INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE)
AND SUBSIDIARIES

(An autonomous institution of the Government of Costa Rica)

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG

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Independent Auditors' Report

The Board of Directors
Instituto Costarricense de Electricidad (ICE)

Report on Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Instituto Costarricense de Electricidad (ICE) and subsidiaries ("ICE Group"), which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and the consolidated statements of profit or loss, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared by management of ICE Group in accordance with the accounting principles included in ICE's Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica.

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

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

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

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

Basis for Qualified Opinion

As indicated in note 10 to the consolidated financial statements, as of December 31, 2012, the subledgers corresponding to "Receivables for services rendered", "In administrative collections", and "In legal collections" in the ICE Telecom segment, in the amounts of ¢25,584 (in millions), ¢30,228 (in millions), and ¢2,062 (in millions), respectively (2011: ¢37,416 (in millions), ¢29,827 (in millions), and ¢47 (in millions), respectively), for a total of ¢57,874 (in millions) (2011: ¢67,290 (in millions), contain a number of unidentified items. According to inquiries of management, those unidentified items arise from errors in the accounts receivable information systems of the ICE Telecom segment, as a result of failure to update the personal identification card number and name of customers in the subledgers of the aforementioned general ledger accounts. Since we were not provided with a subledger that was properly reviewed and corrected, we were unable to perform alternative audit procedures to satisfy ourselves as to the accuracy, completeness, existence, and propriety of the balances of the above receivables. Additionally, we were not provided with an aging report and analysis of the receivable balances that would allow us to determine the sufficiency of the allowance for doubtful accounts associated with the aforementioned accounts in the amount of ¢23,551 (in millions) and ¢23,856 (in millions) as of December 31, 2012 and 2011, respectively. Accordingly, we were unable to satisfy ourselves as to the valuation of those balances or as to the sufficiency of the above allowance for doubtful accounts. The balance of receivables for services rendered as of December 31, 2011 was restated in 2012 (see note 27).

As of December 31, 2012 and 2011, the consolidated financial statements include the amount of ¢5,317 (in millions) and ¢2,409 (in millions), respectively, under the heading "Short-term liabilities" for "Advance income – prepaid mobile recharge", for which a subledger is not available that would allow us to obtain information on the composition of unused balances. Instead, a historical transaction report details credit and debit movements. Accordingly, we were unable to perform audit procedures for purposes of establishing the completeness (overstatement or understatement), accuracy, and existence of that balance as of December 31, 2012 and 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matters mentioned in paragraphs one and two of the "Basis for Qualified Opinion" section, the consolidated financial statements of ICE Group as of December 31, 2012 and 2011 and for the years then ended have been prepared, in all material respects, in accordance with the accounting principles included in ICE's Accounting Policy Manual and accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica.

Emphasis of Matter

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

Without qualifying our opinion, we draw your attention to note 4 to the consolidated financial statements, which includes operating assets and intangible assets of the subsidiary Radiográfica Costarricense, S.A. (RACSA) with carrying amounts of ¢4,649 (in millions) and ¢147 (in millions), respectively (2011: ¢5,955 (in millions) and ¢338 (in millions), respectively), for a total of ¢4,796 (in millions) (2011: ¢6,293 (in millions)), related to development of the JES Project. The cash flows generated by this project have been lower than expected since the beginning of the project in respect of projected and planned results, which gives rise to uncertainty as to the project's capacity to generate the expected future cash flows to recover the investment made. Accordingly, recovery of the aforementioned investments included in the "Operating assets" and "Intangible assets" accounts as of December 31, 2012 and 2011 will depend on the results of the project's planned commercial operations, its market acceptance, and achievement of the financial plans and projections and cash flows determined by management for that project.

Additionally, without qualifying our opinion, we draw your attention to note 16, "Project design and execution", which indicates that ICE's consolidated financial statements as of December 31, 2012 and 2011 present an asset in the amount of ¢68,902 (in millions) and ¢60,954 (in millions), respectively, comprised by the value of costs incurred during the investment phase (including the design of the works and technical, economic, and financial studies) of the El Diquís Hydroelectric Project (PHED), which is part of the National Power Generation Expansion Plan. As of the date of this report, ICE has yet to obtain the environmental permit required to begin construction of that project, since the environmental impact study that must be submitted to the National Technical Secretariat for the Environment (SETENA) (organization charged with reviewing, approving, and granting environmental permits) is still being finalized. Furthermore, as mentioned in that note, two legal actions have been filed against the project by the Association for the Indigenous Development of Térraba (ADIT) related to an appeal claiming violation of constitutional rights that declares PHED to be a matter of public and national interest, as well as an administrative appeal related to the ownership of land used by ICE for the project's activities. As mentioned in note 16, rulings have been handed down in respect to the appeal claiming violation of constitutional rights, while the administrative appeal is still in process as of the date of this report. In addition to declaring PHED to be a matter of public and national interest, the Government of Costa Rica created an Inter-agency Coordination Commission to promote collaborative and coordinated development of the Southern Region of Costa Rica within the PHED framework.

Without qualifying our opinion, we draw your attention to note 27 to the 2012 consolidated financial statements, which describe the effect of a number of changes in accounting policies and adjustments to prior periods that were identified in 2012 resulting in ICE Group's comparative figures appearing in the accompanying consolidated financial statements being restated pursuant to ICE Group's accounting policy described in note 3 (a)(vi) to the consolidated financial statements.

Without qualifying our opinion, we draw your attention to note 22, "Loans payable", to the consolidated financial statements, which describes the restrictions to which ICE Group is subject in respect of certain loan agreements and ICE Group's compliance therewith as of December 31, 2012. ICE Group obtained related waivers, and in the event of noncompliance, the option of creditors for demanding early repayment of relevant loans, as of that date, was extinguished. In accordance with the accounting policy described in note 3(f) to the consolidated financial statements, ICE Group presents such loans payable under "Long-term liabilities" in the consolidated balance sheet as of December 31, 2012.

