	12/11/2020	Fixed rate 5,98%		75	75	-		190	-
E2	12/12/2011	12/12/2024	Fixed rate 7,61%		125	125	-		-	203
F1	13/02/2012	13/02/2019	Fixed rate 5,97%		100	33	-		-	244
D1	02/05/2012	02/11/2012	Zero coupon		30	10	20		-	-
				US\$	<b>500</b>	<b>443</b>	-	US\$	<b>1.859</b>	<b>447</b>

**ICE- Standardized Bond Call.**

In April, 2012, ICE placed an auction for F3 Series securities, for ¢15,000. The weighted assignment price is 100.5%, collection of ¢5,627 million, 11 year issuance, at an interest rate of 4.25%. The resources will be destined to cover the needs of the hydroelectric and geothermal generation projects, as well as the improvements in the hydroelectric and geothermal generation projects and transmission works.

In May, 2012, ICE placed an auction for bonds in the international market. This placement corresponds to the reopening of the issuance placed in November, 2011. The total collection was in the amount of US\$250 million. The bonds were issued with a ten year term and a coupon paying 6.95%, with a yield equivalent to 6.24%. The weighted assignment price was 105%. The resources will be destined for the development of the Energy sector.

To June 30<sup>th</sup>, 2012, two auctions are placed for Standardized Commercial Instruments, one in colones and one in dollars, on April 27<sup>th</sup>. The first under C1 Series, for the sum of ¢10,000, with a 180 day term, a yield rate of 9.25%. The second one under D1 Series, for the sum of US\$10,000, with a 180 day term, a yield rate of 3.50%.

(Continues)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Note 17. Notes Payable**

To June 30th, 2012, the movements for notes payable are detailed below:

Documents payable									
	Up to december 31, 2011	Amortization of the period	Exchange difference	Disbursement of the period	Up to June 30, 2012	Long term	Short term		Up to June 30, 2012
<b>ICE</b>									
<b>Internal debt:</b>									
Purchase of not restructured debt - Portion V	802	115	(19)	-	669	446	223	-	1
<b>Sub-total Portion V</b>	<b>802</b>	<b>115</b>	<b>(19)</b>	<b>-</b>	<b>669</b>	<b>446</b>	<b>223</b>	<b>US\$</b>	<b>1</b>
Banco Nacional de Costa Rica (B.N.C.R)	34.275	555	-	-	33.721	31.228	2.493	-	67
Parallel Cooperation	13	10	-	-	3	-	3	-	-
Scotiabank - Portion A	12.958	-	(362)	-	12.596	-	12.596	-	25
Scotiabank - Portion B	11.107	1.851	(259)	-	8.997	5.398	3.599	-	18
<b>Sub-total Scotiabank</b>	<b>24.065</b>	<b>1.851</b>	<b>(621)</b>	<b>-</b>	<b>21.594</b>	<b>5.398</b>	<b>16.195</b>	<b>US\$</b>	<b>43</b>
Assets Advance Transfers	-	-	-	-	-	-	-	-	-
Trust BCR - Building Telecommunications	25.787	598	-	-	25.188	24.029	1.159	-	50
Credit Supplier	5.345	3.348	(775)	29.571	30.793	26.676	4.117	-	61
<b>Sub-total internal debt</b>	<b>90.287</b>	<b>6.477</b>	<b>(1.415)</b>	<b>29.571</b>	<b>111.967</b>	<b>87.777</b>	<b>24.190</b>	<b>US\$</b>	<b>228</b>
<b>External debt</b>									
<b>Banco Centroamericano de Integración Económica (BCIE):</b>									
B.C.I.E. No.1599	64.965	4.997	(1.675)	-	58.292	48.577	9.715	-	116
B.C.I.E. No. 1856	49.174	2.342	(1.308)	-	45.524	40.972	4.552	-	90
B.C.I.E. No. 1962	33.691	-	(941)	-	32.750	30.021	2.729	-	65
B.C.I.E. Restructuration	17.364	1.879	(433)	-	15.053	11.211	3.842	-	30
Moin III Thermic Plant - B.C.I.E. No. 1516	6.797	1.133	(158)	-	5.506	3.303	2.202	-	11
<b>Sub-total B.C.I.E.</b>	<b>171.991</b>	<b>10.351</b>	<b>(4.516)</b>	<b>-</b>	<b>157.124</b>	<b>134.084</b>	<b>23.041</b>	<b>US\$</b>	<b>312</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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(In millions of colones)

		Documents payable								
		Up to december 31, 2011	Amortization of the period	Exchange difference	Disbursement of the period	Up to June 30, 2012	Long term	Short term		Up to June 30, 2012
<b>Banco Europeo de Inversiones (B.E.I.)</b>	€	<b>4.910</b>	<b>1.172</b>	<b>(104)</b>	-	<b>3.633</b>	<b>1.248</b>	<b>2.385</b>	US\$	<b>7</b>
<u>Banco Interamericano de Desarrollo (B.I.D.):</u>										
B.I.D. No. 598		2.277	285	(68)	-	1.925	1.372	553	-	4
Reconversion BID 1931 A/OC-CR - Portion B		101.074	7.775	(2.606)	-	90.693	75.577	15.116	-	180
Reconversion BID 1931 A/OC-CR - Portion A		84.941	3.693	(2.270)	-	78.978	71.799	7.180	-	157
B.I.D. No. 1908 / OC-CR		34.211	(240)	(1.166)	7.280	40.566	40.566	-	-	81
<b>Sub total B.I.D.</b>		<b>222.503</b>	<b>11.513</b>	<b>(6.110)</b>	<b>7.280</b>	<b>212.162</b>	<b>189.313</b>	<b>22.849</b>	US\$	<b>422</b>
<u>BNP Paribas:</u>										
BNP Paribas A		1.921	274	(46)	-	1.600	1.067	533	-	3
BNP Paribas B		5.176	739	(124)	-	4.313	2.875	1.438	-	9
<b>Sub total BNP Paribas</b>		<b>7.097</b>	<b>1.014</b>	<b>(170)</b>	-	<b>5.913</b>	<b>3.942</b>	<b>1.971</b>	US\$	<b>14</b>
<u>Nordea:</u>										
Nordea Export & Project Finance		9.955	1.991	(222)	-	7.742	3.871	3.871	-	15
Nordea Export & Project Finance		3.892	487	(95)	-	3.310	2.363	947	-	7
<b>Sub total Nordea</b>		<b>13.847</b>	<b>2.478</b>	<b>(318)</b>	-	<b>11.052</b>	<b>6.234</b>	<b>4.817</b>	US\$	<b>22</b>
<u>M &amp; T Bank</u>										
M & T Bank		3.214	321	(81)	-	2.811	2.187	625	-	6
M & T N°2		2.245	281	(55)	-	1.909	1.363	546	-	4
<b>Sub total M&amp;T Bank</b>		<b>5.459</b>	<b>602</b>	<b>(136)</b>	-	<b>4.721</b>	<b>3.550</b>	<b>1.171</b>	US\$	<b>10</b>
<u>Other Creditors:</u>										
Corporación Andina de Fomento (C.A.F.)		49.673	2.160	(1.327)	-	46.186	46.186	-	-	92
Citibank		16.368	2.046	(400)	-	13.922	9.944	3.978	-	28
Japan Bank For International Cooperation		96.234	3.318	(6.030)	-	86.885	80.434	6.451	-	172
Natexis Banque		200	88	(5)	-	107	23	84	-	-
Honk Kong Shanghai Bank Corp. (HSBC) Panamá		8.293	1.037	(203)	-	7.054	4.550	2.504	-	14
Cisco Systems Capital Corporation		667	219	(13)	-	436	108	328	-	1
Cisco Systems		20.096	-	(601)	1.433	20.927	19.050	1.877	-	42
<b>Sub total Other Creditors</b>		<b>191.531</b>	<b>8.868</b>	<b>(8.579)</b>	<b>1.433</b>	<b>175.517</b>	<b>160.295</b>	<b>15.221</b>	US\$	<b>349</b>
<b>Sub-total internal debt</b>		<b>617.338</b>	<b>35.998</b>	<b>(19.933)</b>	<b>8.713</b>	<b>570.121</b>	<b>498.666</b>	<b>71.455</b>	US\$	<b>1.134</b>
<b>Total documents payable long term</b>	€	<b>707.625</b>	<b>42.475</b>	<b>(21.347)</b>	<b>38.284</b>	<b>682.087</b>	<b>586.443</b>	<b>95.645</b>	US\$	<b>1.362</b>

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To June 30<sup>th</sup>, 2012, the movements in the short term notes payable are detailed below:

Documents payable									
	Up to december 31, 2011	Amortization of the period	Exchange difference	Disbursement of the period	Up to June 30, 2012	Long term	Short term		Up to June 30, 2012
<b>Documents payable short term - ICE</b>									
<b>Internal Debt:</b>									
Loan between sectors	-	25.183	-	25.183	-	-	-	-	-
Scotiabank	15.959	20.846	(302)	15.811	10.621	-	10.621	-	21
<b>Sub-total internal debt</b>	<b>€ 15.959</b>	<b>46.029</b>	<b>(302)</b>	<b>40.994</b>	<b>10.621</b>	<b>-</b>	<b>10.621</b>	<b>US\$</b>	<b>21</b>
<b>External debt:</b>									
BNP Paribas	-	-	(145)	5.183	5.039	-	5.039	-	10
Citibank No.1	10.367	10.367	-	-	-	-	-	-	-
Honk Kong Shanghai Bank Corp. (HSBC)	15.032	22.288	-	7.257	-	-	-	-	-
Bladex	8.293	31.618	(724)	49.241	25.192	-	25.193	-	50
Global Bank Corporation	5.183	15.550	-	10.367	-	-	-	-	-
Mercantil Commercebank	15.550	31.100	-	15.550	-	-	-	-	-
Banco Aliado de Panamá	-	7.775	-	7.775	-	-	-	-	-
Banco de San José (BAC)	3.300	6.600	-	3.300	-	-	-	-	7
<b>Sub-total external debt</b>	<b>57.725</b>	<b>125.298</b>	<b>(869)</b>	<b>98.673</b>	<b>30.231</b>	<b>-</b>	<b>30.231</b>	<b>US\$</b>	<b>67</b>
<b>Total documents payable short term</b>	<b>73.684</b>	<b>171.327</b>	<b>(1.171)</b>	<b>139.667</b>	<b>40.852</b>	<b>-</b>	<b>40.852</b>	<b>-</b>	<b>88</b>
<b>Total internal debt</b>	<b>106.246</b>	<b>52.506</b>	<b>(1.717)</b>	<b>70.565</b>	<b>122.588</b>	<b>87.777</b>	<b>34.811</b>	<b>-</b>	<b>249</b>
<b>Total external debt</b>	<b>675.063</b>	<b>161.296</b>	<b>(20.801)</b>	<b>107.386</b>	<b>600.352</b>	<b>498.666</b>	<b>101.686</b>	<b>-</b>	<b>1.201</b>
<b>Total deuda ICE</b>	<b>€ 781.309</b>	<b>213.802</b>	<b>(22.518)</b>	<b>177.951</b>	<b>722.940</b>	<b>586.443</b>	<b>136.497</b>	<b>US\$</b>	<b>1.450</b>

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidates Financial Statements  
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Documents payable - Subsidiaries										
		Up to December 31, 2011	Amortization of the period	Exchange difference	Disbursement of the period	Up to June 30, 2012	Long term	Short term		Up to June 30, 2012
<b>CNFL:</b>										
<b>External debt:</b>										
Instituto Crédito Oficial Reino de España	€	13.266	-	(372)	-	12.895	12.895	-	-	26
Deutsche Bank, Sociedad Anónima Española		4.643	650	(124)	-	3.869	2.580	1.289	-	8
Loan Kreditanstal Fur Wiederaufbau # 1		9.615	680	(255)	-	8.680	7.344	1.336	-	17
Loan Kreditanstal Fur Wiederaufbau # 2		4.186	244	(113)	-	3.829	3.351	478	-	8
BICSA Credit Line		7.775	-	(217)	-	7.558	7.558	-	-	15
<b>Sub- total external debt</b>	<b>€</b>	<b>39.485</b>	<b>1.574</b>	<b>(1.081)</b>	<b>-</b>	<b>36.830</b>	<b>33.727</b>	<b>3.103</b>	<b>US\$</b>	<b>74</b>
<b>Sub- total CNFL</b>	<b>€</b>	<b>39.485</b>	<b>1.574</b>	<b>(1.081)</b>	<b>-</b>	<b>36.830</b>	<b>33.727</b>	<b>3.103</b>	<b>US\$</b>	<b>74</b>
<b>RACSA:</b>										
<b>External debt:</b>										
Banco Centroamericano de Integración Económica (B.C.I.E.)	€	5.030	453	(31)	-	4.546	3.657	889	-	9
Control Electrónico S.A. (CESA)		5.475	602	(147)	-	4.726	3.465	1.261	-	9
Banco Interamericano de Desarrollo (BICSA)		1.037	-	(29)	-	1.008	-	1.008	-	2
CSI Leasing		4.494	274	(122)	-	4.098	3.527	571	-	8
Prival Bank		2.073	-	(58)	-	2.015	1.683	332	-	4
<b>Sub- total external debt</b>	<b>€</b>	<b>18.109</b>	<b>1.329</b>	<b>(387)</b>	<b>-</b>	<b>16.393</b>	<b>12.332</b>	<b>4.061</b>	<b>US\$</b>	<b>32</b>
<b>Total internal debt - Group ICE</b>		<b>106.246</b>	<b>52.506</b>	<b>(1.717)</b>	<b>70.565</b>	<b>122.588</b>	<b>87.777</b>	<b>34.811</b>	<b>-</b>	<b>249</b>
<b>Total external debt - Group ICE</b>		<b>675.063</b>	<b>161.296</b>	<b>(20.801)</b>	<b>107.386</b>	<b>600.352</b>	<b>498.666</b>	<b>101.686</b>	<b>-</b>	<b>1.307</b>
<b>Total debt - Group ICE</b>	<b>€</b>	<b>838.903</b>	<b>216.706</b>	<b>(23.985)</b>	<b>177.952</b>	<b>776.164</b>	<b>632.503</b>	<b>143.661</b>	<b>US\$</b>	<b>1.556</b>

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

## Notes to the Consolidates Financial Statements (In millions of colones)

The general characteristics of the notes payable, classified in internal debt and external debt for the 2012 term, are summarized below:

	Date of contract	Expiration date	Term of debt (years)	Period of grace (years)	Term of amortization (years)	Type of period of payment	Interest rate	Type of interest rate	Default interest rate	Rate of commission	Amount of contract	Currency	Guaranty	Finance
<b>Electricity Sector</b>														
<b>Internal debt:</b>														
Renegotiated debt - Portion V	21/05/1989	21/05/2015	25	-	25	Half-yearly	6,75%	Fija	6,75%	-	-	US\$	Government	Refinance of the debt with commercial banking
Parallel Cooperation	01/07/2009	01/06/2012	3	0	3	Monthly	0,69%	Fixed	-	-	48	€	ICE	Modalidad reconocimiento inversión equipos telecomunicaciones (DIURSA)
Banco Nacional de Costa Rica	25/08/2010	31/08/2025	15	-	15	Quarterly	TBP + 2,75%	Var.	2,00%	-	35.000	€	ICE	Needs of investment in transmission projects
<b>commercial banks:</b>														
Scotiabank - Portion A	18/12/2009	22/12/2012	3	3	-	Half-yearly	Libor 3m + 3,50%	Var.	-	-	25	US\$	ICE	Extension and improvement of the transmission network and distribution network
Scotiabank - Portion B	18/12/2009	22/12/2014	5	2	3	Half-yearly	Libor 3m + 3,75%	Var.	-	-	25	US\$	ICE	Extension and improvement of the transmission network and distribution network
<b>External debt:</b>														
Banco Europeo de Inversiones (B.E.I.)	30/11/1993	25/11/2013	20	5	15	Half-yearly	6,32%	Fixed	2,00%	-	50	US\$	Government	Execution of Electric III Development Program
<b>Multilateral organizations</b>														
<b>Banco Centroamericano de Integración Económica (BCIE):</b>														
B.C.I.E. No.1599	17/03/2003	25/04/2018	15	6	10	Half-yearly	6,40% - According to bank policies	Var.	3,00%	0,75%	172	US\$	ICE	Construction and Equipping of Pirris Hydroelectric Plant
B.C.I.E. Prepago 2005	21/10/2005	21/10/2015	10	2	8	Quarterly	0,085	Fixed	2,00%	0,00%	55	US\$	ICE	Prepayment of loans BID 200, 535 and 572 (partially)
B.C.I.E. No. 1856	12/04/2007	11/05/2022	15	3	12	Half-yearly	6,40% - According to bank policies	Var.	3,00%	0,00%	110	US\$	ICE	Extension and maintenance of national electric system 2007
Planta Térmica Moín III - B.C.I.E. No. 1516	11/06/2007	14/10/2014	7	-	7	Half-yearly	7,68% - According to bank policies	Var.	-	0,00%	12	US\$	ICE	Acquisition of Moín III Thermic Plant
Planta Térmica Moín III - B.C.I.E. No. 1516	11/06/2007	14/10/2014	7	-	7	Half-yearly	6,35% According to bank policies	Var.	-	0,00%	21	US\$	ICE	Acquisition of Moín III Thermic Plant
B.C.I.E. No. 1962	19/06/2009	19/06/2024	15	3	12	Half-yearly	6,40% - According to bank policies	Var.	-	0,75%	65	US\$	ICE	Program of Electric Works 2008 - 2009
<b>Banco Interamericano de Desarrollo (B.I.D.):</b>														
B.I.D. 463/SF C.R.	13/04/1976	13/04/2011	35	8	27	Half-yearly	0,02	Fixed	2,00%	0,50%	-	US\$	Government	Rural Electrification with Cooperatives (loan in currencies)
B.I.D. No. 598	09/09/1980	09/09/2015	35	8	27	Half-yearly	0,02	Fixed	2,00%	0,50%	27	US\$	Government	Rural Electrification with Cooperatives (loan in currencies)
Reconversión BID 1931 A/OC-CR - Tramo A	10/07/2008	15/02/2023	15	3	12	Half-yearly	Libor 6m + 3,625%	Var.	2,00%	0,50%	159	US\$	ICE	Prepayment of loans OECF, BID 796, and Credit Suisse Elect. Telec.
Reconversión BID 1931 A/OC-CR - Tramo B	10/07/2008	15/02/2018	10	3	7	Half-yearly	Libor 6m + 3,00%	Var.	2,00%	0,50%	196	US\$	ICE	Prepayment of loans OECF, BID 796, and Credit Suisse Elect. Telec.
B.I.D. No. 1908 / OC-CR CLIPP	25/05/2009	25/05/2034	25	5	20	Half-yearly	Libor 6m + 0,80%	Var.	0,00%	0,25%	250	US\$	Government	Electric Development Program 2008-2011.
<b>Organismos bilaterales:</b>														
Corporación Andina de Fomento (C.A.F.)	09/04/2008	09/04/2023	15	3	12	Half-yearly	Libor 6m + 1,70%	Var.	2,00%	0,25%	100	US\$	ICE	Studies or construction of Projects: Toro III, Diquís, Pacure and Pirris
Japan Bank For International Cooperation	09/04/2001	20/04/2026	25	7	18	Half-yearly	0,022	Fixed	2,00%	0,00%	206	US\$	Government	Pirris Hydroelectric Project
<b>Bancos comerciales:</b>														
Citibank	14/12/2005	14/12/2015	10	1	9	Half-yearly	8,25% - According to bank policies	Var.	-	0,00%	75	US\$	ICE	Prepayment 572
M & T Bank No. 1	16/12/2009	30/12/2016	7	-	7	Half-yearly	Libor 6m + 2,15%	Var.	-	0,00%	9	US\$	ICE	Cost of equipment (steel sheets, tunnel and surge tank for Toro III H. P.)
M & T Bank No.2	15/12/2010	11/12/2015	5	-	5	Half-yearly	Libor 6m + 1,85%	Var.	-	0,00%	10	US\$	ICE	Projects executed by UEN PySA
BNP Paribas A	01/09/2010	20/06/2015	5	-	5	Half-yearly	Libor 6m + 4,50%	Var.	1,00%	0,00%	6	US\$	ICE	Various projects
BNP Paribas B	01/09/2010	20/06/2015	5	-	5	Half-yearly	Libor 6m + 1,15%	Var.	-	0,00%	16	US\$	ICE	Various projects