KPMG

April 24, 2013

San José, Costa Rica

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

Consolidated Balance Sheet
(In millions of colones)

As of December 31, 2012 and 2011

Assets	Notes		2012	2011 *(Restated)**
Property, machinery and equipment:				
Operating assets - cost	*4*	¢	2,773,555	2,487,334
Accumulated depreciation of operating assets - cost	*4*		(916,244)	(764,040)
Operating assets - revalued	*4*		2,662,496	2,598,101
Accumulated depreciation of operating assets - revalued	*4*		(1,544,963)	(1,448,815)
Other operating assets - cost	*5*		374,288	322,815
Accumulated depreciation of other operating assets - cost	*5*		(206,770)	(169,662)
Other operating assets - revalued	*5*		94,591	88,063
Accumulated depreciation of other operating assets - revalued	*5*		(60,776)	(56,499)
Other operating assets under finance leases - cost	*6*		27,550	27,550
Accumulated depreciation of other operating assets under finance leases - cost	*6*		(1,537)	(922)
Other operating assets under finance leases - revalued	*6*		2,336	1,191
Accumulated depreciation of other operating assets under finance leases - revalued	*6*		(78)	(13)
Construction work in progress	*7*		693,515	497,466
Materials in transit for investment	*7*		153,512	175,416
Inventory for investment	*7*		161,243	143,132
Total property, machinery and equipment, net			**4,212,718**	**3,901,117**
Long-term assets:				
Long-term investments	*8*		36,626	20,271
Notes receivable	*10*		8,780	2,538
Accounts receivable			-	4
Total long-term assets			**45,406**	**22,813**
Current assets:				
Banks	*9*		8,262	7,952
Temporary investments	*12*		138,671	140,060
Valuation of investments	*12*		906	1,323
Restricted funds	*13*		10,053	7,146
Receivables for services rendered	*10*		109,619	95,073
Non-trade receivables	*10*		90,768	165,361
Allowance for doubtful accounts	*10*		(35,616)	(37,066)
Government receivables			-	5,803
Notes receivable	*10*		1,292	2,879
Operating inventory	*11*		47,146	90,508
Allowance for valuation of inventory	*11*		(5,976)	(7,311)
Materials and equipment held in custody	*11*		3,954	5,096
Materials in transit for operations			14,597	18,581
Prepaid expenses	*14*		65,251	36,856
Total current assets			**448,927**	**532,261**
Other assets:				
Non-operating assets - cost	*17*		54,034	51,996
Accumulated depreciation of non-operating assets - cost	*17*		(828)	(396)
Non-operating assets - revalued	*17*		15,941	14,280
Accumulated depreciation of non-operating assets - revalued	*17*		(6,260)	(5,859)
Service agreements	*15*		8,755	13,916
Project design and execution	*16*		94,773	78,918
Technical service centers			188	252
Amortizable items	*20*		8,098	8,155
Absorption of amortizable items	*20*		(3,538)	(3,047)
Intangible assets	*18*		72,103	61,717
Absorption of intangible assets	*18*		(40,367)	(27,962)
Securities received as guaranty deposits			5,451	4,719
Valuation of financial instruments			249	5,828
Guarantee and Savings Fund (restricted fund)	*19*		172,270	150,204
Transfer to Guarantee and Savings Fund			1,382	1,242
Operating inventory			23,388	20,242
Total other assets			**405,639**	**374,205**
		¢	**5,112,690**	**4,830,396**

* See note 27.

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 December 31, 2012 and 2011

Liabilities and Equity	Notes		2012	2011 *(Restated)**
Long-term liabilities:				
Securities payable	*21*	¢	817,572	601,546
Loans payable	*22*		663,142	662,329
Obligations derived from credit	*23*		4,266	28,040
Security deposits			56,552	57,929
Accounts payable	*24*		44,896	44,288
Prepaid income			5,093	-
Total long-term liabilities			**1,591,521**	**1,394,132**
Short-term liabilities:				
Securities payable	*21*		33,826	30,500
Loans payable	*22*		121,825	176,574
Accounts payable	*24*		145,406	117,826
Accrued finance expenses payable			18,313	16,070
Prepaid income			14,993	2,409
Deposits from private individuals or companies			3,861	6,156
Legal provisions	*26*		1,000	1,000
Accrued expenses for employer obligations	*25*		40,037	37,525
Total short-term liabilities			**379,261**	**388,060**
Other liabilities:				
Valuation of financial instruments			22,401	20,239
Accounts payable			4,114	2,491
Legal provisions	*26*		41,826	41,095
Guarantee and Savings Fund (restricted fund)			172,270	150,204
Total other liabilities			**240,611**	**214,029**
Total liabilities			**2 211 393**	**1 996 221**
Equity:				
Paid-in capital			156	156
Development reserve			1,589,376	1,502,674
Asset revaluation reserve			1,160,942	1,188,155
Result of valuation of financial instruments			(17,481)	(18,583)
Legal reserve			9,074	8,696
Project development reserve			71	71
Forest development reserve			820	734
Restricted earnings from capitalization of stake in subsidiary			62,380	62,380
Retained earnings			91,337	85,520
Minority interest			4,622	4,372
Total equity and minority interest			**2,901,297**	**2,834,175**
		¢	**5,112,690**	**4,830,396**
Memoranda accounts	*28*	¢	**347,734**	**209,538**

* See note 27.
The notes are an integral part of these consolidated financial statements.

Martín Vindas Garita
General Manager

Jesús Orozco Delgado
Head of Financial Planning

Lizbeth 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 years ended December 31, 2012 and 2011

	Note		2012	2011 *(Restated)**
Operating income:				
Electricity services	29	¢	645,315	614,680
Telecom services	29		537,199	527,892
Government services	29		2,436	2,161
Total operating income			**1,184,950**	**1,144,733**
Operating costs:				
Operation and maintenance	30		232,606	234,764
Operation and maintenance of leased equipment	31		148,115	171,763
Depreciation of operating assets			229,705	217,726
Supplemental services and purchases	32		106,677	84,515
Production management			87,471	80,497
Total operating costs			**804,574**	**789,265**
Gross profit			**380,376**	**355,468**
Operating expenses:				
Administrative	33		86,050	89,835
Marketing	34		205,147	177,127
Preliminary studies			25,446	23,093
Preinvestment studies	35		6,777	5,170
Other	36		12,185	10,559
Total operating expenses			**335,605**	**305,784**
Operating profit			**44 771**	**49 684**
Other income:				
Finance income			24,022	14,409
Foreign exchange differences			42,798	7,250
Other income			80,394	123,138
Total other income	37		**147,214**	**144,797**
Other expenses:				
Interest			89,786	55,255
Commissions			22,292	2,983
Foreign exchange differences			8,403	9,776
Other expenses			54,115	105,176
Total other expenses	37		**174,596**	**173,190**
Profit before income tax and minority interest			**17,389**	**21,291**
Tax and minority interest:				
Minority interest 1.4%			(72)	10
Profit, net		¢	**17,317**	**21,301**

* See note 27.
The notes are an integral part of these consolidated financial statements.