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	Date of contract	Expiration date	Term of debt (years)	Period of grace (years)	Term of amortization (years)	Type of period of payment	Interest rate	Type of interest rate	Default interest rate	Rate of commission	Amount of contract	Currency	Guaranty	Finance
<b>Sector telecommunications</b>														
<b>Internal debt:</b>														
Renegotiated debt - Portion V	21/05/1989	21/05/2015	25	-	25	Half-yearly	6.75%	Fixed	6.75%	-	1	US\$	Government	Refinance of debt with commercial banking
Trust BCR - Building Telecommunications	22/04/2010	22/07/2022	12	-	12	Monthly	TBP + 3.75%	Var.	-	-	27.550	€	ICE	Titulación inmobiliaria ICE
<b>Deuda externa:</b>														
<b>Multilateral organizations</b>														
Reconversión BID 1931 A/OC-CR - Tramo A	10/07/2008	15/02/2023	15	3	12	Half-yearly	Libor 6m + 3,625%	Var.	2,00%	-	12	US\$	ICE	Prepayment of loans OECF, BID 796, and Credit Suisse
Reconversión BID 1931 A/OC-CR - Tramo B	10/07/2008	15/02/2018	10	3	7	Half-yearly	Libor 6m + 3,00%	Var.	2,00%	-	14	US\$	ICE	Prepayment of loans OECF, BID 796, and Credit Suisse
<b>Bilateral organizations</b>														
Natexis Banque	09/09/1982	30/06/2013	31	16	15	Half-yearly	3,50%	Fixed	2,50%	-	4	US\$	Government	Refinance of debt with Cit Alcatel
<b>Commercial banks</b>														
Nordea Export & Project Finance No.1	29/06/2009	28/02/2014	5	0	5	Half-yearly	2,51%	Fixed	-	-	37	US\$	ICE	Purchase of Equipment and Services from Ericsson
Nordea Export & Project Finance No.2	04/11/2010	08/12/2015	5	0	5	Half-yearly	2,51%	Fixed	-	-	10	US\$	ICE	Purchase of Equipment and Services from Ericsson
Cisco Systems No.1	15/04/2010	06/04/2013	3	0	3	Quarterly	3,25%	Fixed	18,00%	-	50	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.2	25/05/2011	13/09/2018	7	1	6	Quarterly	3,00%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.3	25/05/2011	13/09/2018	7	1	6	Quarterly	3,00%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.4	25/05/2011	13/09/2018	7	1	6	Quarterly	3,39%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.5	25/05/2011	08/10/2018	7	1	6	Quarterly	3,01%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.6	25/05/2011	08/10/2018	7	1	6	Quarterly	3,01%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.7	25/05/2011	07/11/2018	7	1	6	Quarterly	3,04%	Fixed	13,00%	-	56	US\$	ICE	Purchase of Equipment and Services from CISCO
Cisco Systems No.8	25/05/2011	29/11/2018	7	1	6	Quarterly	3,04%	Fixed	13,00%	-		US\$	ICE	Purchase of Equipment and Services from CISCO
ECl Telecom (credit supplier)	16/03/2011	01/06/2016	5	-	5	Quarterly	4,95%	Fixed	-	-	11	US\$	ICE	Purchase of Equipment and Services from CISCO
ECl Telecom 2 (credit supplier)	08/12/2011	11/11/2016	5	-	5	Quarterly	4,95%	Fixed	-	-	11	US\$	ICE	Expansion and modernization of the network DWDM
HUAWEI TECHNOLOGIES CO. LTD. (credit supplier)	25/05/2011	15/01/2017	6	-	6	Half-yearly	5,45%	Fixed	-	-	11	US\$	ICE	Installation of network equipment and training
M & T Bank #2	15/12/2010	15/12/2015	5	-	5	Half-yearly	Libor 6 m + 1,85%	Var.	-	-	10	US\$	ICE	Equipment and services for the extension of the 3G Adv. Mobile Syst. Network.
Honk Kong Shanghai Bank Corp. (HSBC) Panamá	01/11/2010	08/11/2015	5	-	5	Half-yearly	Libor 6 m + 4,95%	Var.	0,00%	-	20	US\$	ICE	Mobile telephone system expansion Internet service supply
<b>Documents payable - Subsidiaries</b>														
<b>CNFI</b>														
Instituto Crédito Oficial Reino de España	15/07/2002	25/09/2032	30	10	20	Half-yearly	0,70%	Fixed	Libor 6 m +1	0,15% Manag.	-	US\$	Government	Underground electrification network - San Jose
Deutsche Bank, Sociedad Anónima Española	15/07/2002	20/04/2015	13	3	10	Half-yearly	5,86%	Fixed	7,86%	0,15% Manag.	-	US\$	Government	Underground electrification network - San Jose
Kreditanstalt Für Wiederaufbau # 1 (KfW)	16/12/2005	30/09/2018	10	12 y 9m	12 y 9m	Half-yearly	3,80%	Var.	Libor 6 m +2	1,25%	-	US\$	ICE	EI Encanto Hydroelectric Project
Kreditanstalt Für Wiederaufbau # 2 (KfW)	25/09/2008	30/03/2020	10	2	12	Half-yearly	3,80%	Var.	Libor 6 m +2	1,25%	-	US\$	ICE	EI Encanto Hydroelectric Project
BICSA - Credit Line Disbursement N°1	27/05/2010	27/05/2013	3	-	3	Half-yearly	5,00%	Fixed	5,00%+30% = 6,50%	0,25% Manag.	-	US\$	Promis. Note	Supplying resources for the acquisition of assets, material and equipment, as well as to finance Balsa Inferior Hydroelectric project
BICSA - Credit Line Disbursement N°2	08/12/2011	08/12/2014	3	-	3	Half-yearly	6,50%	Fixed	-	0,125% Superv.	12	US\$	Promis. Note	Supplying resources for the acquisition of assets, material and equipment, as well as to finance Balsa Inferior Hydroelectric project
<b>RACSA</b>														
Banco Centroamericano de Integración Económica (B.C.I.E.)	04/12/2006	12/01/2017	10	3	7	Half-yearly	6,85%	Var.	30,00%	0,75%	-	US\$	Promis. Note	Acquisition of Submarine Cable on Costa Rican's Pacific shore
Control Electrónico S.A. (CESA)	06/05/2010	06/11/2015	5,5	6 months	5	Monthly	7,50%	Fixed	-	0,25%	-	US\$	Obj. of purchase	Extending the Java architecture, Open Source Solutions
Banco Interamericano de Desarrollo (BICSA)	30/03/2011	28/03/2012	1	-	1	Quarterly	3,00%	Fixed	-	-	2	US\$	Promis. Note	Working capital
CSI Leasing	19/05/2011	19/05/2018	7	-	7	Quarterly	6,60%	Var.	-	\$46 miles	9	US\$	Obj. of purchase	Financial rental platform for inf. services
Prival Bank	07/09/2011	07/09/2016	5	12 months	4	Monthly	7,5%	Fixed	-	1% flat	4	US\$	Bill of exchange	Linking with STM-16 capacity

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Interest rate	Type of interest rate	Date of the contract	Date of expiration	Debt term (days)	Up to December 31, 2011	Disbursed amount 2012	Amortizations 2012	Estimated Quantification - Exchange difference	Up to June 30, 2012
TBP + 1.50% = 11.25%	Fixed	09/05/2012	29/06/2012	51 days	5.000	10.000	15.000	(302)	(302)
Fixed Rate 1,75%	Fixed	09/05/2012	09/07/2012	49 days	5.183	-	5.183	-	-
Libor Rate 2 months + 3.15425 = 3.50%	Variable	04/05/2012	04/07/2012	60 days	5.775	-	-	-	5.775
Libor Rate 3 months 0,5612% + 2,4388% = 3%	Variable	18/05/2012	18/10/2012	153 days	-	3.852	-	-	3.852
Libor Rate 6 months 2,5676% = 3.30%	Variable	18/05/2012	18/10/2012	183 days	-	1.296	-	-	1.296
Libor Rate 2 months + 2.95295% = 3.30%	Variable	23/05/2012	23/06/2012	63 days	-	663	663	-	-
Fixed Rate 1,71560	Fixed	24/04/2012	26/06/2012	66 days	5.181	5.181	10.362	-	-
Fixed Rate 1,53875%	Fixed	29/05/2012	28/06/2012	30 days	10.369	10.369	20.738	-	-
Fixed Rate 3.35%	Fixed	25/05/2012	25/06/2012	31 days	12.440	-	12.440	-	0
Fixed Rated 3.35%	Fixed	23/05/2012	25/06/2012	33 days	2.592	5.183	7.775	-	0
Fixed Rated 3.25%	Fixed	08/05/2012	08/06/2012	30 days	-	2.073	2.073	-	-
Fixed Rated 11.25%	Fixed	09/05/2012	29/06/2012	32 days	3.300	3.300	6.600	-	-
Libor Rated 3 months + 2,40% - (0,61360+2,40% = 3,0136%)	Variable	26/04/2012	24/06/2012	90 days	10.367	-	10.367	-	-
Fixed Rate 3,2081%	Fixed	14/02/2012	14/08/2012	182 days	-	2.592	2.592	-	-
Fixed Rate 3,16%	Fixed	10/01/2012	09/05/2012	120 days	-	2.592	2.592	-	-
Fixed Rate 3,16%	Fixed	10/05/2012	09/07/2012	50 days	-	2.592	2.592	-	-
Libor Rate 2 months + 2.25% = 2,59575%	Fixed	08/05/2012	06/07/2012	59 days	3.109	3.109	3.109	(724)	2.385
Libor Rate 2 months+ 2.25% = 2,59575%	Fixed	10/05/2012	09/07/2012	60 days	-	15.550	15.550	-	-
Fixed Rate 3,2081%	Fixed	14/02/2012	14/08/2012	182 days	-	10.367	-	-	10.367
Fixed Rate 3,2031%	Fixed	27/02/2012	24/08/2012	179 days	-	4.665	-	-	4.665
Libor Rate 2 months + 2.25% = 2,59575%	Fixed	10/05/2012	09/07/2012	50 days	-	15.550	7.775	-	7.775
Fixed Rate 2,7741%	Fixed	08/12/2011	22/12/2011	14 days	5.184	-	5.183	-	1
Fixed Rate 3,09605%	Fixed	19/04/2012	18/06/2012	60 days	5.183	10.367	15.550	-	-
Fixed Rate 3,2081%	Fixed	14/02/2012	14/08/2012	182 days	-	5.183	-	(145)	5.039
						-	-	-	-
									40.852

The most relevant disbursements to June 30<sup>th</sup>, 2012, are the following:

Commercial Credit Line Commercebank: a disbursement for ¢5.181, 90 day term, annual rate of 1.71565%, expiring July, 2012, and another disbursement for ¢10.369, 30 day term, annual rate of 1.53875%, expiring June, 2012.

Bladex Credit Line: disbursement for ¢7.774, 60 day term, rate of 2.59575%, expiring June, 2012.

Scotiabank Credit Line: disbursement for ¢5.183, 18 day term, annual rate of 3.15425%, expiring June, 2012.

Citibank Credit Line: disbursement for ¢10.367, for working capital, 4 day term, rate of 2.64525%, expiring June, 2012. The previous disbursements are for working capital.

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Notes to the Consolidates Financial Statements  
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**Note 18. Obligations against loans – long term**

The obligations against loans are detailed below:

<b>Obligations against Loans</b>	<b>To June 30<sup>th</sup> 2012</b>
<b>Other Loans</b>	
Supplier Credits	4.079
<b><u>Subtotal External Debt</u></b>	<b><u>4.079</u></b>

Under the supplier credit method, to June 30<sup>th</sup>, 2012, 2 disbursements were recorded in the Telecommunications Sector, for a total amount of ¢ 4.079 corresponding to Purchase Orders #356628 and #359307, for the services rendered in the installation of network equipment and training regarding DWDM technologies with ECI Telecom Costa Rica and for installation services for the SMA-36 2.2 Network in favor of Huawei Technologies Co. Ltd.

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**Note 19. Accounts Payable**

Accounts payable are detailed below:

<b>Accounts payable</b>	<b>Up to June 30 2012</b>	<b>Up to December 31 2011</b>
<b><u>ICE:</u></b>		
Material suppliers	120.196	111.350
Other suppliers	20.589	20.208
Service suppliers	18.290	6.955
Banks credit balance	1.335	-
Tax	12.308	13.900
Payroll and salary retentions	7.656	7.082
<b>Subtotal ICE</b>	<b>180.374</b>	<b>159.495</b>
<b><u>CNFL:</u></b>		
Tax	1.645	1.649
Retention to officers	941	863
Accumulated not financial expenses payable	602	567
Other creditors	247	701
<b>Subtotal CNFL</b>	<b>3.435</b>	<b>3.780</b>
<b><u>RACSA:</u></b>		
Accounts payable foreign lines	450	3.169
Other creditors	-	332
Suppliers and national institutions	2.558	274
<b>Subtotal RACSA</b>	<b>3.008</b>	<b>3.775</b>
<b>Total Grupo ICE</b>	<b>186.817</b>	<b>167.050</b>
<b>Long term</b>	<b>64.123</b>	<b>44.288</b>
<b>Short term</b>	<b>122.694</b>	<b>122.762</b>

(Continues)

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Detail of the main purchase orders reclassified to long term by June 30<sup>th</sup>:

Purchase order #	Supplier	Up to June 30, 2012
<b>Electricity</b>		
363869	Huawei Technologies Co.LTD	3.398
364940	Andritz Hydro GMBH	6.436
356609	Andritz Hydro GMBH	4.184
356611	Andritz Hydro GMBH	1.631
361843	Veizades & Associates, Inc.	1.670
362644	Andritz Hydro S.R.L. Unipersonale	17.726
362646	Andritz Hydro GMBH	19.536
363890	Sumec Complete Equipment and Engineering Co. LTD	7.430
Otros	Préstamo Mogote	2.112
<b>Total</b>		<b>€ 64.123</b>

Purchase order #	Supplier	Up to December 31, 2011
<b>Electricity</b>		
356609	Andritz Hydro GMBH	€ 1.178
356611	Andritz Hydro GMBH	1.631
361843	Veizades & Associates, Inc.	2.069
362644	ANDRITZ HYDRO S.R.L UNIPERSONALE	17.726
362646	Andritz Hydro GMBH	19.536
Otros	Préstamo Mogote	2.148
<b>Total</b>		<b>€ 44.288</b>

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**Note 20. Accrued Expenses – Employer obligations**

The movements for accrued expenses regarding employer obligations are detailed below:

<b>Accumulated expenses - employer's obligations</b>	<b>Up to June 30 2012</b>	<b>Up to December 31 2011</b>
<b><u>ICE:</u></b>		
Christmas legal bonus	¢ 12.387	1.484
School salary	7.643	14.513
Vacations	11.059	12.763
Professional Risks	-	-
<b>Sub total ICE</b>	<b>¢ 31.089</b>	<b>28.760</b>
<b><u>CNFL:</u></b>		
Christmas legal bonus	¢ 2.278	348
School salary	2.187	4.164
Vacations	2.421	2.720
Third biweekly period of payment	1.218	964
Fifth biweekly period of payment	147	78
Provisions for litigations	258	-
<b>Sub total CNFL</b>	<b>¢ 8.509</b>	<b>8.274</b>
<b><u>RACSA:</u></b>		
Christmas legal bonus	¢ 290	36
Vacations	455	455
<b>Sub total RACSA</b>	<b>¢ 745</b>	<b>491</b>
<b>Total Grupo ICE</b>	<b>¢ 40.344</b>	<b>37.525</b>

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

**Note 21. Legal provisions**

The legal provisions are detailed below:

Legal provisions		Up to June 30	Up to December 31
		2012	2011
<b><u>ICE:</u></b>			
Legal employees' payment	¢	8.988	7.947
Professional risk		4.870	5.733
Provision liabilities contingency		7.811	10.394
<b>Sub total ICE</b>	<b>¢</b>	<b>21.670</b>	<b>24.074</b>
<b><u>CNFL:</u></b>			
Legal employees' payment short term	¢	1.000	1.000
Legal employees' payment long term		17.705	16.765
Worker Protection Law		128	117
Cash Shortage and Work Funds		5	6
<b>Sub total ICE</b>	<b>¢</b>	<b>18.838</b>	<b>17.888</b>
<b><u>RACSA:</u></b>			
Provision liabilities contingency		18	132
<b>Sub total RACSA</b>	<b>¢</b>	<b>18</b>	<b>132</b>
<b>Total Grupo ICE</b>	<b>¢</b>	<b>40.526</b>	<b>42.095</b>

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Notes to the Consolidated Financial Statements  
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**Note 22. Order Accounts**

Accounts of order	Up to June 30 2012	Up to December 31 2011
<b>ICE:</b>		
<b>Guaranties received:</b>		
Fulfillment	162.467	139.696
Participation	1.524	3.197
Bids	8	8
Collectors	3.770	3.765
<b>Sub-total</b>	<b>167.769</b>	<b>146.666</b>
<b>Other guaranties received:</b>		
Various services	4.147	4.249
<b>Sub-total</b>	<b>4.147</b>	<b>4.249</b>
<b>Guaranties given to thirds:</b>		
Fulfillment	5.999	10.420
<b>Sub-total</b>	<b>5.999</b>	<b>10.420</b>
<b>Sub-total ICE</b>	<b>196.855</b>	<b>161.335</b>
<b>CNFL:</b>		
<b>Contingency assets:</b>		
Savings and loan fund	27.569	24.832
I.C.E. right of way - Cote Plant	7	7
Request of materials in transit	1.122	772
Request of local materials in transit	420	421
Asociación Solidarista de Empleados de Fuerza y Luz (ASEFYL)	10.516	9.640
Guaranty deposits (electric consumption)	59	59
Rental of poles	77	67
Participation	245	673
Fulfillment of contracted manpower	78	87
Charging of electric services	712	711
Lending of materials	229	208
Fulfillment - supplying office	11.437	9.592
Deposit guaranties rendering officers	204	208
<b>Sub-total CNFL</b>	<b>52.675</b>	<b>47.277</b>
<b>Liabilities contingencies:</b>		
Covenants for payment - household appliances finance	54	65
<b>Sub- total</b>	<b>54</b>	<b>65</b>
<b>Sub-total CNFL</b>	<b>52.729</b>	<b>47.342</b>
<b>RACSA:</b>		
Deposits in guaranty	902	861
<b>Sub total RACSA</b>	<b>902</b>	<b>861</b>
<b>Total Grupo ICE</b>	<b>250.486</b>	<b>209.538</b>

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Notes to the Consolidated Financial Statements  
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**Note 23. Revenue from services**

Revenue for services is detailed below:

Income for services	For the period ended on June 30th	
	2012	2011
<b>ICE:</b>		
Telecommunication Services	¢ 251.980	253.211
Electricity Services	189.058	179.791
Institutional Services	1.207	3.389
<b>Sub total ICE</b>	<b>442.245</b>	<b>436.391</b>
<b>CNFL:</b>		
Electricity Services	129.132	126.562
<b>Subtotal CNFL</b>	<b>129.132</b>	<b>126.562</b>
<b>RACSA:</b>		
Telecommunication Services	12.027	13.406
<b>Subtotal RACSA</b>	<b>12.027</b>	<b>13.406</b>
<b>Total Group ICE</b>	<b>¢ 583.404</b>	<b>576.359</b>

**Service Regulation**

Energy Services:

Law Number 7593 “Regulating Authority for Public Services (ARESEP) Law”, dated August 9<sup>th</sup> of the year 1996, establishes that the “Regulating Authority will determine the prices and tariffs; it will also oversee the compliance of the quality, quantity, reliability, continuity, opportunity and optimal provision standards, specifically in the energy supply during the stages of generation, transmission, distribution and marketing.”

Telecommunications services:

Article 50, “prices and tariffs”, of the General Telecommunications Law Number 8642, dated May 14<sup>th</sup> of the year 2008, state the following: “tariffs for the telecommunication services available to the public shall be established, at first, by the Telecommunications Superintendence (SUTEL), pursuant to the methodology of maximum prices or any other that promotes competition and efficacy in the use of resources, according to the basis and within the regulations.”

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**Note 24. Operation and maintenance costs**

The operation and maintenance costs include the costs related with the consumption of fuel in the thermal plants, which are detailed below:

Fuel consumption	For the period ended on	
	June 30	
	2012	2011
<b><u>Thermic plant:</u></b>		
Garabito	¢ 47.835	43.847
Moin III	3.002	13.122
Moín I	2.283	3.057
Moín II	2.207	17.932
Pujol - Pococi Plant	1.624	2.219
Pujol - Orotina Plant	1.275	1.974
Colima	1.190	1.538
San Antonio	785	1.459
Barranca	569	1.316
Planta Portátil Barranca	363	18.819
<b>Total Group ICE</b>	<b>¢ 61.133</b>	<b>105.283</b>

The operation startup at the end of the year 2011 for important renewable energy projects, such as the Pirrís Hydroelectric Project and Las Pailas Geothermal Project have allowed a decrease in fuel consumption for the year 2012, in Moín II and Moín III Plants, in the amounts of ¢15,725 and ¢10,120, respectively.

Also, Barranca Mobile Plant is cancelled, resulting in the decrease of ¢18,456 presented in the year 2011, in comparison with the year 2012. However, the Garabito Geothermal Plan presents a generation similar to that of the year 2011, as a result of the deficit in flow caused by the El Niño Phenomenon.

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**Note 25. Operation and maintenance of leased equipment**

The expenses for operation and maintenance of leased equipment is detailed below:

Cost of operation and maintenance for rented equipment	For the period ended on June 30	
	2012	2011
<b>ICE:</b>		
Thermic generation	¢ 48.198	62.521
Hydraulic generation	8.921	8.941
Civil and electromechanics	4.894	4.847
Access	4.436	8.986
Aeolian generation	4.322	60
Transportation	3.324	7.698
Platforms	2.704	4.191
Substations	2.726	2.401
Transmission lines	1.451	1.252
<b>Sub total</b>	<b>80.976</b>	<b>100.897</b>
Elimination of institutional services	1.361	1.238
<b>Total Group ICE</b>	<b>¢ 79.615</b>	<b>99.659</b>

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ICE Group has a policy to record and classify all the telecommunications, transmission and energy generation plant leased equipment as operational leases. A detail of these contracts is shown below:

General aspects of the contract				Amount in million US dollars										
Service order	Supplier	Date of contract	Approximate ending date	Amount of the contract	Total paid	Balance service order June 30, 2012	Paid 2012	Number of fees	Amount of fee	Value of purchase option	Expenditure registered during 2012	Frequency of the fee	Object of the contract	
323411	Consortium ECI Telecom	29-sep-05	28-feb-14	US \$ 32	23	10	5	20	2	3	€	1.683	Quarterly	Purchase of Equipment for Optic Fiber Transportation System
343012	Consortium Huawei Technologies (2)	10-feb-09	26-mar-15	233	108	125	23	20	First phase US\$8; second phase US\$4	23	12.101	Quarterly	Wireless System Third Generation.	
1691	Entitling Trusteeship - Peñas Blancas (3)	16-ago-00	16-jul-15	119	92	27	4	155	Between US\$875 and US\$725 (in thousands)	19	1.931	Monthly	Electric Infrastructure.	
No order	Entitling Trusteeship Cariblanco	03-jul-03	31-dic-19	304	116	188	10	147	2	8	5.365	Monthly	Rental Cariblanco Hydroelectric Plant	
No order	Trusteeship for Garabito Thermic Project (3)	05-nov-07	31-mar-22	743	126	617	26	142	5	213	16.258	Monthly	Rental Garabito Thermic Plant	
342071	Alstom Power Rentals	01-jul-09	30-ago-11	51	48	3	1	24	2	-	363	Monthly	Rental Operation and Maintenance - Barranca Site Electric Generation Plant.	
333059	Las Pailas Geothermic Plant (4)	07-mar-07	31-dic-23	240	8	232	8	24	8	-	4.224	Monthly	Rental of Las Pailas Geothermic Plant.	
<b>Total</b>				<b>US\$ 1.723</b>	<b>522</b>	<b>1.202</b>	<b>78</b>			<b>€</b>	<b>41.924</b>			

Generalidades del contrato

Service order	Supplier	Date of contract	Approximate ending date	Amount of the contract	Total paid	Balance service order June 30, 2012	Paid 2012	Number of fees	Amount of fee	Value of purchase option	Expenditure registered during 2012	Frequency of the fee	Object of the contract	
350702	Cooperativa de Electrificación Rural Guanacaste	16-feb-10	06-sep-21	€ 87.848	13.807	74.040	2.618	138	Variable entre €617 y €473	€3.541 aproximadamente	€	2.618	Mensual	Infraestructura para transmisión eléctrica Liberia, Papagayo - Nuevo Colón.

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(2) Huawei Technologies Consortium Lease:

Corresponds to the lease of a third generation wireless system. The first phase of the lease consists of the installation of wireless mobile system network called third generation advanced mobile system (3G), with an initial capacity of 950 thousand 3G lines for voice and data. The second phase consists of enabling new sites (installation of antennas for the mobile telephone network (3G) and conditioning of the already existing lines to complete coverage of the design proposed during the first phase.

(3) Securitization Trusts:

ICE celebrated Securitization Trust contracts jointly with Banco Nacional de Costa Rica and Banco de Costa Rica, in which ICE acts as the trustor and trustee and the banks acts as fiduciary, with the goal independent generation and management of the financial resources necessary for the construction of the Peñas Blancas and Cariblanco Hydroelectric Project and the Garabito Thermal Plant.

Said trusts may obtain those resources through the acquisition of commercial loans and the issuance, placement and administration of bonds, as a result of the securitization Process. Currently, the trusts are authorized to issue public debt and for June 30<sup>th</sup> of the 2012, the financial statements for said trusts record liabilities for such concept.

For the construction of the aforementioned plants, the respective trusts will hire ICE, considering its experience with the development of these types of projects. The trusts, acting as owners of the said plants, will lease them to ICE for terms that range from 11 to 13 years, at the end of which ICE has the possibility to execute the purchase option established in the contract.

The main provisions contained in the trust contracts are summarized as follows:

- The object of these contracts is to create trusts for the generation and administration of the resources necessary for the demand of development of the projects, acting as a means to create the autonomous assets to be used in the securitization process and to obtain the resources necessary for financing the project.
- The trust assets for each trust shall be comprised of the following:
  - a) The liquid resources collected by the trusts from the issuance and placement of debt bonds.
  - b) The properties, real estate and chattels belonging to the settlor, 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

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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 settlor, as required for the development of the projects, and all the intellectual information and studies produced for and during the development of the project's works in charge of the trusts.

- c) The revenue agreed for the lease of the plants/
- d) Any other revenue that could be perceived by the trusts under normal operation.
- The trustee may only use the trust assets according to the provisions expressly contained in the trust contracts and pursuant to the instructions issued by the settlor. Both exercising powers of disposal over the trust estate by the settlor and the trustee's powers to issue instructions on its assets, are limited to the execution of those acts that are strictly necessary to fulfill the purpose of the trust
- The financial policy for the trust will be to destine the resources obtained through securitization and temporary investments to the construction of the projects, payment of debt, and to cover the operation costs of the trusts; once the previous commitments are met, all the trust assets will be fully owned by the settlor.
- The settlor must appoint a Manager for the Execution Unit, which must be accepted by the trust, and whom shall act as the superior, with the inherent rights and duties therein.
- The settlor 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 contract.
- On the expiration date of the trust contracts, automatically all trust assets, with no exception, delay or underlying condition, will be transferred with full right to the settlor, who shall hold legitimate ownership.
- The term of the trusts will be 20 years for the Peñas Blancas trust and 30 years for Cariblanco and Garabito.
- On May 2011, the President of the Republic officially inaugurated the Garabito Thermal Plant.

(4) Las Pailas Geothermal Plant Lease:

On December 2006, ICE's Board agreed to the approval of Las Pailas Geothermal Project through an execution-financing scheme referred to as "nontraditional", in which ICE will be the constructor, Banco Centroamericano de Integración Económica (BCIE) will be the investor, developer and owner.

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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 of 2007, ICE and BCIE signed a contract for the lease with purchase option for Las Pailas Geothermal Plant, which include the following main provisions:

- 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 amount of the lease is US\$10 million per semester, plus a fee for maintenance, which ranges between US\$0.5 and US\$1 million per semester.
- The total amount of the lease is US\$240 million, including fees for lease and maintenance.
- 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 phase.
- BCIE will invest in the construction of the plant in an amount of up to US\$130 million.
- BCIE accepts that ICE will perform the construction of the plan until it is fully finished and it is connected to the National Interconnection System.
- The total investment accrued during the construction phase will be recorded in US dollars and solely for the following entries:
  - a) Actual amount accrued of direct investment for investments executed by BCIE in the construction of the plant.
  - b) 0.75% of the direct investment in charge of BCIE and only once upon the first disbursement made by BCIE as part of the direct investment.
  - c) 0.75% of the resources linked to the estimated direct investment are pending to be used in the construction of the plant.
  - d) Yield in function of LIBOR rate at six months over 2.25% over the partial accrued investment created during the construction phase of the Plant.
  - e) Administrative expenses derived from the creation and operation of the Management Unit of the Project to be created by BCIE, as provided for in the contract.
- ICE agrees to lease the plant. ICE will be the “lessee” and BCIE the “lessor”.
- The lease will start 48 months after the order for commencement of construction of the plant.
- In the event that ICE does not execute the purchase option, the parties may agree to extend the lease contract for a term up to 6 years, which require an extension to the contract. ICE may exercise the purchase option before conclusion of the contract on an amount equal to the balance of the pending investment for recovery by BCIE.

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Cancelled Leases 2011:

Ericsson de Costa Rica Lease:

Corresponds to the lease of 600,000 integral GSM technology wireless telephone solutions, plus the associated services and components. In August 2007, ICE and Ericsson established an extension of the original lease contract, increasing the amount of solutions leased in 300,000, for a total of 600,000 solutions.

Through an agreement issued by the Corporate Acquisition Board, in article 4 of Meeting 227 of November 29<sup>th</sup>, 2011, it is agreed to exercise the purchase option contained in bid 7149-T, processed for the lease with purchase option of 900,000 integral wireless solutions, GSM technology, plus the associated components, as follows:

- Equipment and licenses (original contract) US\$7,791,147 (seven million seven hundred ninety one thousand one hundred forty seven dollars no cents).
- Equipment and licenses (additional contract) US\$3,435,052 (three million four hundred thirty five thousand fifty two dollars no cents).

Alstom Power Rental Lease

- In August, 2011, the contract between ICE and Alstom Power Rental for the lease, operation, and maintenance of the Barranca Energy Generation Plan ended its term.