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General Manager

Jesús Orozco Delgado
Head of Financial Planning

Lizbeth Hernández Castillo
Accounting Management Process
Coordinator

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

Consolidated Statement of Changes in Equity

For the years ended December 31, 2012 and 2011
(In millions of colones)

	Note	Paid-in capital	Asset revaluation reserve	Result of valuation of financial instruments	Development reserve	Legal reserve	Project development reserve	Forest development reserve	Restricted earnings from capitalization of stake in subsidiaries	Retained earnings	Minority interest	Total equity and minority interest
Balance at December 31, 2010, previously reported		¢ 45,678	1,333,312	(11,843)	1,367,531	8,522	71	651	62,380	77,329	4,171	2,887,802
Accumulated effect of changes in accounting policies and adjustments for correction in prior years	27	(45,522)	(156,818)	-	32,364	-	-	-	-	13,219	-	(156,757)
Balance at December 31, 2010, adjusted		156	1,176,494	(11,843)	1,399,895	8,522	71	651	62,380	90,548	4,171	2,731,045
Effect of changes in accounting policies and adjustments for the period		(412)	31,816	-	8,385	-	-	-	-	-	-	39,790
Donations for the year		412	-	-	-	-	-	-	-	-	-	412
Asset revaluation for the year		-	89,060	-	-	-	-	-	-	-	-	89,060
Appropriation to legal reserve		-	-	-	-	176	-	-	-	(176)	-	-
Prior period adjustments		-	(361)	-	3,833	-	-	-	-	-	-	3,471
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	83	-	(83)	-	-
Deficit for the year, 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:												
Derivative financial instruments		-	-	(6,624)	-	-	-	-	-	-	-	(6,624)
Investments		-	-	(116)	-	-	-	-	-	-	-	(116)
Appropriation to minority interest		-	(121)	-	-	(2)	-	-	-	(78)	201	-
Balance at December 31, 2011, adjusted		156	1,188,155	(18,583)	1,502,672	8,696	71	734	62,380	85,520	4,372	2,834,173
Balance at December 31, 2011, previously reported		46,090	1,313,157	(18,583)	1,461,922	8,696	71	734	62,380	72,301	4,372	2,951,140
Accumulated effect of changes in accounting policies and adjustments for correction in prior years	27	(45,522)	(156,818)	-	32,364	-	-	-	-	13,219	-	(156,756)
Effect of changes in accounting policies and adjustments for the period		(412)	31,816	-	8,385	-	-	-	-	-	-	39,789
Balance at December 31, 2011, adjusted		156	1,188,155	(18,583)	1,502,672	8,696	71	734	62,380	85,520	4,372	2,834,173
Asset revaluation for the year		-	51,969	-	-	-	-	-	-	-	-	51,969
Appropriation to legal reserve		-	-	-	-	383	-	-	-	(383)	-	-
Prior period adjustments		-	-	-	(3,654)	-	-	-	-	-	-	(3,654)
Transfer of retained earnings from subsidiaries to development reserves		-	-	-	348	-	-	-	-	(348)	-	-
Adjustments to useful lives of assets		-	1,227	-	-	-	-	-	-	(736)	-	491
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	86	-	-	-	86
Surplus for the year		-	-	-	18,288	-	-	-	-	(971)	-	17,317
Realization of asset revaluation reserve		-	(71,723)	-	71,723	-	-	-	-	-	-	-
Realization of asset revaluation reserve in subsidiaries		-	(8,285)	-	-	-	-	-	-	8,285	-	-
Result of valuation of financial instruments:												
Derivative financial instruments		-	-	1,519	-	-	-	-	-	-	-	1,519
Investments		-	-	(417)	-	-	-	-	-	-	-	(417)
Retirement of assets for the year		-	(350)	-	-	-	-	-	-	350	-	-
Appropriation to minority interest		-	(52)	-	-	(5)	-	-	-	(380)	250	(188)
Balance at December 31, 2012		¢ 156	1,160,942	(17,481)	1,589,376	9,074	71	820	62,380	91,337	4,622	2,901,297

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

Martín Vindas Garita
General Manager

Jesús Orozco Delgado
Head of Financial Planning Department

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 years ended December 31, 2012 and 2011
(In millions of colones)

		2012	2011 *(Restated)**
Sources (uses) of cash:			
Operating activities:			
Profit, net	¢	17,317	21,301
Items not requiring (providing) cash:			
Depreciation		270,946	263,360
Legal provisions		17,438	8,767
Statutory Christmas bonus		18,134	16,736
Back-to-school bonus		16,942	15,848
Accrued vacation		16,037	13,801
Allowance for doubtful accounts		3,730	10,041
Allowance for valuation of inventory		1,164	3,155
Absorption of amortizable and intangible items		10,789	18,492
Litigation		583	2,969
Foreign exchange differences		(32,955)	3,665
Valuation of financial instruments		9,260	(3,807)
Cash from operations		332,068	353,027
Cash from (used in) changes in:			
Committed temporary investments		20	557
Notes and accounts receivable		56,015	(86,134)
Operating inventory		45,988	(34,752)
Other assets		(32,663)	67,497
Accounts payable		29,810	59,069
Security deposits		(1,377)	(3,889)
Other liabilities		(52,403)	(62,866)
Cash from operating activities		394,775	313,808
Financing activities:			
Increase in securities payable		288,565	258,898
Amortization of securities payable		(57,979)	(6,548)
Increase in loans payable		344,882	275,079
Amortization of loans payable		(377,096)	(241,194)
Decrease (increase) in obligations derived from credit		(23,774)	28,040
Net cash from financing activities		174,598	314,275
Investing activities:			
Increase in long-term investments		(16,355)	(9,837)
Additions to property, machinery and equipment		(533,163)	(596,511)
Increase in other assets		(26,563)	(62,263)
Net cash used in investing activities		(576,081)	(668,611)
Decrease in cash and cash equivalents		(6,708)	(40,529)
Cash and cash equivalents at beginning of the year		152,522	193,049
Cash and cash equivalents at end of the year	¢	145,813	152,522

* See note 27.
The notes are an integral part of the consolidated financial statements.