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**Note 26. Supplementary purchases and services**

The supplementary purchases and services incurred in the years 2012 and 2011 are detailed below:

Supplementary purchases and services	For the period ended on June 30	
	2012	2011
<b><u>Telecommunications:</u></b>		
Telephone participation	¢ 10.254	8.652
National Traffic Operators	1.262	-
Channels rental	582	733
Television	467	16
Integral solutions	50	59
<b>Total Telecommunications</b>	<b>12.615</b>	<b>9.460</b>
<b><u>Electricity:</u></b>		
<b><u>Import:</u></b>		
Regional Operating Entity (EOR)	4.054	572
Mercado Eléctrico de El Salvador	2.920	222
Excelergy S.A de c.v.	1.327	38
Others	247	295
<b>Sub total import</b>	<b>8.548</b>	<b>1.127</b>
<b><u>Cogenerators:</u></b>		
Unión Fenosa Generadora La Joya	6.694	6.200
Planta Eólica Guanacaste, S.A.	5.783	5.672
Hidroenergía Del General (HDG), S.R.L.	5.040	5.119
Geoenergía de Guanacaste Ltda.	4.477	4.493
Hidroeléctrica Doña Julia	2.552	1.990
Plantas Eólicas, S.A.	2.308	1.787
Molinos de Viento Del Arenal, S.A.	2.032	2.364
Hidroeléctrica Platanar, S.A.	1.811	1.436
Proyecto Hidroeléctrico Río Volcán, S.A.	1.612	1.295
Hidroeléctrica Zarcas, S.A.	1.611	1.299
Hidroeléctrica Río Lajas, S.A.	1.532	409
Ingenio Taboga, S.A.	1.486	891
Proyecto Hidroeléctrico Pedro, S.A.	1.441	1.201
Azucares el Viejo S.A	1.265	774
Aeroenergía S.A	728	601
Inversiones la Manguera S.A	586	589
Empresas Electricas Matamoros S.A	492	430
Hidroelectrica Caño Grande S.A.	382	307
Hidroelectrica Venecia S.A	376	304
Others	949	670
<b>Sub-total Cogenerators</b>	<b>43.157</b>	<b>37.831</b>
<b><u>Purchases for export:</u></b>		
Regional Operating Entity (EOR)	2.304	1
<b>Total Electricity</b>	<b>2.304</b>	<b>1</b>
<b>Total Group ICE</b>	<b>¢ 66.624</b>	<b>48.419</b>

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**Co-generators:**

Under the terms of Law 7200 “Law for authorization of autonomous or parallel energy generation”, which declares purchasing energy by ICE as public interest, from those private companies that comply with the conditions contained in this Law, ICE has established contracts with various co-generators for purchasing energy.

To June 30<sup>th</sup> of the years 2012 and 2011, ICE maintains agreements with the following co-generators: Geoenergía de Guanacaste, S.R.L. Unión Fenosa Generadora La Joya, Hidroenergía del General (HDG), S.R.L. and Planta Eólica Guanacaste, S.A. During the term of these agreements, the co-generators must construct, operate and maintain their respective plants. The energy produced by them must be exclusively purchased by ICE. At the end of the terms of this agreements, the property, management and operation of the energy plants automatically transfers to ICE, free of encumbrances. The respective co-generators or ICE may request an early transfer of the energy plant.

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

- The co-generators shall be responsible for financing, design, procurement of supplies, construction, evidences, 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 co-generators shall produce energy with the quality and standards of operation set forth in each contract and will deliver them to ICE in full, with the exception of that required to feed the auxiliary equipment and for servicing of the plants, pursuant to the contracts.
- The co-generators 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 co-generator, its contractors, subcontractors or suppliers, excluding force majeure.

From the plant’s commercial operation commencement date, the co-generators must, at their own expense, obtain and maintain, at least, the following insurance policies, according to their availability in the market: occupation risk insurance, all liability for physical injuries.

The ICE may suspend the reception of energy generated by the co-generators and shall be exempt of payment for said energy during such period of suspension, for the following reasons:

- i) Alteration of meters.
- ii) A condition in the point of delivery, under the responsibility of the co-generator.
- iii) Inability of the co-generator to supply the energy in accordance with the parameters of operation required.

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- iv) For failure to renew the compliance bond.
- v) For failure to renew the insurance policies.

The agreements shall remain in force for the terms ranging from 15 to 20 years, ending between April, 2012 and December, 2027.

**Note 27. Administrative Expenses**

The administrative expenses are detailed below:

	For the period ended on	
	June 30	
	2012	2011
<b><u>ICE:</u></b>		
Remunerations	16.661	16.256
Services	1.831	2.999
Depreciation of other assets in operation	723	925
Current transfers	579	504
Materials and supplies	371	446
Use of service centers	2.343	3.389
Others	1.239	932
<b>Subtotal ICE</b>	<b>23.747</b>	<b>25.451</b>
Elimination of institutional services	190	111
<b>Subtotal ICE</b>	<b>23.557</b>	<b>25.340</b>
<b><u>CNFL:</u></b>		
Administrative expenses	6.438	6.108
<b>Subtotal CNFL</b>	<b>6.438</b>	<b>6.108</b>
<b><u>RACSA:</u></b>		
Administrative expenses	10.746	11.400
<b>Subtotal RACSA</b>	<b>10.746</b>	<b>11.400</b>
<b>Total Group ICE</b>	<b>40.741</b>	<b>42.848</b>

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**Note 28. Marketing expenses**

The marketing expenses are detailed below:

	<b>For the period ended on</b>	
	<b>June 30th</b>	
	<b>2012</b>	<b>2011</b>
<b><u>ICE:</u></b>		
Services	¢ 26.466	22.529
Materials and supplies	26.109	870
Remunerations	23.660	22.211
Use of service centers	7.492	10.233
Current transfers	4.045	588
Depreciation of other assets in operation	2.018	1.947
Others	3.858	4.587
<b>Subtotal ICE</b>	<b>93.648</b>	<b>62.965</b>
Elimination of institutional services	<b>825</b>	<b>298</b>
<b>Subtotal ICE</b>	<b>92.823</b>	<b>62.667</b>
<b><u>CNFL:</u></b>		
Expenses consumers	10.619	9.506
<b>Subtotal CNFL</b>	<b>10.619</b>	<b>9.506</b>
<b>Total Group ICE</b>	<b>¢ 103.442</b>	<b>72.173</b>

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**Note 29. Pre-investment studies**

The costs incurred in the years 2012 and 2011, for pre-investment studies are detailed below:

		<b>For the period ended on June 30</b>	
		<b>2012</b>	<b>2011</b>
<b><u>ICE:</u></b>			
Savegre Study	¢	1.807	1.913
Ayil Hydroelectric Project		798	27
Pocosol - Arenal Study		124	32
RC 500 Study		111	10
Mundo Nuevo Study		4	131
Others		71	28
<b>Total Group ICE</b>	<b>¢</b>	<b>2.915</b>	<b>2.141</b>

The SAVEGRE Project incurred in expenses in the sum of ¢1,807 (¢1.913 in 2011), for engineering, site feasibility and connected works for the conduction tunnel and water intake studies. According to the current schedule, it is expected that these studies be ready by the year 2013.

The Ayil project executed an agreement with the indigenous communities for a term of three years, for the project studies to be conducted in indigenous lands. To be able to perform these studies, a series of access roads are necessary, which would imply the construction of several bridges, reason why expenses have greatly increased during these periods.

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**Note 30. Supplementary operation expenses**

Pursuant to the provisions contained in the Administrative Procurement Law Number 7497, ICE must provide supervision to the projects built by third parties, and if reimbursement of these disbursements to ICE is uncertain, the costs relating to the supervision (during all stages) will be recognized in the results for the term, which are detailed as follows:

	<b>For the period ended on June 30</b>	
	<b>2012</b>	<b>2011</b>
<b><u>ICE:</u></b>		
Pirris Hydroelectric Project	¢ 510	1
Advance mobile services	177	557
Chuscas Hydroelectric Project	165	80
Torito Hydroelectric Project	134	39
Balsa Inferior Hydroelectric Project	56	14
Transmission Tejar	6	102
Other	130	52
<b>Total Group ICE</b>	<b>¢ 1.177</b>	<b>845</b>

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**Note 31. Other products and other expenses**

Other products and other expenses are detailed below:

Other products	For the period ended on June 30	
	2012	2011
<b>ICE:</b>		
Exchange fluctuations (2)	¢ 45.928	17.378
Construction services (1)	18.525	22.044
Interests and other financial products	14.385	6.613
Other products	9.296	9.793
<b>Subtotal ICE</b>	<b>¢ 88.133</b>	<b>55.828</b>
<b>CNFL:</b>		
Exchange fluctuations	1.461	904
Financial income	140	317
Other products	1.565	4.040
<b>Subtotal CNFL</b>	<b>¢ 3.166</b>	<b>5.261</b>
<b>RACSA:</b>		
Exchange fluctuations	666	218
Interests and other financial products	130	110
Other products	182	869
<b>Subtotal RACSA</b>	<b>¢ 977</b>	<b>1.197</b>
<b>Total Group ICE</b>	<b>¢ 92.277</b>	<b>62.286</b>
<hr/>		
Other expenses	For the period ended on June 30	
	2012	2011
<b>ICE:</b>		
Interests and other financial expenses	¢ 59.513	22.169
Contracts of civil and electromechanical works (1)	18.318	23.357
Exchange fluctuations (2)	8.276	1.608
Other expenses	1.512	801
<b>Subtotal ICE</b>	<b>¢ 87.619</b>	<b>47.935</b>
<b>CNFL:</b>		
Interests and other financial expenses	806	949
Exchange fluctuations	338	508
Other expenses	1.280	347
<b>Subtotal CNFL</b>	<b>¢ 2.424</b>	<b>1.804</b>
<b>RACSA:</b>		
Interests and other financial expenses	632	506
Other expenses	42	41
<b>Subtotal RACSA</b>	<b>¢ 674</b>	<b>547</b>
<b>Total Group ICE</b>	<b>¢ 90.717</b>	<b>50.286</b>

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- (1) The construction services include invoices for advances or completion of works by contract for engineering, design, construction and other specialized services in the projects during the construction phase, such as in the Garabito Thermal Plant, Las Pailas Geothermal Project, and Toro III Hydroelectric Plant.
- (2) To June 30<sup>th</sup>, 2012, an exchange rate of 503,85 (¢509.57 in 2011) for US\$1 was used, respectively, for the valuation of assets and liabilities in foreign currency.

### **Note 32. Tax regulations**

#### **Tax Obligations – ICE**

ICE Group has tax obligations governed by the provisions contained in: Income Tax Law and its Bylaws, General Sales Tax Law and its Bylaws, General Customs Law and its Bylaws, Law for Strengthening and Modernizing Public Entities in the Telecommunications Sector, and the General Telecommunications Law Number 8642.

#### **Income Tax – ICE**

The Instituto Costarricense de Electricidad is a taxpayer subject to the income tax, as it performs lucrative activities and generates profits. Through Law Decree Number 449, regarding the creation of Instituto Costarricense de Electricidad, it is established in article 17 that: “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 execution of national energy plans and the promotion of the industry based in electrical energy.”

Additionally, Law Number 7722, referred to as “Obligation of Government Owned Institutions with regards to Income Tax Payment”, states the following: “the surplus will constitute the taxable income and will be determined by subtracting from the gross income, the costs, expenses and investment or development funds reserves, necessary and pertinent for producing them.”

Given that ICE capitalizes the entirety of its net profits obtained, it does not hold surplus, which means it does not represent taxable income and, therefore, does not generate an obligation in terms of income tax. However, for its normal transactions, the Tax Administration will withhold income tax, which is later applied as payments to the income tax account.

#### **General Sales Tax**

ICE is a taxpayer for the general sales tax, pursuant to the General Sales Tax Law. 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

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consumption; for commercial consumption and rendering of telecommunications services, 13%.

Given that it is a value added tax, ICE in turn pays the sales tax over goods and services it requires for the development of its economic activity. When dealing with goods and supplies that are physically incorporated to energy production and the telecommunication services, pursuant to article 14 of the aforementioned Law, it may apply a tax credit to the sales tax to be paid for that term.

### **Special tax contribution for telecommunications carriers and providers to the National Telecommunications Fund (FONATEL) (General Telecommunications Law Number 8642)**

This contribution is determined through an affidavit, for one calendar year terms. The date for presentation of this affidavit is March 15<sup>th</sup> of every year and the payment of said contribution is distributed in four equal payments, payable on the fifteenth day of March, June, September, and December of each year, after the closing of the corresponding tax term.

The fee for this contribution is an annual fixed amount set by the Telecommunications Superintendence (SUTEL) and it is estimated as a percentage of the gross income earned or accrued directly from the operation of public telecommunications networks available to the public. The percentage established for this contribution range from 1,5% and 3%. In the event that the fee is not defined in a timely manner, the current fee for the immediately prior tax term will be applied. For the years 2011 and 2010, the fee was of 1,5%.

### **Red Tax**

Created through Law 8690 Conventional, destined for financing the Costa Rican Red Cross, "Creation of the Red Tax for Mobile Telephone Services".

This tax corresponds to 1% of the invoice for telephone services exceeding five thousand colones, and must not exceed five hundred colones per telephone line. It will be adjusted in January of every year, according to the inflation rate determined by Banco Central de Costa Rica.

### **Tax for the Fire Department of Costa Rica**

The Law for the Fire Department of Costa Rica Number 8228 of March 19<sup>th</sup>, 2002, was amended through Law Number 8992 Economic Strengthening of the Fire Department of Costa Rica, published in Official Newspaper La Gaceta of September 22<sup>nd</sup> of the year 2011, which among other topics, adds section g) to article 40 – Financing to the Fire Department, which is created as a supplementary source of income for the operation and sustainable growth of the Fire Department of Costa Rica, as a tax equivalent to one point seventy five percent

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(1.75%) to the monthly energy invoice paid by every client or direct consumer of electric energy.

### **Customs Duties**

As set forth in the customs legislation, custom duties are comprised of custom duties and internal taxes, and must be paid in full to legally import goods. The customs tax referred to as DAI is the Import Tariff Law. 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 Consumption Tax (tariff according to goods), Tax Law Number.6946 (1%), General Sales Tax (13%). Other specific taxes from IDA, IFAM, Tax Free Golfito, among others. Therefore, according to the type of merchandise or goods eligible for exemption, ICE has a tax obligation with regards to the goods imported, prior to their nationalization.

### **Corporate Tax (CRICRSA)**

Through Law Number 9024, published in Official Newspaper La Gaceta of Tuesday, December 27<sup>th</sup> of the year 2011, a corporate tax is created for all commercial corporations, as well as agencies of a foreign company or their representative and limited liability companies registered on the January 1<sup>st</sup> of every year, or eventually registered with the National Registry.

Management, control and collection of this tax corresponds to the Ministry of Justice and Peace, through the National Registry.

Said tax must be paid annually and the tariff corresponds to 50% of a base monthly salary (base salary defined for special crimes in the Criminal Code, pursuant to article 2 of Law Number 7337 of May 5<sup>th</sup> of the year 1993) for active corporations or 25% of inactive corporations.

The first annual payment imposed for this tax was performed on April 2012, as said Law was in force starting on April 1<sup>st</sup> and, consequently, collection corresponds solely the proportion of nine months for the year 2012.

Therefore, CRICRSA, as an inactive corporation, paid the sum of ¢67.735 (sixty seven thousand seven hundred thirty five colones no cents), for this corporate tax in the year 2012.

Starting on the year 2013, the annual tax will be paid in January.

### **Other Obligations**

ICE also acts as a tax withholding agent for income tax, pursuant to the provisions contained in the Income Tax Law. Under this scheme, it is withheld from the tax payer and ICE acts as jointly responsible. Within its responsibilities as a withholding agent, it must retain and hand

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over the corresponding taxes to the Tax Administration, on behalf of the income beneficiaries, as detailed below:

- Wages, occupational payments, compensation for personal services and food allowances.
- Remittances or credits in favor of non residents for services such as transportation, communications, technical and financial advisory, personal services and other services, according to type and tariff set forth in articles 55 and 59 of the Income Tax Law.

### **Electricity Contract – CNFL**

The electrical contract, , in force since 1941, governs CNFL’s operation, as set forth in article 32. During the term of the contract, the Company shall continue paying domestic and municipal taxes that were legally current to that date and that observe a general nature also, it must continue paying 5% over gross income received for electrical services to the Municipality of San José, within the central canton of San José.

### **Note 33. Institutional Financial Risk Management**

#### **Risk Management Framework**

ICE Group is exposed to the following risks regarding the use of financial instruments: credit, liquidity and market.

The Institutional Investment Committee is the entity empowered to provide control and follow up to management, specifically regarding temporary investment in the ICE’s Energy and Telecommunications Sectors. It is the entity unto which the Financial Management Unit delegates the responsibility of defining investment policies and procedures.

This Committee approves the document referred to as the Investment Strategy and Management Limits to operate ICE’s investment portfolio. Also, it has a Financial Investment Policies Manual and the procedure to execute investments in the international market, which aims at obtaining more and better diversification of temporary investments.

The Institutional Risk Committee was created on August 26<sup>th</sup> of the year 2011, with the support of the General Management, with the main goal of “overseeing permanent compliance with an efficient financial risk management at an institutional level”. Said entity started operations on October 4<sup>th</sup>, 2011, and is developing the internal regulations and establishing tasks.

The Financial Risk Management and Institutional Financial Coverage Policy was approved and will be in force starting April 12<sup>th</sup>, 2011. Its main goal is to “standardize institutional risk management through minimization as much as possible of systemic or market risk exposure

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# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

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.” The policy and the risk management systems are reviewed every year in order to reflect the changes in the market conditions and ICE’s activities.

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

The Group’s subsidiaries have designed and implemented a set of risk policies in order to minimize the possible adverse effects involving their financial performance

### **Loan Risk:**

Potential losses due to non payment from a client or counterpart in the operations performed by ICE.

As a way of mitigating this risk, control and follow up of risk ratings are implemented for investments on the stock market. There is no collateral received as guarantee for this risk category.

For CNFL, the loan risk is the possibility that the company fails to comply with the payment for capital and/or interests regarding A Series Standardized Bonds, resulting from external and internal factors of the Company, negatively affecting the cash flow, the operational results and the prospective profits.

### *Accounts Receivable*

Accounts receivable are managed directly in the Energy and Telecommunication Service. For the latter, given that it is more susceptible to non compliance regarding loans, a Collection Management Policy was designed, as detailed below.