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General Manager

Jesús Orozco Delgado
Head of Financial Planning

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Accounting Management Process
Coordinator

Note 1. Reporting entity

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

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

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

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

ICE Group is a group of State-run companies comprised of ICE (ultimate controlling entity) and by the following subsidiaries: Compañía Nacional de Fuerza y Luz, S.A. (CNFL), Radiográfica Costarricense, S.A. (RACSA), and Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICRSA).

(Continued)

Compañía Nacional de Fuerza y Luz, S.A.

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

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

Radiográfica Costarricense, S.A.

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

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

Compañía Radiográfica Internacional de Costa Rica, S.A.

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

(Continued)

Composition of capital

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

a) National revenue that the law allocates and earmarks for ICE.

b) Fees that the State acquired from the Municipality of San José under the Local Streetcar Agreement.

c) Any other government-owned asset transferred to ICE.

d) The country's water resources that have been or will be declared to be a national resource and any accumulated profits resulting therefrom.

Note 2. Basis of preparation

(a) Statement of compliance

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

The above set of rules considers the conceptual framework included in the Accounting Principles Applicable to the Costa Rican Public Sector.

(Continued)

Pursuant to regulations issued by the National Accounting Office of the Ministry of Finance and laws in effect, ICE may use the Accounting Principles Applicable to the Costa Rican Public Sector, set forth in Executive Order No. 34460-H of February 14, 2008, or the regulatory framework it has been applying thus far, until ICE transitions to IFRS on December 31, 2013.

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

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

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

Management authorized the issue of the consolidated financial statements on April 24, 2013.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(Continued)

(d) Use of estimates and judgments

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

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

(e) Changes in accounting policies

(i) Accounting for property, machinery, and equipment - Telecom segment

Starting January 1, 2012, ICE Group changed the accounting policy applicable to booking certain items of property, machinery and equipment of the Telecom segment. ICE Group replaced the current revaluation method (historical cost plus adjustments using a price index until December 31, 2008) with the historical cost method, reversing the value of previously booked revaluations.

ICE Group believes this new accounting policy provides more relevant information considering the new market conditions faced by the entity and the assets' exposure to technological changes, drop in market prices, and reduced capacity and adaptability. Based on the above, a decision was made to change the accounting policies for certain categories of operating assets because historical cost better reflects their value. Using a price index for assets subject to constant technological changes may not adequately reflect their carrying amount in the consolidated financial statements.

In compliance with the accounting policy in force, since the adjustment is treated as a change in accounting policies, its effect must be applied retrospectively to the consolidated financial statements and the accounts in the consolidated balance sheet and consolidated statement of profit or loss must be reversed.

(Continued)

(ii) *Accounting for the cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans*

Starting January 1, 2012, ICE Group changed the accounting policy applicable to booking the cost of terminals (decrease in inventory) that are free of charge or sold for a discounted price with post-paid mobile telephony plans.

The change in the accounting policy implies deferring the cost of the terminal over the term of the plan subscribed by the customer. The purpose of such change is to correctly present the matching of income with expenses, in compliance with the policy in effect: *"Costs and expenses are booked simultaneously with income arising directly and jointly from the same transactions or events."*

This change in accounting policy is applied retrospectively by ICE Group to the period ended December 31, 2011 since the sale of post-paid telephony plans with terminals free of charge or sold for a discounted price started during such period. The effect of this change must be applied to the "Prepaid expenses" account in the consolidated balance sheet and the "Marketing expenses" account in the consolidated statement of profit or loss.

(iii) *Accounting for donations from customers, local governments, or foreign governments*

Starting January 1, 2012, ICE Group changed the accounting policy applicable to booking donations received, which were previously booked as "Paid-in capital" under equity.

This change involves that donations (property, machinery, equipment) received from customers for purposes related to the activities of ICE Group are to be directly booked as "Income" in the consolidated statement of profit or loss. Furthermore, donations (cash or directly transferred assets) received from local governments or foreign governments that meet the conditions to be considered "government grants" are to be booked as "Prepaid income" in the consolidated balance sheet, and income therefrom is to be realized in the consolidated statement of profit or loss based on the matching of the cost derived from the donated asset over its useful life.

The purpose of this change is to align ICE Group's financial and accounting policies with international best practices in respect of transactions related to customer donations and grants from local and foreign governments.

(Continued)

In compliance with the accounting policy in effect, the adjustment resulting from the aforementioned change must be applied retrospectively to the consolidated financial statements, eliminating the “Paid-in capital” account and presenting the corresponding balance in the “Development reserve” and “Other income” accounts in the consolidated statement of profit or loss. ICE Group performed no transactions related to government grants before the period ended December 31, 2012; accordingly, the retrospective adjustment had no effect on prior periods.

(iv) *Accounting for contingent liabilities derived from tax proceedings*

Starting January 1, 2012, ICE Group changed the accounting policy related to contingent liabilities derived from tax proceedings. The change involves accounting for the liabilities related to all tax proceedings from the time they are notified, except for those for which expert opinion has been issued by the Legal Department indicating there is uncertainty or that an outflow of funds in relation thereto is unlikely.

ICE Group believes this change in accounting policy improves the disclosure of contingent liabilities and ensures the use of appropriate recognition and measurement bases for provisions and contingent liabilities, by taking into consideration the existence of uncertain future events that are not fully controlled by ICE Group or for which an outflow of funds is unlikely. The purpose of this change is to align ICE Group’s accounting regulatory framework with international best practices. This new policy entered into effect from January 1, 2012 and has no effect on the previously reported prior-period financial information because no tax proceedings were notified to ICE Group in prior periods that meet the conditions of the new regulations.

These changes in accounting policies are to be applied retrospectively and had a significant impact on the consolidated financial statements as of December 31, 2011 and 2010 (see note 27).