The process executed 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 payment pending.
- Immediate suspension of electric and telephone services, after date of payment 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.
- Afterwards, an on line collection process is performed, through contracts with external collectors and banks, or internal collection through ICE cashiers.
- Payments that are not collected through the aforementioned means are taken to administrative collection, for which ICE has companies in charge of collection or negotiations with clients for payment agreements, to mitigate clients in default.

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- In this last case, residual default is forwarded to the Institutional Legal Division for court collection.

### *Investments*

From the loan 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 are determined, to which all financial operations are exposed to regarding the financial instruments, such as: short, medium and long term financing, treasury management, credit lines, bank letters, currency purchase and sale, investments, bond issuance, purchase of raw material, among others.

The investment guidelines are approved by the Board and are contained in the General Management Investment Policy Manual. 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.

### **Liquidity Risk:**

Liquidity risks refers to the potential losses for anticipated or forced sale of assets with unusual discounts and that do not allow fulfilling obligations, or due to a position not being transferred, 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 Sectors to provide a higher level of security in the projection of payments to 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, as well as a better management of treasury operations, relating to currency purchase and sale, access to short and medium term credit lines, among others.

Financial Management performs medium and long term cash flow projections that are used to deliver to banks and other external entities the information required.

Treasury management involves the execution of payments and the administration of debt, as well as the creation of the annual cash flow, with information regarding budgets. It also schedules daily cash inflows and outflows that allow resource planning required for significant disbursements. Besides from the budget, the information generated by the institutional payments system and agencies managing contracts for significant amounts is used.

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Projections are performed for external entities and for Treasury Management. External entities usually request projections for 5 to 10 years; Treasury requests monthly cash flow and daily cash inflow and outflow scheduling. Said projections are mainly used by banking and regulating entities, and internally, by the Liquidity Management process.

It is important to mention that liquidity is guaranteed through the optimization of the payment cycle, using first no cost sources and short term credit lines (if necessary) and the payment policy to suppliers is 30 to 45 days, approximately, starting on the date of the event requiring payment and the presentation of due invoice. Also, payments are done once a week, following the institutional policy of paying through wire transfer. Payment orders are processed through the Institutional Payments System.

Regarding credit lines, they are used to cover work capital needs, with the upper limit set by the amounts offered by the bank. For amounts equal or higher than US\$20 million, they are approved by the Acquisitions Board and the Board. According to the cash inflows and outflows schedule, the deficit and term required is determined, to quote to banks and disburse at the lowest cost, and duly document with a promissory note. It is used to cover discrepancies between the date income enters and obligations are paid, and to cover requirements regarding fuel purchases during the first months of the year, for thermal generation or as a bridge in the event of a delay in the inflow of long term resources.

### **Market Risks:**

The market risk is the risk resulting from changes in market prices, e.g., exchange rates, interest rates or stock prices affecting ICE 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 financial instruments derived from administration of existing market risk. All coverage operations are valued according to the value provided to the instrument's issuer. Coverage accounting is used for those instruments so classified, in order to mitigate volatility in the results.

The following risks have been determined for financial operations: variations in the interest rate (domestic and foreign) and foreign currency exchange rate, for which 10 derived financial instruments have been obtained: 3 to cover interest rate risk, which are one Swap, one Plain Vanilla and one Forward Starting; 1 to cover Japanese yen to dollar exchange, called Cross Currency Swap and 6 to cover colón/dollar exposure.

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The general characteristics of the market risk positions covered by the derivatives are presented as follows:

<i>Detail</i>	<i>Portion B</i>	<i>Portion A</i>	<i>YENES</i>	<i>Dollar/Colon 1 year</i>	<i>Dollar/Colon 3 years</i>	<i>Dollar/Col 7 year</i>	<i>Dollar/Col 10 months</i>	<i>Dollar/Col 1 year</i>	<i>Dollar/Colon 1 year</i>
<b>Deuda cubierta:</b>	BID-1931 B/OC-CR	BID-1931 A/OC-CR	JIBC-CR-P3	BCIE -1599	BCIE -1599	BCIE -1599	BEI - 1.6970	Placement A - ICE 13	INS Title N°1
Main amount	\$210.000.000	\$171.000.000	¥8.170.293.196	\$30.000.000	\$40.000.000	\$40.000.000	\$10.000.000	\$20.000.000	\$20.000.000
Covered amount	N/A	N/A	N/A	€15.099.000.000	€20.132.000.000	€20.132.000.000	€5.050.000.000	€10.060.000.000	€10.096.000.000
Exchange rate	N/A	N/A	N/A	€503.30	€503.30	€503.30	€505.00	€503.00	€504.80
Date of contract	08/05/2008	27/01/2009	17/02/2010	30/03/2011	29/03/2011	29/03/2011	15/06/2011	13/05/2011	16/06/2011
Date for start of coverage or first payment	12/06/2008	14/01/2010	20/10/2009	26/09/2011	28/07/2011	02/05/2011	20/04/2012	30/11/2011	20/07/2011
Date of coverage expiration	15/02/2018	14/07/2023	20/04/2026	26/03/2012	28/01/2014	02/11/2017	20/04/2012	30/05/2012	20/07/2012
Term	10 years	15 years	17 years	1 year	3 years	7 años	10 meses	1 year	1 year
Base rate	Libor 6 Months	Libor 6 Months		Libor 6 Months	Libor 6 Months	Libor 6 Months	0,61325%	0,38%	Libor 3 Months
Spread above/below base rate	3,00%	3,625%	2,2%	9,25%	Basic rate	Basic rate	0,00%	0,00%	8,42%
Fixed rate	4,37%	3,23%	3,13%	0,00%	2,85 pb	2,95 pb	8,50%	8,40%	0,00%
Fixed total rate	7,37%	6,855%	5,33%	9,25%	Basic rate + 2,85 pb	Basic rate +2,95 pb	8,50%	8,40%	8,42%
Strategy	Coverage	Coverage	Coverage	Coverage	Coverage	Coverage	Coverage	Coverage	Coverage
Covered risk	Interest rate	Interest rate	Dollar/colon exchange rate	Dollar/colon exchange rate	Dollar/colon exchange rate	Dollar/colon exchange rate	Dollar/colon exchange rate	Dollar/colon exchange rate	Dollar/colon exchange rate
Type of coverage	Cash Flow Hedge	Cash Flow Hedge	Fair Value Hedge Accounting	Cash Flow Hedge	Fair Value Hedge Accounting	Fair Value Hedge Accounting	Cash Flow Hedge	Cash Flow Hedge Non Deliverable	Cash Flow Hedge
Tool contract	Plain Vanilla Swap	Forward Starting	Cross Currency Swap	Currency Swap	Currency Swap	Currency Swap	Currency Swap	Currency Swap	Currency Swap

Source: Financial Risk Management Process

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**Capital Management**

The Law for the Creation of Instituto Costarricense de Electricidad, Number 449 of April 8<sup>th</sup>, 1949, article 17 of Chapter IV Assets and Profits, establishes the following: ICE's financial policy shall be to capitalize on net profits obtained through the sale of energy and any other source it may hold, in the financing and execution 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 Agencies, but will rather use all means at its disposal to increase energy production as the basic industry for the Nation.

The group's policy is to keep a solid capital base, in order to be viewed with confidence by the general market and to guarantee the Group's future growth. Yield over investment are monitored by Senior Management.

It aims at maximizing profitability with regards to capital and financial investments, through an adequate balance between debt and invested capital, aiming at decreasing the risk involved.

During this year, there has been no change in the way the Group's capital is managed. The Group is not subject to external capital requirements.

ICE's adjusted debt-capital index by the end of the consolidates balance sheet term is the following:

Index Debt - Capital	Up to June 30 2012	Up to December 31
<b>Group ICE</b>		
Total liabilities	¢ 2.116.155	2.002.256
(-) Cash and equivalent to cash	(159.954)	(146.872)
<b>Debt, net</b>	<b>1.956.201</b>	<b>1.855.384</b>
Total patrimony	2.824.052	2.826.138
Minus:		
Amount accumulated in patrimony in relation to coverage of cash flow	(20.305)	(18.583)
Capital adjusted	¢ 2.844.357	2.969.722
<b>Index debt Group ICE</b>	<b>0,689</b>	<b>0,623</b>

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements  
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**Exposure to Credit Risk**

The value in books for the financial assets represent the maximum credit exposure. The maximum credit exposure is the following:

Value in books of financial assets	Up to June 30 2012	Up to December 31 2011
<b>Group ICE</b>		
Banks	¢ 4.305	7.952
Transitory investments	156.765	140.060
Valuation of investments	113	1.323
Long term investments	20.742	20.271
Fund of savings and loans	162.798	150.204
Funds of restricted use	1.644	7.146
Documents and account payable	256.856	279.343
<b>Total Group ICE</b>	¢ <b>603.222</b>	<b>606.299</b>

The maximum credit risk exposure to the date of the consolidated balance sheet by geographical region is the following:

By geographical region	Up to June 30, 2012	Up to December 31 2011
National	¢ 249.801	271.902
External	7.055	7.441
<b>Total by geographical region</b>	¢ <b>256.856</b>	<b>279.343</b>

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The maximum credit exposure by type of client, to the date of the consolidated balance sheet, is the following:

By type of client	Up to June 30, 2012	Up to December 31 2011
Private people	¢ 108.515	99.931
Toro III (1)	70.437	55.941
Clients high, medium and low tension	22.552	65.583
Telephonic administrators	7.213	7.441
Distributing companies	9.565	11.523
Government	10.988	10.708
Account receivable to subsidiaries	-	5.042
Selling of devices (terminals)	3.520	4.750
I.N.S. Indemnity of Cote Plant	2.014	4.146
Operators and suppliers of services	6.089	4.652
Public lighting system	1.185	884
Others	14.778	8.742
<b>Total by type of client</b>	¢ <b>256.856</b>	<b>279.343</b>

(Continues)



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The risk classifications reported to June 30<sup>th</sup>, 2012 are shown below:

Emisor	ISIN	Instrumento	Calificación de Riesgo 1/
<b>ICE</b>			
Banco BAC San José, S.A.	0NROICE00107	Certificado de Deposito a Plazo (Ventanilla)	scrAA+
Banco BAC San José, S.A.	0NROICE00181	Certificado de Deposito a Plazo (Ventanilla)	scrAA+
Banco BAC San José, S.A.	0NROICE00187	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco BAC San José, S.A.	CRBSJ00B1608	Bono BSJ	SCR AAA
Banco BANSOL Banco de Soluciones	0NROICE00189	Certificado de Deposito a Plazo (Ventanilla)	SCR 2
Banco Central de Costa Rica	0NROICE00205	Deposito Electronico a Plazo	F1+ (cri)
Banco Central de Costa Rica	CRBCCR0B3496	Recompra	-
Banco Central de Costa Rica	CRBCCR0B3538	Recompra	(en blanco)
Banco Central de Costa Rica	CRBCCR0B3553	Recompra	-
Banco Central de Costa Rica	CRBCCR0B3827	Recompra	-
Banco Central de Costa Rica	CRBCCR0B3850	Recompra	-
Banco Central de Costa Rica	CRBCCR0B3850	Recompra	F1+ (cri)
Banco Central de Costa Rica	CRBCCR0C3776	Bono Estabilización Monetaria 0 Cupón	(en blanco)
Banco Central de Costa Rica	CRBCCR0C3792	Bono Estabilización Monetaria 0 Cupón	(en blanco)
Banco Central de Costa Rica	CRBCCR0C3917	Bono Estabilización Monetaria 0 Cupón	(en blanco)
Banco Central de Costa Rica	CRBCCR0B3512	Recompra	(en blanco)
Banco Centroamericano de Integración Economica	CRBCIE000165	Bono HSBC	F1+ (cri)
Banco CITIBANK (CMB COSTA RICA)	0NROICE00101	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C49F7	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C58D3	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Crédito Agrícola de Cartago	00BCAC0C83E9	Recompra	(en blanco)
Banco Crédito Agrícola de Cartago	00BCAC0C85E4	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Crédito Agrícola de Cartago	0NROICE00124	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CE168	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CE168	Recompra	-
Banco de Costa Rica	00BCR00CEP45	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CF49	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CFT24	Recompra	-
Banco de Costa Rica	00BCR00CFU13	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CFW45	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	00BCR00CGA65	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco de Costa Rica	0NROICE00193	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco de Costa Rica	0NROICE00197	Certificado de Deposito a Plazo (Ventanilla)	(en blanco)
Banco de Costa Rica	0NROICE00198	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco de Costa Rica	0NROICE00198	Certificado de Deposito a Plazo (Ventanilla)	(en blanco)
Banco de Costa Rica	CRBCR00B2760	Bono BCR	AA (cri)+
Banco de Costa Rica	CRBCR00C2967	Papel comercial	F1+ (cri)
Banco de Costa Rica	CRBCR00C3015	Papel comercial	F1+ (cri)
Banco de Costa Rica	CRBCR00C3023	Papel comercial	F1+ (cri)
Banco de Costa Rica	CRBCR00C3031	Papel comercial	F1+ (cri)
Banco de Costa Rica	CRBCR00C3049	Papel comercial	F1+ (cri)+
Banco de Costa Rica	CRBCR00C3056	Papel comercial	F1+ (cri)
Banco Hipotecario de la Vivienda -BANHVI-	0NROICE00100	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Hipotecario de la Vivienda -BANHVI-	CRBANVIB00037	Bono Banhvi	F1+ (cri)
Banco Internacional de C.R. -Miami-	0NROICE00046	Overnight	AA -
Banco Internacional de C.R. -Miami-	0NROICE00051	Overnight	AA -
Banco Internacional de C.R. -Miami-	0NROICE00052	Overnight CLIPP	AA -
Banco Internacional de C.R. -Miami-	0NROICE00146	Certificado de Deposito a Plazo (Ventanilla)	AA -
Banco Nacional de Costa Rica	00BNCRC04919	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCRC05213	Recompra	(en blanco)
Banco Nacional de Costa Rica	00BNCRC05810	Recompra	-
Banco Nacional de Costa Rica	00BNCRC071H5	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCRC07612	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCRC079G0	Recompra	-
Banco Nacional de Costa Rica	00BNCRC081H4	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Nacional de Costa Rica	00BNCRC082H2	Recompra	-
Banco Nacional de Costa Rica	00BNCRC08H2	Recompra	(en blanco)
Banco Nacional de Costa Rica	0NROICE00182	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00190	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00195	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00196	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00199	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00200	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00201	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00202	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00203	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	0NROICE00204	Instrumento de Corto Plazo	F1+ (cri)
Banco Nacional de Costa Rica	CRBNCR0B1026	Recompra	-
Banco Nacional de Costa Rica	CRBNCRC01512	Papel comercial	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CE658	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF028	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF176	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF184	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF192	Recompra	-
Banco Popular y de Desarrollo Comunal	00BPDC0CF424	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF432	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CF960	Recompra	-
Banco Popular y de Desarrollo Comunal	00BPDC0CF960	Recompra	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CI436	Recompra	-
Banco Popular y de Desarrollo Comunal	00BPDC0CI733	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CI816	Certificado de Deposito a Plazo (macrofítulo)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NROICE00108	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NROICE00141	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NROICE00166	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NROICE00188	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	0NROICE00194	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPD00B6517	Recompra	AA (cri)+
Banco Popular y de Desarrollo Comunal	CRBPD00B6608	Recompra	-
Banco Popular y de Desarrollo Comunal	CRBPD00C6631	Papel comercial	F1+ (cri)
Banco Popular y de Desarrollo Comunal	CRBPD00C6656	Papel comercial	F1+ (cri)
Banco Popular y de Desarrollo Comunal	00BPDC0CJ038	Recompra	F1+ (cri)
Banco Scotiabank de Costa Rica, S.A.	0NROICE00191	Certificado de Deposito a Plazo (Ventanilla)	F1+ (cri)
Compañía Nacional de Fuerza y Luz -CNFL-	CRCLFLUZB0207	Bono CNFL	AAA (cri)