Note 3. Significant accounting policies and guidelines

The accounting policies set out below, included in ICE’s Accounting Policy Manual in effect for the 2012 period (version 3), have been consistently applied to all periods presented in these consolidated financial statements and by all ICE Group entities, considering the changes in accounting policies described in note 2-e.

(In millions of colones)

(a) Basis of consolidation

(i) Subsidiaries

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

		Ownership interest December 31,	
Subsidiaries	**Country**	**2012**	**2011**
Compañía Nacional de Fuerza y Luz, S.A. (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%

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

(ii) Transactions eliminated in consolidation

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

(iii) Accounting period

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

(iv) Recognition criteria

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

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

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

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

(v) *<u>Foreign currency transactions</u>*

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

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

(vi) *<u>Changes in accounting policies, accounting estimates, and prior period misstatements</u>*

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

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

Misstatements in prior period balances or transactions should be corrected by adjusting the opening balances of the equity accounts. A retrospective adjustment is considered depending on the materiality established by the parent company. For purposes of presentation of the consolidated financial statements, prior period adjustments greater than or equal to ¢3,000 are included retrospectively. Adjustments with the same justification, which total amount is greater than or equal to ¢3,000, are also included.

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

- Restating opening balances of the development reserve for the oldest prior accounting period.
- Restating prior period balances as if the policy had always been applied or the misstatement had never occurred, unless and to the extent that it is impracticable to determine the effects in each period or they are relatively insignificant. Impracticability must be duly determined based on reliable arguments and the corresponding supporting documentation.

(b) Property, machinery and equipment

Operating assets and other operating assets

(i) Recognition and measurement

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

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

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

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

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

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

Reconstruction of an asset should be booked as follows:

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

Spare parts associated with operating assets and replacement equipment are recognized as operating assets, provided they are expected to be used for more than one accounting period, they can be used only with a specific component of operating assets, or their use is infrequent.

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

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

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

Depreciation

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

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

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

(Continued)

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

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

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

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

Revaluation of assets

Balances of operating assets and other operating assets and their respective accumulated depreciation as of December 31 of the prior year are revalued each year using indexes established by ICE Group for each class and significant component of the asset, except for the assets of the Telecom segment that are not subject to revaluation as described in note 4. If the variations in the values resulting from those revaluations are insignificant, frequent revaluations will be unnecessary and are not booked, or they are made every three or five years. Revaluations are performed starting in the second accounting period from the booking date using independent accounts for revalued cost and revalued accumulated depreciation.

In the event that, based on expert criteria, asset revaluations are considered unnecessary but were applied in compliance with prior policies, the corresponding technical areas must perform an analysis to determine whether the revalued amount of the assets should remain unchanged or be adjusted (see note 2-e).

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

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

Other operating assets with a useful life of five years or less with a generally declining fair value are not revalued.

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

Other operating assets under finance leases

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

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

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

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

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

Construction work in progress

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

Total or partial capitalization of construction works is appropriate when the asset is in the condition necessary for its intended use. Capitalizations are made through a settlement of work orders issued by the respective segments.

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

Materials in transit for investment

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

(Continued)

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

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

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

Inventory for investment

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

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

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

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

Impairment of assets

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

(c) Investments and long-term accounts receivable

Long-term investments

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

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

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

Long-term financial investments

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

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

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

Long-term notes receivable

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

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

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

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

(d) Current assets

Banks

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

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

Temporary investments

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

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

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

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

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

Valuation of temporary investments

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

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

Investment valuations are booked at least once a month. Accordingly, there is a sale indicator and reasonable values are established.

The effect of exchange rate variations on the value of temporary investments expressed in foreign currency is included in equity as "Result of valuation of financial instruments".

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

Restricted funds

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

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

Receivables

The right to demand payment from customers for electricity and telecom services with terms of less than one accounting period is booked as "Receivables for services rendered".

(Continued)

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

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

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

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

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

<u>Allowance for doubtful accounts</u>

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

Customer balances of ¢15,000 (exactly fifteen thousand colones) or less for the Electricity segment and ¢25,000 (exactly twenty-five thousand colones) for the Telecom segment are written off as bad debts once the administrative collection process has been exhausted. Amounts in excess of the above figures and up to ¢100,000 (exactly one hundred thousand colones) will be kept for two years in the judicial collection sublegders. After that time, they are formally booked in the allowance for doubtful accounts.

Amounts in excess of ¢100,000 (exactly one hundred thousand colones) are kept in the corresponding subledger until they are determined to be a bad debt by ICE Group's Legal Department or the Administrative and Judicial Collections Division.

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

(Continued)

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

Government accounts

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

Notes receivable

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

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

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

Operating inventory

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

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

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

The amount provisioned to cover possible losses arising from obsolescence, impairment, and warehouse shortages is booked as an "Allowance for valuation of operating inventory".

The allowance for valuation of operating inventory should be reduced when an item of inventory is determined to be obsolete or impaired, or there is an inventory shortage.

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

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

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

Materials in transit for operations

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

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

Borrowing costs, except foreign exchange differences, directly attributable to the acquisition of goods and services are included as part of their cost during the period from the issue of the purchase order to receipt of the goods and services.

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

Prepaid expenses

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

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

"Prepaid expenses" are booked at acquisition cost.

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

"Prepaid expenses" related to the cost of mobile terminals are booked as expenses when the service is canceled or the plan is changed.

(e) Other assets

Service agreements

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

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

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

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

Project design and execution

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

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

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

Technical service centers-investment

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

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

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

Investment in reforestation agreements

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

Non-operating assets

(i) *Recognition and measurement*

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

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

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

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

Reconstruction of a non-operating asset should be booked as follows:

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

(ii) *Depreciation*

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

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

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

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

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

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

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

(Continued)

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

Balances of non-operating assets and their respective accumulated depreciation are revalued each year using indexes established by ICE Group for each class of asset, which could either increase or decrease the asset's carrying amount. However, if the variations in values resulting from such revaluations are insignificant, frequent revaluations will be unnecessary, or they can be made every three or five years. Revaluations are performed starting in the second accounting period from the booking date using the independent accounts for restated cost and restated accumulated depreciation.

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

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

Non-operating assets with a useful life of five years or less with a generally declining fair value are not revalued.