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Emisor	ISIN	Instrumento	Calificación de Riesgo 1/
<b>ICE</b>			
GOBIERNO	0NR0ICE00156	Titulo propiedad macro cero cupón (Ventanilla)	-
GOBIERNO	CRBCCR0B3371	Bono Estabilización Monetaria Tasa Fija	(en blanco)
GOBIERNO	CRBCCR0B3496	Bono Estabilización Monetaria Tasa Fija	(en blanco)
GOBIERNO	CRG0000B0566	Recompra	-
GOBIERNO	CRG0000B37G9	Recompra	-
GOBIERNO	CRG0000B37G9	Recompra	F1+ (cri)
GOBIERNO	CRG0000B45G2	Recompra	(en blanco)
GOBIERNO	CRG0000B45G2	Recompra	(en blanco)
GOBIERNO	CRG0000B55G1	Recompra	F1+ (cri)
GOBIERNO	CRG0000B55G1	Titulo de Propiedad	(en blanco)
GOBIERNO	CRG0000B62G7	Recompra	-
GOBIERNO	CRG0000B62G7	Recompra	(en blanco)
GOBIERNO	CRG0000B62G7	Titulo de Propiedad	(en blanco)
GOBIERNO	CRG0000B63G5	Recompra	-
GOBIERNO	CRG0000B63G5	Recompra	(en blanco)
GOBIERNO	CRG0000B64G3	Recompra	-
GOBIERNO	CRG0000B64G3	Recompra	AA (cri)+
GOBIERNO	CRG0000B64G3	Recompra	(en blanco)
GOBIERNO	CRG0000B72G6	Recompra	(en blanco)
GOBIERNO	CRG0000B73G4	Recompra	-
GOBIERNO	CRG0000B82G5	Recompra	(en blanco)
GOBIERNO	CRG0000C77G3	Titulo propiedad macro cero cupón	(en blanco)
GOBIERNO	CRG0000C79G9	Titulo propiedad macro cero cupón	(en blanco)
GOBIERNO	CRG0000C85G6	Titulo propiedad macro cero cupón	(en blanco)
GOBIERNO	USP3699PAA59	Bono deuda externa Costa Rica	(en blanco)
GOBIERNO	USP3699PAE71	Recompra	(en blanco)
GOBIERNO	USP3699PEM51	Bono deuda externa Costa Rica	(en blanco)
GOBIERNO	USP3699PEM51	Bono deuda externa Costa Rica	(en blanco)
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	CRMADAPB2277	Bono MADAP	SCR AA +
Industria Nacional de Cemento	CRINCO0B0126	Bono INC (HOLCIM)	AAA (cri)
Junta Adm. de Servicios Electricos Cartago	CRJASECB0036	Bono Emisión Privada - JASEC -	(en blanco)
Mutual de Ahorro y Préstamo	CRMUCAPB1383	Bono MUCAP	F1+ (cri)
SAFI Banco de Costa Rica	BCRLlcFI	BCR Corto Plazo Colones -No diversificado-	SCR AAF 2+
SAFI Banco de Costa Rica	BCRMXeFI	BCR MIXTO Corto Plazo Colones -No diversificado-	SCR AAF 3
SAFI Banco Nacional de Costa Rica	BNASUPERcFI	BN Superfondo Colones -No Diversificado-	SCR AAF 2+
SAFI Banco Nacional de Costa Rica	FI-000000001	BN Dinerfondo Colones -No Diversificado-	SCR AAF 2+
SAFI Banco Popular	FI-000000006	Popular Mercado de Dinero Colones -No Diversificado-	SCR AAF 2
SAFI Instituto Nacional de Seguros	BANCREDILASCcFI	INS Liquidez Publico Colones -No diversificado-	SCR AAF 2
SAFI SCOTIABANK	ITFCPPUSFI	Scotia Público Dólares -No Diversificado-	SCR AAF 2+
<b>CNFL</b>			
Banco Nacional de Costa Rica - Dólares		Certificado de depósito a plazo US\$	n/a
<b>RACSA</b>			
BICSA		Certificado Depósito a Plazo	n/a
<b>CRICSA</b>			
BN Sociedad de Fondos de Inversión, S.A.		Fondos de inversión Diner Fondos Colones	SCR AAF 2+

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Exposure to Liquidity Risk**

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

Liabilities	Value on Books	Expected Cash Flow	12 months or less	1-2 years	2-5 years	More than 5 years
<b>Long Term Liabilities</b>						
Title deeds payable	₡ 756.747	756.747	0	62.829	48.702	645.216
Documents payable	₡ 632.503	632.503	-	178.560	296.978	156.965
Accounts payable	₡ 64.123	64.123	-	57.212	5.406	1.504
<b>Total Long Term Liabilities</b>	<b>1.453.373</b>	<b>1.453.373</b>	<b>0</b>	<b>298.601</b>	<b>351.086</b>	<b>803.685</b>
<b>Circulating</b>						
Title deeds payable	27.013	27.013	27.013	-	-	-
Documents payable	143.661	143.661	143.661	-	-	-
Accounts payable	122.694	122.694	122.694	-	-	-
<b>Total Short Term Liabilities</b>	<b>293.368</b>	<b>293.368</b>	<b>293.368</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Liabilities</b>						
Accounts payable	2.420	2.420	-	2.420	-	-
<b>Total Other Liabilities</b>	<b>2.420</b>	<b>2.420</b>	<b>-</b>	<b>2.420</b>	<b>-</b>	<b>-</b>
<b>Total Group ICE</b>	<b>1.749.161</b>	<b>1.749.161</b>	<b>293.368</b>	<b>301.021</b>	<b>351.086</b>	<b>803.685</b>

# INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

## Notes to the Consolidated Financial Statements

*(In millions of colones)*

Of ICE Group's liabilities and investments, detailed below are the most representative movements for each, according to amount:

- Financing of generation projects and improvements on generation and transmission projects, for a total amount of US\$125 million, corresponding to the issuance of E2 Series bonds.
- Construction and equipping of the Pirrís Hydroelectric Plan, in the amount of US\$115,6 million, to creditor BCIE 1599-P.H. Pirrís.
- Prepayment of loan OECF, BID 796 and Credit Suisse Electricidad, in the amount of US\$145,9 million, From creditor BID 1931 Part A.
- Prepayment of loan OECF, BID 796 and Credit Suisse Electricidad, in the amount of US\$167,6 million, to creditor BID 1931 Part B.
- Financing of the Reventazón Hydroelectric Project and the El Diquis Hydroelectric Project, in the amount of US\$500 million, corresponding to the issuance of international bonds.
- Construction of the Pirrís Hydroelectric Plan, in the amount US\$173.2 million, to creditor JBIC Pirrís.
- Instituto Crédito Oficial Reino de España (I.C.O), with a balance of US\$26 million, for CNFL's underground electric distribution network.
- Kreditanstalt Fur Wiederaufbau (KfW) Bank, with a balance of US\$36 million, financing for CNFL's El Encanto Hydroelectric Project.
- Deutsche Bank S.A.E. loan, with a balance of US\$26 million, for CNFL's underground electric distribution network.
- Issuance of Series B-1 Bonds, Issuance of Series B-2, Bonds Issuance of Series B-3 Bonds, for US\$81 million, CNFL's Balsa Inferior Hydroelectric Project.
- External debt, Control Electrónico S.A (CESA) for US\$9.4 million, extension of the JAVA architecture, open code solutions, RACSA.
- External debt, BCIE for US\$8.8 million, underwater cable of the Costa Rican Pacific, RACSA.
- Financial lease, CSI for US\$ 8,1 million; information services platform, RACSA.
- Prival Bank S.A., for US\$ 4 million; link with STM-16 capacity, RACSA.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

- BICSA, for US\$2 million, working capital, RACSA.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

Notes to the Consolidated Financial Statements

(In millions of colones)

The credit lines with financial institutions used for working capital, acquired during the second semester of the year 2012, are detailed below

Bank Entity	Approved amount of line	Purpose	Date of disbursement or renewal	Amount of disbursement of renewal	Currency	Interest rate	Expiration date	Amount paid/Renewal	Date of payment	Date of renewal (only renewals)	Amount indebted
Citibank	50	Working capital. Opening and refinance - credit letters	27/12/2011	20	US\$	Libor (1m) + 2.25% =2.60645%	27/01/2012	20	-	27/01/2012	-
			28/01/2012	20	US\$	Libor (3m) + 2.40% = 3.01360%	26/04/2012	20	-	26/04/2012	-
			26/04/2012	20	US\$	Libor (2m)+2.40% = 2.74675%	25/06/2012	20	-	25/06/2012	-
			25/06/2012	20	US\$	Libor (1m) + 2.40%=2.64525%	29/06/2012	20	29/06/2012	-	-
Scotiabank	50	Opening and refinance - credit letters, working capital, issuance of compliance guaranties.	09/12/2011	5.000	Colones	Tasa Básica Pasiva = 7.75% (Colones)	09/01/2012	5.000	09/01/2012	-	-
			10/01/2012	5.000	Colones	TBP+1.75%=9.75% (Colones)	09/05/2012	5.000	09/05/2012	-	-
			10/05/2012	5.000	Colones	TBP+1.50%= 11.25% (Colones)	29/06/2012	5.000	29/06/2012	-	-
			08/12/2011	10	US\$	Libor (1m) + 1.48% = 1.75%	09/01/2012	10	-	09/01/2012	-
			10/01/2012	10	US\$	Libor (4m) + 1.8915%=2.55%	09/05/2012	10	-	09/05/2012	-
			09/05/2012	10	US\$	Libor (2m)+ 3.15428%=3.50%	29/06/2012	10	29/06/2012	-	-
			18/04/2012	3	US\$	Libor (6m) + 2.5676%= 3.30%	18/10/2012	-	-	-	3
BNP PARIBAS	30	Opening and refinance - letters of credit and working capital	14/02/2012	10	US\$	Libor (6m) + 2.45% = 3.2081%	14/08/2012	-	-	-	10
BLADEX	65	Opening and refinance - credit letters, working capital, issuance of compliance guaranties.	11/09/2011	6	US\$	Libor (6m) + 2.65% = 3.2866%	07/05/2012	6	07/05/2012	-	-
			08/05/2012	6	US\$	Libor (2m) + 2.25% = 2.59575%	06/07/2012	-	-	-	6
			12/08/2011	10	US\$	Libor (1m) + 2.50% =2.7741%	09/01/2012	10	09/01/2012	-	-
			10/01/2012	15	US\$	Libor (4m) + 2.65% = 3.31%	09/05/2012	15	09/05/2012	-	-
			10/05/2012	15	US\$	Libor (2m) + 2.25% = 2.59575%	29/06/2012	15	29/06/2012	-	-
			10/01/2012	15	US\$	Libor (4m) + 2.65% = 3.31%	09/05/2012	15	09/05/2012	-	-
			10/05/2012	15	US\$	Libor (2m) + 2.25% = 2.59575%	09/07/2012	-	-	-	15
14/02/2012	20	US\$	Libor (6m) + 2.45% = 3.2081%	14/08/2012	-	-	-	20			
27/02/2012	9	US\$	Libor (6m) + 2.45% = 3.2081%	24/08/2012	-	-	-	9			
Banco de San José (BAC)	10	Opening and refinance - credit letters, working capital, issuance of compliance guaranties.	12/07/2011	3.300	Colones	TBP+0.75%=8.25% (Colones)	09/01/2012	3.300	-	10/01/2012	-
			10/01/2012	3.300	Colones	TBP+1.70%=9.70% (Colones)	09/05/2012	3.300	09/05/2012	-	-
			10/05/2012	3.300	Colones	Tasa fija 11.25% (Colones)	29/06/2012	3.300	29/06/2012	-	-
Honk Kong Shanghai Bank Corp (HSBC)	60	Working capital and issuance of compliance guaranties	29/11/2011	24	US\$	Tasa fija 3.00%	25/05/2012	24	-	25/05/2012	-
			25/05/2012	24	US\$	Tasa fija 3.35%	25/06/2012	24	25/06/2012	-	-
			27/12/2011	5	US\$	Tasa fija 3.15%	23/03/2012	5	23/03/2012	-	-
			23/03/2012	5	US\$	Tasa fija 2.70%	22/05/2012	5	22/05/2012	-	-
			23/05/2012	5	US\$	Tasa fija 3.35%	25/06/2012	5	25/06/2012	-	-
			08/05/2012	4	US\$	Tasa fija 3.25%	08/06/2012	4	08/06/2012	-	-
Global Bank	20	Working capital	07/12/2011	10	US\$	Libor (1m) + 1.50% = 1.7741%	09/01/2012	10	09/01/2012	-	-
			10/01/2012	10	US\$	Libor (3m) + 2.50% = 3.0825%	09/04/2012	10	09/04/2012	-	-
			19/04/2012	10	US\$	Libor (2m) + 2.75% = 3.09605%	18/06/2012	10	18/06/2012	-	-
Mercantil Commerce Bank	30	Working capital. Opening and finance - credit letters	21/11/2011	10	US\$	Libor (5m) + 1.20% = 1.81611%	19/04/2012	10	19/04/2012	-	-
			28/11/2011	20	US\$	Libor (6m) + 1.25% = 1.9689%	25/05/2012	20	25/05/2012	-	-
			29/05/2012	20	US\$	Libor (1m) + 1.30% = 1.53875%	28/06/2012	20	28/06/2012	-	-
			24/04/2012	10	US\$	Libor (3m) + 1.25% = 1.71565%	29/06/2012	10	29/06/2012	-	-
Banco Aliado de Panamá	10	Working capital. Opening and finance - credit letters	10/01/2012	5	US\$	Libor (4m) + 2.50% = 3.16%	09/05/2012	5	09/05/2012	-	-
			10/05/2012	5	US\$	Tasa fija 3.16%	29/06/2012	5	29/06/2012	-	-
			14/02/2012	5	US\$	Libor (6m) + 2.45% = 3.2081%	29/06/2012	5	29/06/2012	-	-

Note: \*\*They correspond to disbursements made in 2011 which were transferred to 2012 because expected long term financing 2011 would be entering until 2012, that is why they only reflect in this file to show the continuity in time, en el tiempo.

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

The following table shows the terms during which cash flow is produced, associated with the derived financial instruments:

In million colones	Value in books	Expected Cash Flow	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Cross Currency Swap							
Activos	₡ 1.273	15.250	1.065	1.010	1.914	4.836	6.424
Pasivos	-	-	-	-	-	-	-
Swap							
Activos	(53)	66	19	17	22	8	-
Pasivos	-	-	-	-	-	-	-
Forward Staring Swap							
Activos	-	-	-	-	-	-	-
Pasivos	(8.992)	9.392	1.040	1.000	2.134	4.068	1.149
Plain Vanilla Swap							
Activos	-	-	-	-	-	-	-
Pasivos	(10.457)	11.041	1.705	1.739	2.950	4.377	270
Cross Currency Swap 1 año							
Activos	-	-	-	-	-	-	-
Pasivos	(686)	1.413	719	695	-	-	-
Cross Currency Swap 3 años							
Activos	-	-	-	-	-	-	-
Pasivos	(1.221)	4.516	1.108	1.137	2.271	-	-
Cross Currency Swap 7 años							
Activos	-	-	-	-	-	-	-
Pasivos	(961)	14.015	1.064	1.242	2.477	7.075	2.156
Cross Currency Swap 8 meses							
Activos	(198)	318	-	318	-	-	-
Pasivos	-	-	-	-	-	-	-
Cross Currency Swap 1 año Barclays							
Activos	232	1.032	510	522	-	-	-
Pasivos	-	-	-	-	-	-	-
Cross Currency Swap 1 año Trimestral							
Activos	-	-	-	-	-	-	-
Pasivos	(265)	210	210	-	-	-	-

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS

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

**Exposure to Currency Risk**

ICE Group's exposure to foreign currency risk is the following:

	Dollars		Yens		Euros	
	June 2012	Dec. 2011	June 2012	Dec. 2011	June 2012	Dec. 2011
<b>Asset</b>						
<b>ICE</b>						
Material in transit for investment	185	202	478	561	95	77
Long term investments	2	3	-	-	-	-
Documents receivable	11	8	-	-	-	-
Banks and transitory investments	66	124	-	-	-	-
Funds of restricted use	2	2	-	-	-	-
Accounts receivable for service rendered	43	48	-	-	-	-
Accounts receivable not commercial	3	5	-	-	-	-
Guaranties received in values	1	1	-	-	-	-
Material in transit for operation	4	30	0	0	0	-
Valuation of derived financial tools	3	11	-	-	-	-
<b>Total assets en foreign currency - ICE</b>	<b>319</b>	<b>434</b>	<b>478</b>	<b>561</b>	<b>95</b>	<b>77</b>
<b>CNFL</b>						
Banks and transitory investments	12	18	-	-	-	-
Accounts and documents receivable	4	8	-	-	-	-
Guaranties of environmental commitment	1	1	-	-	-	-
<b>Total assets in foreign currency - CNFL</b>	<b>18</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RACSA</b>						
Banks and transitory investments	1	8	-	-	-	-
Long term investments	-	-	-	-	-	-
Accounts receivable	2	3	-	-	-	-
<b>Total assets in foreign currency - RACSA</b>	<b>3</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets en foreign currency</b>	<b>340</b>	<b>473</b>	<b>478</b>	<b>561</b>	<b>95</b>	<b>77</b>
<b>Liabilities</b>						
<b>ICE</b>						
Securities payable	1 059	776	-	-	-	1
Long term and short term documents payable	1 143	1.188	13.826	14.324	1	-
Obligations against loans	8	54	-	-	-	-
Deposits received in guaranty	1	-	-	-	-	72
Accounts payable	149	125	75	353	91	-
Accumulated financial expenses payable	33	26	-	-	-	-
Income received in advance	-	-	-	-	-	-
Deposits private people	2	2	-	-	-	-
Provisions	5	6	-	-	-	-
Appraisal of derived financial tools	45	39	-	-	-	-
<b>Total liabilities for currency</b>	<b>2 446</b>	<b>2 216</b>	<b>13 901</b>	<b>14 677</b>	<b>91</b>	<b>73</b>
<b>Excess of liabilities over assets</b>	<b>2 127</b>	<b>1 782</b>	<b>13 423</b>	<b>14 116</b>	<b>(4)</b>	<b>(4)</b>
<b>CNFL</b>						
Long term and short term documents payable	79	81	-	-	-	-
Financial expenses accumulated payable	0	-	-	-	-	-
<b>Total liabilities for currency</b>	<b>79</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of liabilities over assets</b>	<b>61</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RACSA</b>						
Long term and short term documents payable	37	28	-	-	-	-
Deposits received in guaranty	1	1	-	-	-	-
Accounts payable	8	16	-	-	-	-
Financial expenses accumulated payable	0	-	-	-	-	-
<b>Total liabilities for currency</b>	<b>47</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of liabilities over assets</b>	<b>43</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities for currency - Group ICE</b>	<b>2.572</b>	<b>2.342</b>	<b>13.901</b>	<b>14.677</b>	<b>91</b>	<b>73</b>
<b>Excess of liabilities over assets - Group ICE</b>	<b>2.232</b>	<b>1.869</b>	<b>13.423</b>	<b>14.116</b>	<b>(4)</b>	<b>(4)</b>

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Notes to the Consolidated Financial Statements

*(In millions of colones)*

The items in US \$ were updated to the currency exchange rate of colones versus dollars, which to June 30<sup>th</sup> of the year 2012, was set at ¢503,85 (December 2011, ¢518,33), respectively.