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

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

Intangible assets

(i) Recognition and measurement

Assets that do not have a physical form and are expected to be used for more than one accounting period for administrative activities or activities other than normal operations are booked as "Intangible assets".

Intangible assets include:

- Licenses and software
- Systems and applications

Intangible assets acquired from third parties are booked at acquisition cost, plus any costs directly attributable to preparation of the asset for its intended use.

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

- Research phase
- Development phase

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

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

- It is technically possible to complete production of the intangible asset such that it becomes available for use or sale.
- Its intent to complete the intangible asset in question for use or sale.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other, ICE Group should demonstrate the existence of a market for the production generated by the intangible asset or for the asset itself, or, if the asset will be used internally, the asset's utility for ICE Group.

- Availability of sufficient technical, financial, or other resources to complete development and use or sell the intangible asset.

- Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

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

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

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

(ii) *Amortization*

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

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

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

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

Amortizable items

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

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

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

(Continued)

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

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

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

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

Securities received as guaranty deposits

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

Securities received as guaranty deposits are booked at face value.

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

Valuation of derivative financial instruments

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

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

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

Transfers to ICE's Guarantee and Savings Fund

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

(Continued)

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

(f) Long-term liabilities

Securities payable

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

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

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

Long-term loans payable

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

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

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

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

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

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

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

(Continued)

Obligations derived from credit

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

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

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

Security deposits

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

Security deposits are recognized at face value.

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

Prepaid income

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

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

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

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

(Continued)

(g) Short-term liabilities

Short-term securities payable

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

Obligations related to securities issued by the entity are booked at their nominal value based on the financial obligations acquired.

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

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

Short-term loans payable

Obligations assumed with financing institutions and agencies for a period of one year or less, the portion of long-term loans payable expected to be settled within one year and long-term debt payable in the short term as expressly indicated by the corresponding creditor as a result of noncompliance with the obligations established in the agreements, are recognized as "Short-term loans payable".

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

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

Accounts payable

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

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

Accounts payable are recognized as follows:

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

(Continued)

- Service orders – the liability is recognized in profit or loss or investments when the contracted services are rendered.

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

<u>Accrued finance expenses payable</u>

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

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

<u>Prepaid income</u>

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

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

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

<u>Deposits from private individuals or companies</u>

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

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

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

(Continued)

Accrued expenses for employer obligations

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

Accrued expenses for employer obligations are recognized at historical cost.

(i) *Statutory Christmas bonus*

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

(ii) *Vacation*

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

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

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

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

The vacation accrual for RACSA is as follows:

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

(iii) *Back-to-school bonus*

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

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

(h) Other liabilities

Legal provisions

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

The monthly provision for severance benefits corresponding to permanent and temporary employees is equivalent to 2.50% and 9%, respectively, of pretax compensation.

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

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

In accordance with the Collective Bargaining Agreement subscribed by CNFL and its employees on August 30, 1995, CNFL calculates severance benefits by applying a percentage based on the employee’s years of service, up to a maximum of 20 years. At each tax year-end, an actuarial study is completed to adjust the calculation of this provision.

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

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

Provision for contingent liabilities

ICE Group establishes a provision for contingent liabilities to cover future losses that could arise on final resolution of legal processes. The amount of the provision is determined in accordance with the “Guidelines for Litigation Provisions”, which considers the expert opinion of ICE’s Legal Department and the following criteria:

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

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

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

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

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

(Continued)

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

The amount should be revised periodically to ensure coverage of the potential obligation.

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

(i) Equity

Development reserve

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

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

Asset revaluation reserve

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

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

Result of valuation of financial instruments

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

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

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

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

Legal reserve

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

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

Project development reserve

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

Forest development reserve

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

Restricted retained earnings

Based on agreements reached at General Shareholders' Meetings, RACSA restricts earnings as appropriate and recognizes them on the historical cost basis. Additionally, "Restricted retained earnings" include ICE's portion of the dividends declared by CNFL in July 2004, according to an agreement reached at a Shareholders' Meeting.

(j) Memoranda accounts

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

Memoranda accounts are recognized at face value.

(Continued)

(k) Operating income

Income from services

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

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

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

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

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

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

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

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

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

(Continued)

- Income can be measured reliably.
- It is probable that ICE will receive the economic benefits derived from the transaction.
- The level of realization of the transaction can be measured reliably.
- Costs incurred in rendering services and costs to be incurred until the transaction is completed can be measured reliably.

Income from government services

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

This item is booked at the agreed rate.

(l) Operating costs

Operation and maintenance costs

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

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

Operation and maintenance costs are recognized at historical cost.

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

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

Depreciation of operating assets

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

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

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

Supplemental services and purchases

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

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

Production management

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

Production management costs are recognized at historical cost.

Technical service centers-operations

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

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

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

(m) Operating expenses

Administrative expenses

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

Administrative expenses are booked at historical cost.

(Continued)

These expenses are allocated to the segments comprising each sector in accordance with the methodology designed for such purposes.

Marketing expenses

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

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

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

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

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

"Marketing expenses" are booked at historical cost.

Preliminary studies

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

These expenses are booked at historical cost.

Preinvestment studies

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

These expenses are booked at historical cost.

(Continued)

Other operating expenses

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

Other operating expenses are recognized at historical cost.

(n) Other income

Finance income

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

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

Income from investments in other companies

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

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

Other income

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

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

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

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

(Continued)

Foreign exchange differences

All transactions required to settle or adjust monetary items (both assets and liabilities) in foreign currency are recognized as gains or losses under profit or loss for the period.

(o) Other expenses

Finance expenses

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

Finance expenses are booked at historical cost.