The main exchange rates used to June 30<sup>th</sup> of the year 2012 and December 31<sup>st</sup> of the year 2011 are detailed below:

Name of the currency	Exchange range into US\$	
	jun-12	dic-11
Swedish Krona	6,90	6,89
Euro	1,27	1,30
Colones	503,85	518,33
Japanese Yen	79,58	76,91

ICE Group acts in accordance with the provisions contained in Law 7558 of November 27<sup>th</sup> of the year 1995, Banco Central de Costa Rica (BCCR) Organic Law, for currency operations. Article 89 of this law states the following: “Those public sector institutions not belonging to the bank system shall perform their currency purchase and sale transactions through BCCR or the State’s commercial banks...”

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Notes to the Consolidated Financial Statements  
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**Sensitivity Analysis**

The strengthening of the Costa Rican colón with regards to the currencies mentioned above, from June 30<sup>th</sup> of the year 2012, has changed the assets and results of the amounts shown below:

	Effect on the Income Results (expenses)	
	jun-12	dic-11
<b>ICE</b>		
Yenes/COLÓN (10% Strengthening)	(8.498)	(9.513)
EUROS/COLÓN (10% Strengthening)	(273)	(311)
SEK/COLÓN (10% Strengthening)		
USD/COLÓN (10% Strengthening)	107.189	92.366
<b>Net effect ICE</b>	<b>98.418</b>	<b>82.542</b>
<b>CNFL</b>		
USD/COLÓN (10% Strengthening)	487	2.761
<b>Net effect CNFL</b>	<b>487</b>	<b>2.761</b>
<b>RACSA</b>		
USD/COLÓN (10% Strengthening)	2.343	1.742
<b>Net effect RACSA</b>	<b>2.343</b>	<b>1.742</b>
<b>Net effect GROUP ICE</b>	<b>101.248</b>	<b>87.045</b>

This analysis is based on the variation in the foreign currency Exchange rate that ICE considers reasonably possible by the end of the term about which information must be provided. For this, the exchange rates are taken as reference, as previously mentioned. This analysis takes into account all other variables, particularly the interest rates, which are constant.

ICE Group maintains important assets and liabilities mainly represented by temporary 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	16
Temporary investments	10
Notes payable	17
Long term investments	8
Notes receivable	9

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Notes to the Consolidated Financial Statements  
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**Sensitivity Analysis**

In interest rate risk management, ICE Group tries to decrease the impact caused by short term fluctuations in profits. Regarding temporary 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 ending on June 30<sup>th</sup> of the year 2012, it was estimated that a general increase of one percentage point in the interest rates meant a variation, according to the following details:

	<b>Effect on the Income Results (expenses)</b>	
	<b>June 2012</b>	<b>Dec. 2011</b>
<b><u>ICE</u></b>		
Temporary investments (1% strengthening)	¢ 1,560	1,359
Long term financial investments (1% strengthening)	114	122
Long term notes receivable (1% strengthening)	22	25
Long term Securities payable (1% strengthening)	(7,183)	(6,052)
Short term securities payable (1% strengthening)	(270)	-
Long term notes payable (1% strengthening)	(6,821)	(7,076)
Short term notes payable (1% strengthening)	(409)	(737)
<b>Net effect ICE</b>	<b>(12,986)</b>	<b>(12,359)</b>
<b><u>CNFL</u></b>		
Temporary investments (1% strengthening)	1	25
Securities payable (1% strengthening)	(416)	(300)
Long term notes payable (1% strengthening)	(368)	(395)
<b>Net effect CNFL</b>	<b>(783)</b>	<b>(670)</b>
<b><u>RACSA</u></b>		
Temporary investments (1% strengthening)	6	17
Long term notes payable (1% strengthening)	(164)	(181)
<b>Net effect RACSA</b>	<b>(158)</b>	<b>(164)</b>
<b>Net effect ICE Group</b>	<b>(13,927)</b>	<b>(13,193)</b>

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Notes to the Consolidated Financial Statements  
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**Note 34. ICE Group Operating Segments**

The segments are ICE Group's identifiable components that provide related goods and services (business segments) and that 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 results, assets and liabilities of the segment include items directly attributable to a segment, as well as those that could be reasonable attributable to said segment.

The segments identified by ICE Group are the following: ICE Telecommunications Segment, which includes Telecommunications Sector-ICE, RACSA and CRICRSA and ICE Energy Segment, which includes Energy-ICE and CNFL.

The information for these segments is detailed below:

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ICE Energy Segment

Consolidated Balance Sheet		Up to on June 30 2012	Up to December 31 2011
Properties, machinery and equipment	¢	2.989.116	2.899.370
Investment and long term accounts receivable		319.699	324.876
Circulating assets		319.221	319.358
Other assets		274.586	250.201
<b>Total assets</b>		<b>3.902.622</b>	<b>3.793.805</b>
Long term liabilities		1.370.823	1.262.188
Short term liabilities		344.210	349.014
Other liabilities		133.203	124.028
<b>Total liabilities</b>		<b>1.848.236</b>	<b>1.735.230</b>
Patrimony		2.054.387	2.058.575
<b>Total liabilities and patrimony</b>	¢	<b>3.902.623</b>	<b>3.793.805</b>
		<b>For the period ended</b>	
		<b>on June 30</b>	
<b>Consolidated statement of income and expend.</b>		<b>2012</b>	<b>2011</b>
Income of operation	¢	415.338	406.897
Costs and expenses of operation		414.479	416.282
<b>Surplus (Loss) of Operation</b>		<b>859</b>	<b>31.933</b>
Other products		37.741	37.890
Other products for exchange fluctuations		42.384	17.116
Financial expenses		55.758	22.162
Other expenses		21.488	27.140
Other expenses for exchange fluctuations		6.382	2.576
Participation in profit of subsidiaries		(4.060)	(2.078)
<b>Surplus before income tax</b>		<b>(6.704)</b>	<b>(8.335)</b>
Deferred tax		45	25
<b>Net Surplus (Loss)</b>	¢	<b>(6.659)</b>	<b>(8.360)</b>

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**ICE Telecommunications Segment**

<b>Consolidated Balance Sheet</b>		<b>Up to June 30 2012</b>	<b>Up to December 31 2011</b>
Furniture, machinery and equipment	¢	1.039.900	1.142.975
Investment and long term accounts receivable		72.338	86.303
Circulating assets		293.892	299.064
Other assets		139.412	129.669
<b>Total assets</b>		<b>1.545.542</b>	<b>1.658.011</b>
Long term liabilities		200.266	193.365
Short term liabilities		143.464	131.433
Other liabilities		95.701	90.002
<b>Total liabilities</b>		<b>439.431</b>	<b>414.800</b>
Patrimony		1.106.111	1.243.211
<b>Total Liabilities and Patrimony</b>	¢	<b>1.545.542</b>	<b>1.658.011</b>

<b>Consolidated statement of income and expenses</b>		<b>For the period ended June 30</b>	
		<b>2012</b>	<b>2011</b>
Income of operation	¢	266.454	270.535
Costs and expenses of operation		274.770	250.587
<b>Surplus (Loss) of Operation</b>		<b>(738)</b>	<b>19.948</b>
Other products		8.590	10.899
Other products for exchange fluctuations		5.671	218
Financial expenses		5.760	5.634
Other expenses		216	215
Other expenses for exchange fluctuations		2.297	2.297
Participation in profit of subsidiaries		(4.916)	(3.277)
<b>Surplus before income tax</b>		<b>5.250</b>	<b>19.642</b>
Minority interest (1.4%)		0	(1.274)
<b>Net Surplus (Loss)</b>	¢	<b>5.250</b>	<b>18.367</b>

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The eliminations in the consolidated balance is due to the following:

- Elimination of the accounts receivable for services rendered to RACSA and accounts payable to ICE for telephone and info-communication services, in the amount of ¢1.190.
- Interested receivable RACSA and accounts payable ICE for interests corresponding to the financing of V-SAT Platform, ¢5.
- Elimination of accounts payable to RACSA for lease of areas in ICE building throughout the entire country, for ¢2.099.
- Documents and Mortgages payable RACSA LP and Notes Receivable LP, to eliminate the financing agreement for the V-SAT Platform between ICE and RACSA, for ¢497.
- Elimination of accounts payable and receivable ICE-CNF-ICE for telephone services, in the amount of ¢1.
- Elimination of the guaranteed financial agreement for notes receivable ICE-CNFL, for ¢2.837.
- Elimination of accounts payable and receivable ICE-CNFL for services rendered in the lease of electricity poles, ducts, and other services, for ¢1.175.
- Elimination of accounts payable and receivable ICE-RACSA, for mutual services between RACSA-ICE, for ¢324.
- Elimination of accounts payable and receivable ICE-RACSA for a lease to ICE for physical space, for ¢26.
- Elimination of the effect of energy sale from ICE to CNFL, for ¢23.953.
- Elimination of deposits from RACSA as guarantee to ICE, for ¢8.
- Elimination of notes receivable and for ICE-CNFL for payments originated by a loan settlement regarding Moín III, for ¢2.345 and elimination of financial expenses payable and for interest receivable ICE-CNFL, for a loan settlement regarding Moín III, for ¢49.

The eliminations in the Consolidated Income and Expenses Balance are due to the following:

- To eliminate income and expenses accounts due to the sale of energy from ICE to CNFL, for ¢90.791.
- To eliminate income and expenses accounts for lease of electricity poles and ducts to ICE Telecommunications by CNFL, for ¢401.
- Eliminate income and expenses account for telephone invoicing to CNFL, for ¢99.
- Eliminate income and expenses account for services rendered regarding Electric Meters CNFL-ICE, for ¢1.668.
- Eliminate income and expenses account for mutual services ICE-RACSA, collection of cleaning services, ICE-RACSA, for ¢83.
- Eliminate income and expenses account for telephone services, rentals, operation and maintenance of Back Haul and storage for V-Sat, for ¢1.039.
- Eliminate administrative income and expenses for rental of buildings, electricity and cleaning ICE-RACSA, for ¢103.

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- Eliminate operational income and expenses for Commercial Invoicing RACSA-ICE, for ¢13.
- Eliminate the donation of use of Back Haul in RACSA's intangible assets ICE, capital supplied RACSA for ¢3.063, and amortization payment for ¢18.
- Eliminate profits in ICE invoices for the Balsa Inferior Project, for ¢1.037.
- Eliminate purchase made by ICE of bonds placed in the market by CNFL, for ¢400.
- Eliminate the investment performed by ICE in the construction of the Balsa Inferior Project, for ¢2.760.

(Continues)

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Notes to the Consolidated Financial Statements

(In millions of colones)

**Note 35. Contingent liabilities**

I. A detail of the current ICE's legal processes to June 30<sup>th</sup> of the year 2012 are presented below:

Process	Sector	Nature and current instance	Estimated Amount of Lawsuit	To June 30 2012	To December 31 2011
				Litigation Provision	
<b>Contingency Assets - lawsuits presented by ICE:</b>					
Expropriation	Electricity	Expropriation for the acquisition of the property needed for the Diquis Hydroelectric Project. Standing by for judgment.	1.703	-	-
Expropriation	Electricity	Expropriation for the acquisition of the property needed for the Reventazón Hydroelectric Project. Diligence put into possession, standing by for judgment.	800	-	-
Judicial collection proceedings	Electricity	Judicial collection proceedings for pending payments. The lawsuit transfer has been notified.	717	-	-
Expropriation	Electricity	Expropriation for the acquisition of the property needed for the future substation in Coyol de Alajuela.	716	-	-
Arbitral	Telecommunications	Recovery of damages for non compliance with the contract from Public Bid 6378. In process of naming the Arbitral Tribunal.	8.993	-	-
Injunction	Telecommunications	Injunction request to maintain preventive attachments to recover funds once the arbitrage has been solved. Pending resolution by Sala I by Competency Conflict.	5.147	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	2.992	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	1.225	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	1.054	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	947	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	878	-	-
Ordinary dispute	Telecommunications	Pending notification of fraud demand by By Pass.	569	-	-
Ordinary dispute	Telecommunications	Pending of demand transfer	9.000	-	-
Civil	Telecommunications	Standing by for the resolution of process 12-002154-1027-CA	500	-	-
Ordinary dispute	Telecommunications	The lawsuit of the ARESEP was transferred - Radio Mensajes and the <i>Defensoría de los Habitantes</i> , are standing by for a date do be defined for the preliminary hearing.	500	-	-
Judicial collection proceedings	Electricity	The judicial collection area manages legal collection processes, with the objective of recovering pending debts arising from pending electrical service liquidations. ICE has 4701 processes to June 30, 2012. The Institutional Legal Division estimates that 95% of rulings will be favorable and the remaining 5% will be unfavorable, regarding various aspects of the debt's details, , expiration, lack of documentation.	2.574	-	-
Expropriations (x)		To June 30, 2012, there are 396 court proceedings for forced expropriation in order to obtain possession rights and legalize real estate required for various works being developed. Said proceedings correspond to administrative appraisals that were not administratively formalized, due to legal problems or rejection of the appraisal.	8.687	-	-
Judicial collection proceedings	Telecommunications	The Judicial Collection Area is in charge of the legal proceedings to recover pending debt for liquidation of telephone services. ICE has 11927 proceedings to June 30, 2012. The Institutional Legal Division estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, for matters relating to debt, expiration or lack of documentation.	1.543	-	-
<b>Total contingency assets</b>			<b>48.544</b>	<b>-</b>	<b>-</b>

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Process	Sector	Nature and current phase of proceedings		Estimated Amount of Lawsuit	To June 30 2012	To December 31 2011	
					Litigation Provision		
<b>Contingent liabilities - lawsuits presented against ICE:</b>							
			Vienen ¢	48,544	-	-	
Ordinary	Electricity	Lawsuit presented by Hidroenergía del General HDG, requesting an adjustment of energy purchase prices due to the economic unbalance contained in the contract during the construction works phase.		1,966			
Arbitral	Electricity	The claimant seeks to recover money from ICE for fines pertaining non compliance in the delivery, plus damages and, consequently, determination of force majeure as the event that allegedly lead to the non compliance.		518			
Ordinary dispute	Electricity	Nullity of National Convenience Decree is pretended, eviction from lands, and damages. Suspended for unconstitutional action against the Indigenous Law.	¢	103,638	-	-	
Ordinary	Electricity	Collection of damages is requested from ICE and others for preventing the claimant company to develop production activities due to alleged pollution. Pending conclusions.		5,857		2,191	
Ordinary dispute	Electricity	Requesting that various administrative acts be declared null by the Energy Management, to demand that ICE presents the legal fees for arbitration and a subsidiary compensation for damages. Awaiting trial.		4,096	-	-	
Arbitral Ad Hoc	Electricity	The claimant requests ICE is held with civil liability for an alleged sale contract, to pay the agreed price, plus damages for non compliance, as well as civil liability and payment of Symnos formwork. Preliminary hearing.		3,784	-	-	
Ordinary dispute	Electricity	There is a lawsuit and an appeal for this case. ICE is charging pending fines and the counterpart requests a ruling of breach of contract. Partial ruling in favor by first instance, in favor of the claimant. Partial ruling in second instance revoking the first instance ruling and accepting ICE's claim almost in whole, except one aspect relating to price readjustments, which was declared in favor of the claimant, but must be upheld in the execution of the sentence. The Sala Primera confirmed the second instance ruling in favor of ICE. Currently, collecting evidence for presentation in sentence execution and liquidation of legal fees.		1,942	1,888	1,942	
Ordinary	Electricity	Alleges damages and devaluation of properties with an ICE antenna. Claim is accepted, awaiting resolution of appeal presented by ICE.		1,826	-	525	
Ordinary	Electricity	The claimant presents a lawsuit against ICE for the effects resulting from a tariff modification in the Energy Sector. Currently in preliminary hearing phase.		1,326	1,326	1,326	
Execution of Sentence	Electricity	Execution of judgments of the criminal court, payment of principal and legal fees is made in November 2011, and appeal and probation is presented for liquidation of the corresponding interests.		-	-	260	
Ordinary dispute	Electricity	Three documents from Procurement were appealed in an administrative fines proceeding. Ruling in favor of ICE, and the claimant presented an appeal.		801	-	-	
Ordinary dispute	Electricity	The claimant pretends acknowledgement of price readjustment. Awaiting preliminary hearing.		728	-	-	
Ordinary	Electricity	Pretends that ICE pay indemnity for failed project regarding parallel generation, which was denied in second instance, reason why the claimant presented an appeal.		518	504	518	
Ordinary	Electricity	The goal of the process is acknowledgement of damages caused by ICE, for the execution of a sale contract for energy, first and second instances ruled in favor of the claimant. Awaiting ruling regarding an appeal.		500	500	250	
Ordinary	Electricity	Annulment of administrative recourses and payment of damages proven in the execution of sentence regarding movement of a bulldozer in the Miravalles Project. The appeal was presented by the claimant was rejected on May 2011, awaiting commencement of ruling execution by the claimant.		500	500	500	
Subtotal - Pasan				¢	<b>176,544</b>	<b>4,717</b>	<b>7,512</b>