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

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

Other expenses

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

(In millions of colones)

Note 4. Operating assets

Operating assets at cost are as follows:

Operating assets - cost		2010	Additions	Retirements and transfers	Adjustmens and reclassifications	2011 (Restated)*	Additions	Retirements and transfers	Adjustmens and reclassifications	2012
		Plants, substations, lines, stations, and other As of December 31,								
ICE Electricity:										
Hydraulic power generation	¢	180,953	389,084	(668)	(106)	569,263	9,702	(787)	(36)	578,142
Thermal power generation		74,141	2,203	(122)	540	76,762	13,863	(959)	(175)	89,491
Substations (4)		89,320	17,179	(7)	(9)	106,483	23,005	610	(32)	130,066
Transmission lines (2)		63,037	15,304	-	(44)	78,297	40,422	153	(73)	118,799
Distribution lines (3)		124,888	7,739	(1,529)	(12)	131,086	23,536	(922)	(42)	153,658
Street lighting		2,881	51	-	-	2,932	205	(8)	-	3,129
Geothermal power generation		110,556	41,874	-	-	152,430	7,047	-	-	159,477
Wind power generation		7,363	1,007	(972)	-	7,398	221	(22)	-	7,597
Solar power generation (5)		1,873	-	-	-	1,873	6,849	-	-	8,722
Micro hydro power generation		166	-	-	-	166	-	-	-	166
Communication, control and infrastructure equipment		5,673	-	-	-	5,673	10,722	-	-	16,395
Subtotal ICE Electricity	¢	**660,851**	**474,441**	**(3,298)**	**369**	**1,132,363**	**135,572**	**(1,935)**	**(358)**	**1,265,642**
ICE Telecom: (1)										
Transport	¢	453,313	38,798	(12,274)	27	479,864	31,528	(1,287)	(169)	509,936
Access		280,025	75,349	(13,294)	2	342,082	56,244	15	(57)	398,284
Civil and electromechanical		168,375	11,570	(901)	(35)	179,009	31,943	63	(22)	210,993
Platforms		27,880	35,440	(31)	(181)	63,108	21,268	(56)	(26)	84,294
Subtotal ICE Telecom	¢	**929,593**	**161,157**	**(26,500)**	**(187)**	**1,064,063**	**140,983**	**(1,265)**	**(274)**	**1,203,507**
Subtotal ICE	¢	**1,590,444**	**635,598**	**(29,798)**	**182**	**2,196,426**	**276,555**	**(3,200)**	**(632)**	**2,469,149**

* See note 27.

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

		Plants, substations, lines, stations, and other								
		As of December 31,								
Operating assets - cost		**2010**	**Additions**	**Retirements and transfers**	**Adjustmens and reclassifications**	**2011 *(Restated)****	**Additions**	**Retirements and transfers**	**Adjustmens and reclassifications**	**2012**
CNFL:										
Land	¢	3,219	-	-	54	3,273	63	-	-	3,336
Land improvements		5,720	446	-	-	6,166	4	(15)	(88)	6,067
Buildings		10,574	1,349	-	(54)	11,869	144	(22)	(292)	11,699
Plants		49,486	244	-	-	49,730	403	-	-	50,133
Distribution		81,941	11,196	(413)	-	92,724	6,847	(354)	-	99,217
Transmission		2,022	-	-	-	2,022	-	-	-	2,022
Substations		13,110	335	-	-	13,445	432	-	(54)	13,823
Service connections		15,161	2,016	(78)	-	17,099	1,783	(60)	-	18,822
Street lighting equipment		3,654	371	(187)	-	3,838	60	(32)	122	3,988
Street lighting		4,790	916	-	-	5,706	1,406	-	-	7,112
General equipment		21,402	3,884	(921)	-	24,365	2,178	(689)	(60)	25,794
Communication systems		412	221	-	-	633	147	-	-	780
Subtotal CNFL	**¢**	**211,491**	**20,978**	**(1,599)**	**-**	**230,870**	**13,467**	**(1,172)**	**(372)**	**242,793**
RACSA: (6)										
Land	¢	203	-	-	-	203	-	-	-	203
Building		763	5	-	-	768	-	-	-	768
Communication equipment		37,127	549	(1,555)	-	36,121	1,587	(988)	-	36,720
General equipment		6,486	71	(93)	(130)	6,334	1,118	(142)	-	7,310
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 - Pacific (Costa Rica)		7,331	-	-	-	7,331	-	-	-	7,331
Subtotal RACSA	**¢**	**58,584**	**3,232**	**(1,648)**	**(130)**	**60,038**	**2,705**	**(1,130)**	**-**	**61,613**
Total ICE Group	**¢**	**1,860,519**	**659,816**	**(33,045)**	**52**	**2,487,334**	**292,727**	**(5,502)**	**(1,004)**	**2,773,555**

* See note 27.

(Continued)

(1) ICE Telecom

Access:

As of December 31, 2012, additions to operating assets of the Telecom segment under the access category amount to ¢56,244. These additions mainly correspond to the following components: copper network in the amount of ¢30,462, base stations in the amount of ¢11,001, multiservice access platforms in the amount of ¢7,143, and network terminal equipment in the amount of ¢6,742.

Transport:

The Telecom segment's assets under the transport category present additions for ¢31,528 as a result of capitalizations made, mainly for the following components: fiber optic cable for ¢13,223, transmission for ¢11,596, and network switches for ¢3,601.

Civil and electromechanical:

An increase was recognized in electromechanical components and civil works for additions in the amount of ¢31,943, mainly as a result of the capitalization of the Internet Data Center (IDC) in Guatuso, Cartago, for ¢13,173 and ¢4,632, respectively. The IDC is a hosting service platform that provides high-tech servers with space for data storage and co-location (a service that rents space to host customer equipment).

Platforms:

An increase in the amount of ¢21,268 was recognized for additions corresponding to the following components: management platforms for ¢7,654 and service delivery platforms for ¢13,614.

(2) Transmission lines:

Additions in the amount of ¢40,422 were recognized mainly due to the expansion of the Cachí-Moín and Poás-Garita Transmission Lines.

(3) Distribution lines:

In the Distribution Line group, capitalizations for a total of ¢23,536 were made for the following components: civil works – distribution and street lighting, and electrical works – distribution and lighting.

(4) Substations:

The most significant capitalizations correspond to the Auxiliary Bars Project (138 kW) for ¢15,766. The most significant assets include the Palmar Norte, Rio Claro, and Cañas Transmission Systems.

(5) Solar power generation:

In 2012, the most significant capitalization amounts to ¢6,218 and corresponds to the first solar power plant in Central America, located in La Fortuna de Bagaces, Guanacaste. The Miravalles Solar Power Park is a grant for ¢5,333 from the Government of Japan to the Government of the Republic of Costa Rica as part of the project to introduce clean energy through solar power generation under the Japan's non-repayable financial aid program for the environment and climate change. The purpose of the project is to mitigate the effects of global warming by reducing the emission of greenhouse gases and taking adaptive measures. An overstatement for ¢885 corresponds to works performed by ICE. With the solar power plant, a total of 1.2 GWh is expected to be generated on an annual basis, which is equivalent to the electricity consumption of 600 households.