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Process	Sector	Nature and current phase of proceedings	Estimated Amount of Lawsuit	To June 30	To December	
				2012	31 2011	
				Litigation Provision		
			Vienen ¢	176.544	4.717	7.512
Ordinary	Telecommunications	The claimant requests indemnity from ICE for contract termination in administrative headquarters. During preliminary hearing phase.	12.941	-	-	
Ordinary dispute	Electricity	Lawsuit rejected in most of its content according to ruling of May 2011, an appeal was presented and it is awaiting ruling.	500	-	-	
Ordinary	Telecommunications	The claimant requests indemnity from ICE's contractor for alleged losses caused to the company as a result of a breach in contract between ICE and the contractor. Currently in the preliminary hearing phase.	33.297	-	-	
Ordinary	Telecommunications	Seeks ruling as abusive a clause that allowed ICE to collect fines for breach of contract. Awaiting first instance.	5.431	-	-	
Ordinary dispute	Telecommunications	Claim for alleged acts disturbing a property. Summons to answer lawsuit.	4.222	-	-	
Injunction Prohibition	Electricity	Claim for alleged acts disturbing a property. Summons to answer lawsuit.	500	-	-	
Injunction Prohibition	Electricity	Claim for alleged acts disturbing a property. Summons to answer lawsuit.	500	-	-	
Ordinary dispute	Telecommunications	Lawsuit was declared null through ruling of the year 2011, appeal on 01/27/2012.	2.200	-	-	
Ordinary	Telecommunications (a)	Corresponds to an ordinary process of the legal Administrative Litigation Court, for annulment of administrative actions through which ICE applied collection of three fines for breach of contract. Pending execution of ruling.	266	266	266	
Ordinary	Telecommunications	Ruling accepting the lawsuit and ICE must pay damages and legal fees, to this date the claimant has not presented an execution of the ruling, amount inestimable.	565	407	250	
Punitive Administrative	Electricity - Telecommunications	In the year 2005, transfer of charges were notified, for the term of September 1999 to December 2000, both inclusive; corresponds to tax retentions at the source (for the concept of surplus, wages and transfers from abroad) in the amount of ¢ 338, plus interests and fines and general sales tax in the amount of ¢1.251, plus interests and fines. Also, in the year 2006, for the term of January 2001 and to December 2003, both inclusive; charge transfers were notified corresponding to tax retentions at the source (for the concept of surplus, wages and transfers from abroad) in the amount of ¢ 6.308, plus interests and fines, and the general sales tax in the amount of ¢ 4.136, plus interests and fines. At the end of the year 2007, it was paid under protest, the total amount of the tax determined for said transfer of charges, terms 1999-2000 and 2001-2003, in the amount of ¢ 12 033.8 million. Currently, the case is under appeal. The balance of the provision for December 31, 2011/2010 is ¢ 535 million for the Energy Sector, interest balance for the term 99-2000, 2001-2003 for interests is ¢ 14 018 million and fines for ¢ 2 374.0, for a total of transfer of charges for 99-2000 and 2001-2003 of ¢ 28 426.2 million.	14.018	535	535	
Punitive Administrative	Electricity - Telecommunications	On September 17, 2009, ICE is notified of transfer of charges regarding the 2007 term, for general sales tax and which are currently in controversy. The provision to December 31, 2010, corresponding to interests and fines totals ¢ 404.3, interests and fines of ¢ 220.8, plus amount estimated for the lawsuit stated by the Institutional Legal Department in the amount of ¢ 883.1, for which appeal was presented against the ruling issued by the Tax Administration, record for interested for the term 2011 for ¢ 128.2 million, record for interests to June 2012 for ¢ 54 million.	1.690	807	753	
Ordinary	Property Administration Department (b)	Requesting ICE be ruled as liable for illegal appropriation of real estate in Tamarindo. ICE was sentenced to compensate. During execution phase.	578	578	578	
Ordinary	Energy (b)	Expropriation process of land for the construction of the reservoir for protection of Arenal Hydroelectric Project. The respondent used the land for own purposes, taking advantage of an error in the processing with the Property Registry with regards to the annotation to the property for expropriation of the land. ICE had paid accordingly, amount inestimable.	500	500	500	
<b>Total contingent assets and liabilities - ICE (See Note 21)</b>			¢	<b>253.752</b>	<b>7.811</b>	<b>10.394</b>

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Process	Sector	Nature and current phase of proceedings	Estimated Amount of Lawsuit	To June 30 2012	To December 31 2011
				Litigation Provision	
<b>Contingent Assets - lawsuits presented by RACSA:</b>					
Ordinary	RACSA	The claimant demands consists in charging an amount for alleged damages caused by RACSA. Answered negatively, no encumbrances.	€ 3.312	-	113
Arbitral	RACSA	The claimant requests payment of the higher cost of the paper supplied for printing the ICE phonebook and unbalance in the contract's financial equation. Waiting for arbitration award.	19	18	19
Ordinary	RACSA	Waiting first instance ruling	78	-	-
Ordinary	RACSA	Appeal	30	-	-
Ordinary Work	RACSA	Evidenciary phase	10	-	-
Ordinario	RACSA	Preliminary hearing	7	-	-
Public employment	RACSA	Injunction phase	5	-	-
Subtotal - RACSA			3.460	18	132
<b>Total contingent assets and liabilities - RACSA (See Note 21)</b>			€ <b>42.842</b>	<b>18</b>	<b>132</b>

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Following is a detail of the dispositions concerning CNFL's litigations, which are registered in the Accrued Expenses Account:

Process	Sector	Nature and current stage of proceedings	Estimated amount of the lawsuit	To June 30 <sup>th</sup>	To December
				2012	31 <sup>st</sup> 2011
				Litigation Provisions	
<b>Contingent assets - lawsuits presented by CNFL:</b>					
	CNFL	A lawsuit is presented against the insurance company to recover the investment made in the correction of damages occurred during a landslide and which were not covered by the policy. The insurance company deposited in the courts 78% of the total amount of the lawsuit, registering as accounts receivable. In the second stage of the proceedings, it was ruled favorably. The lawsuit against INS totals € 4,485 On the month of March, 2012, INS deposited a partial amount of € 2,054 million (\$ 4 million)	€ 4.485	2.014	4.145
<b>Total contingent assets - subsidiaries</b>			<b>€ 4.485</b>	<b>2.014</b>	<b>4.145</b>
<b>Contingent liabilities - lawsuits presented CNFL:</b>					
Ordinary	CNFL	Lawsuit against Compañía Nacional de Fuerza y Luz S.A presented by the Minority Stakeholders for a donation of one property to the Fundación Consejo de la Tierra los Hermanos, S.A., which was authorized by the Legislative Chamber. To December 31 <sup>st</sup> , 2010, no ruling or payments has been issued.	€ 1.586	-	-
Ordinary	CNFL	Compañía Nacional de Fuerza y Luz S.A. presented a special appropriation payment process, for compensation due to flooding in a property near Cote Lake, for a hydroelectric project and the claimant did not agree with the established amount. (Rufea S.A.) During the month of June, 2012, the amount of € 230 million was paid. The amount of €199 million is being procured for legal fees and	199	49	-
Ordinary	CNFL	Rejection by Compañía Nacional de Fuerza y Luz S.A. of a claim regarding the execution of Construction Works, Design, Startup, and Operation contract for a Hydroelectric Plant. (Hydrocote S.A. Consortium).	1.540	108	-
Ordinary	CNFL	Collection process is started by Compañía Nacional de Fuerza y Luz S.A to a third party regarding fines in the execution of the Electric Underground Project for the city of San Jose and for delays in the engineering review and approval. (Instalaciones Inabensa S.A.)	4.842	-	-
Ordinary	CNFL	CNFL presented a lawsuit against a third party for the collection of 15 claims and reimbursement of fines, presented during the underground electrification project for San Jose. There is no ruling or payments in this regard. (Instalaciones Inabensa S.A.)	5.134	-	-
Ordinary	CNFL	The claimant requests the extension of the execution term, that some of the claims presented by Compañía Nacional de Fuerza y Luz S.A. be declared null, that fine retentions be annulled and money plus legal interests be reimbursed. There is no ruling or payments in this regards.. (Ghella Spa Costa Rica)	362	-	-
Ordinary	CNFL	This lawsuit is aimed at declaring null the limitations imposed in Addendum Number 01 of the design, construction, equipment and startup contract for the operation of a hydroelectric project and its annexes for the acknowledgment of price adjustments. Therefore, Compañía Nacional de Fuerza y Luz S.A. must pay to the claimant said adjustments. (Ghella Spa Costa Rica).	18.489	-	-
Ordinary	CNFL	The claimant presented an injunction against Compañía Nacional de Fuerza y Luz S.A. for execution of fulfillment bond and collection of fines, as well as formal complaint for emerging damages, dropped wages and loss of opportunity. (Grupo Corporativo Saret)	6.955	-	-
Ordinary	CNFL	Lawsuit for out of contract civil liability for damages. (Ortiz Mondragón César)	275	99	-
			Subtotal-CNFL	€ 39.382	257
<b>Total contingent assets and liabilities - CNFL</b>			<b>€ 39.382</b>	<b>257</b>	<b>-</b>

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**Note 36. General Telecommunications Law**

The General Telecommunications Law Number 8642 was published in Official Newspaper La Gaceta of June 30<sup>th</sup> of the year 2008, setting forth the scope and regulation mechanisms for telecommunications, including the use and exploitation of networks and rendering of services.

The object of this Law is to establish the scope and regulation mechanisms for telecommunications, including the use and exploitation of networks and rendering of services, as well as:

- Guarantee the right of the inhabitants to access telecommunications services.
- 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 the inhabitants that require them.
- Protect the rights of the telecommunication service users, ensuring efficacy, equality, continuity, quality, larger and better coverage, more and better information, more and better alternatives in the rendering of services, as well as guaranteeing the privacy and confidentiality in the communications.
- Promote effective competition in the telecommunications market, as a mechanism for increasing availability of services, improving their quality and insuring accessible prices.
- 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 allotment, use, exploitation, management, and control of the radioelectric spectrum and other scarce resources.
- Encourage investment in the telecommunications sector.
- Seek that the country obtain the maximum benefits regarding technological progress and convergence.
- Achieve development index in telecommunications similar to developed countries.

This law indicates that concessions will be granted for the use and exploitation of the radioelectric spectrum frequencies, which is a public asset, as required for the operation and exploitation

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of telecommunications networks. Said concessions will allow the holder operation and exploitation of the network.

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 telephone services cannot be granted. For this process, the winning bids were presented by Claro CR Telecomunicaciones, in the amount of US\$75 million for a concession and Azules y Platas (Telefónica) for US\$95 million for another concession.

This Law created the national telecommunications fund (Fondo Nacional de Telecomunicaciones – FONATEL) as an instrument for managing the resources destined to finance the compliance of the goals regarding universal access, universal service and solidarity, and SUTEL is responsible for the management of 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 tariffs for telecommunication services available to the public are established initially by SUTEL, pursuant to the methodology of maximum prices or any other that promotes competition and efficacy in the use of resources, according to the bases, procedures and periodicity set forth in the regulations.
- Access and interconnection to public telecommunications networks is guaranteed, in order to ensure efficacy, effective competition, optimization of scarce resources and a higher benefit to the users. The interconnection prices must be cost oriented and will be freely negotiated among the carriers, based on the methodology established by SUTEL.
- A canon is established corresponding to SUTEL, for Telecommunication Services.
- Guideline 1686-SUTEL, issued on July 21<sup>st</sup> of the year 2011, includes the decision taken in SUTEL' Agreement Number 001-050-2011, regarding the temporary suspension of collection of the Regulation Canon, starting on the month of July, 2011, while an analysis and review of the Regulation Canon and budget for the 2011 term is conducted. Hence, ICE Group only issued payments for this canon during the months of January to June of the year 2011. The amount paid during the 2011 term totaled ¢1.896 (¢2.941 during 2010).
- A Reserves Canon is created for the radioelectric spectrum, which establishes that the operators of networks and providers of telecommunication services must annually pay a



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reserves canon for the radioelectric spectrum, which goal is planning, management, and control of the use of the radioelectric spectrum and its collection is aimed towards financing the activities that SUTEL must develop.

- It states that liabilities will be held from network operators or telecommunication services providers, who have been assigned frequency bands within the radioelectric spectrum, regardless of the use of the band or lack thereof. The amount to be paid for this canon is estimated directly by SUTEL, pursuant to the parameters. The term for presenting and paying the statement regarding this canon is two months and fifteen days after the closing of the term's tax period.

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**Note 37. 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 Newspaper La Gaceta on August 13<sup>th</sup> of the year 2008, creating 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.

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<sup>th</sup>, 1949, Bylaws 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 skills and attributes pertaining to the Sector Minister, who will create the National Telecommunications Plan, jointly with the President of the Republic.
- Streamline and expand the mechanisms and procedures concerning public procurement for ICE and its companies.
- Guaranteeing and reaffirm 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 celebrate strategic alliances, sale advising services, consulting, training and any other related product or service, to implement the usual commercial practices, create promotions, including providing terminal equipment, free or charge or not, discounts, sponsoring, service packages, among others.

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

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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 execute, autonomously, medium and long term internal and external debt up to a level of debt of 45% with regards to its total assets. 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 the execution of the corresponding administrative procurement procedures, including awarding bids and appeals.

### **Note 38. Water Law**

On August 28<sup>th</sup> of the year 1942, Water Law Number 276 was published in the Official Newspaper La Gaceta, which establishes the regulatory framework for the differentiation of public domain and private water, the common and special exploitation of public water, and other general interest matters.

For the exploitation of public water by public interest or private companies, it is necessary to have the corresponding authorization, which is granted by the Ministry of Environment, Energy and Telecommunications (MINAET). It is this Ministry's responsibility to arrange and rule on matters concerning domain, exploitation, use, management and surveillance of public domain water.

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According to this legislation, the term of duration for the concessions will be determined in a case by case basis, according to the circumstances and the maximum term is set at thirty (30) years.

In regards to exploitation of public water, it shall include public domain land necessary for the construction of the dam, channels and ditches. Regarding property owned by the Government, Municipalities, towns or individuals, a forced easement will proceed, according to each case, for the corresponding expropriations, pursuant to the terms contained in the law.

Also, water given in concession for exploitation cannot be destined for any other use without the corresponding authorization, which will be granted as a new concession.

Concessions for exploitation of public water for the development of hydraulic and hydroelectric sources for public and private services will be governed by the provisions contained in the Water Law Number 276, as well as in the National Energy Service Law Number 258 of August 18<sup>th</sup> of the year 1941, which mainly states that the Government shall be responsible for exercising domain and will exploit, use, administer and oversee, as the case may be, all water and all public domain hydraulic and hydroelectric sources, pursuant to the preceding definition.

Also, according to the provisions contained in Law Number 258, concessions and exploitation rights for water and sources derived therein, as well as for energy development, transmission, transformation and distribution included in the Law, may only be obtained conditionally and for a limited time which shall not exceed twenty five (25) years.

**Note 39. Canons**

**Year 2012**

Water Canon:

This canon corresponds to the water used for hydraulic and thermal energy generation.

The amount paid for this canon to MINAET to March 31<sup>st</sup> of the year 2012 totals ¢193.2 and ¢328.5 to March 31<sup>st</sup> of the year 2011.

Quality Program Canon:

The payment of this canon was approved in the Official Newspaper La Gaceta Number 175 of September 8<sup>th</sup> of the year 2009 and payment must be issued to the Public Services

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Regulating Entity (ARESEP). Currently, based on the provisions contained in article 82 of Law Number 7593 and its guideline 1463 of February 12<sup>th</sup>, 2010, Letter Number 6690 dated July 29<sup>th</sup> of the year 2011 states that the canon to be charged for the concept of general regulation to regulated entities for ICE corresponds to the amount of ¢518.9.

With the approval of the canons for the 2012 term, at a regulatory level, the General Comptroller of the Republic, according to Letter Number DFOE-EC-0345 (6990) of July 29<sup>th</sup> of the year 2011 and pursuant to the provisions contained in article 82 of Law Number 7593, amended by Law 8660 published in Official Newspaper La Gaceta Number 156 of August 13<sup>th</sup> of the year 2008, informed us the amount to be paid for the canon for the 2012 term.

ARESEP informs to ICE that it has a balance on its favor for the quality canon in the amount of ¢32, as published in Official Newspaper La Gaceta of September 30<sup>th</sup> of the year 2011. For this reason, the canon will decrease in said amount.

### Regulation Canon:

It is the payment issued by the Instituto Costarricense de Electricidad to the Public Services Regulating Entity (ARESEP), for supervision of the quality received by the consumers and the regulation services rendered for the Generation, Transmission, Distribution and Public Lighting Systems.

### **Note 40. Subsequent Events**

#### **Social Compensation Mitigation Construction Works:**

Reventazón Hydroelectric Project: On July 28<sup>th</sup> of the year 2012, a hydrometeorological event occurred which severely affected the medial basin of the Reventazón River, Limón – Costa Rica.

Severe rain for that date caused an increase in the river's flow, which damaged the dam, affected the powerhouse, access roads, electric lines, provisional facilities and minor equipment, resulting in delays in the progress of the works, which are in the construction phase.

Currently, the institution is performing the assessment of the damage caused by this phenomenon to determine the non capitalized mitigation and compensation expenses affecting the results for the term.