(6) RACSA

In 2010, RACSA capitalized the amount of ¢7,605 (2011 and 2012: carrying amounts of ¢4,796 and ¢6,293, respectively) for acquisition of a homogeneous platform for e-mail on SUN Microsystems' Java Enterprise System (JES) in order to develop value-added services for new generation applications based on open source software, Web 2.0, and cloud computing, including modular data centers, hardware, software, platform technical support, and data communication.

As of the date of this report, the cash flows generated by the JES project have been lower than expected as a result of the issues faced since the beginning of the project in respect of projected and planned results.

(Continued)

(In millions of colones)

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

		Plants, substations, lines, stations, and other As of December 31,								
Accumulated depreciation - cost		**2010**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2012**
ICE Electricity:										
Hydraulic power generation	¢	51,280	7,189	(373)	-	58,096	14,763	(402)	191	72,648
Thermal power generation		13,445	3,404	40	7	16,896	3,829	(216)	(12)	20,497
Substations		20,674	4,346	(3)	58	25,075	5,474	148	(36)	30,661
Transmission lines		7,897	2,745	-	-	10,642	3,015	21	775	14,453
Distribution lines		35,337	9,195	(557)	-	43,975	10,338	(465)	(752)	53,096
Street lighting		1,947	127	-	-	2,074	80	(7)	-	2,147
Geothermal power generation		32,771	3,752	-	-	36,523	5,477	-	(265)	41,735
Wind power generation		2,275	363	(100)	-	2,538	444	(8)	-	2,974
Solar power generation		410	82	-	-	492	114	-	-	606
Micro hydro power generation		7	6	-	-	13	6	-	-	19
Communication, control and infrastructure equipment		2,203	926	-	-	3,129	1,102	-	-	4,231
Subtotal ICE Electricity	**¢**	**168,246**	**32,135**	**(993)**	**65**	**199,453**	**44,642**	**(929)**	**(99)**	**243,067**
ICE Telecom:										
Transport	¢	197,955	38,952	(11,303)	-	225,604	41,715	(781)	(9)	266,529
Access		108,773	38,633	(12,915)	-	134,491	31,278	7	11	165,787
Civil and electromechanical		95,349	11,460	(880)	-	105,929	11,779	5	7	117,720
Platforms		10,719	7,105	(79)	-	17,745	10,678	(33)	1,533	29,923
Subtotal ICE Telecom	**¢**	**412,796**	**96,150**	**(25,177)**	**-**	**483,769**	**95,450**	**(802)**	**1,542**	**579,959**
Subtotal ICE	**¢**	**581,042**	**128,285**	**(26,170)**	**65**	**683,222**	**140,092**	**(1,731)**	**1,443**	**823,026**

(Continued)

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		Plants, substations, lines, stations, and other As of December 31,									
Accumulated depreciation - cost		**2010**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2012**
CNFL:										
Land improvements	¢	743	136	-	-	879	135	(3)	1	1,012
Buildings		1,549	218	-	-	1,767	215	(5)	23	2,000
Plants		6,798	1,293	-	-	8,091	1,248	-	56	9,395
Distribution lines		15,469	3,068	(127)	-	18,410	3,036	(109)	361	21,698
Transmission lines		276	68	-	-	344	68	-	2	414
Substations		2,298	471	-	-	2,769	447	-	43	3,259
Service connections		2,743	553	(23)	-	3,273	599	(17)	19	3,874
Street lighting equipment		660	147	(181)	-	626	124	(32)	128	846
Street lighting		665	171	-	-	836	216	-	63	1,115
General equipment		9,194	2,202	(772)	1	10,625	1,437	(538)	909	12,433
Communication systems		66	14	-	-	80	22	-	-	102
Subtotal CNFL	**¢**	**40,461**	**8,341**	**(1,103)**	**1**	**47,700**	**7,547**	**(704)**	**1,605**	**56,148**
RACSA:										
Building	¢	187	25	-	-	212	24	-	-	236
Communication equipment		24,309	3,791	(1,123)	-	26,977	3,458	(981)	-	29,454
General equipment		1,652	576	(81)	-	2,147	611	(141)	-	2,617
Submarine cable - Maya I		1,171	247	-	-	1,418	382	-	-	1,800
Submarine cable - Arcos I		668	110	-	-	778	109	-	-	887
Submarine cable - Pacific (Costa Rica)		1,097	489	-	-	1,586	490	-	-	2,076
Subtotal RACSA	**¢**	**29,084**	**5,238**	**(1,204)**	**-**	**33,118**	**5,074**	**(1,122)**	**-**	**37,070**
Total ICE Group	**¢**	**650,587**	**141,864**	**(28,477)**	**66**	**764,040**	**152,713**	**(3,557)**	**3,048**	**916,244**

(Continued)

(In millions of colones)

In 2012 and 2011, depreciation on ICE Electricity's operating assets was calculated based on the annual rates and useful lives corresponding to each group of assets, as follows:

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

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

(Continued)

(In millions of colones)

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

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

(Continued)

(In millions of colones)

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

	As of December 31, 2012												
Useful life (in years)	**3**	**4**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**25%**	**20%**	**17%**	**14%**	**13%**	**10%**	**8%**	**7%**	**5%**	**4%**	**3%**	**3%**
ICE Telecom:													
Transport:													
Transmission													
Ground stations													
Gigarouters							X						
Multiplexors							X						
Transceivers							X						
Sync system							X						
Radiating system							X						
Switching													
Packet switching			X										
Soft switches							X						
Frame relay			X										
Switching centers (circuit switching)			X										
Distribution													
Optical distributors									X				
Digital distributors							X						
Optical wiring													
Fiber optic transport										X			
International wiring													
Poles for fiber optic transport network										X			
Underground wiring for fiber optic transport network												X	
OPGW (Right of use)											X		
Equipment-System, control, and register													
Radio network controller (RNC)							X						
Home location register (HLR)							X						
Authentication center (AuC)							X						
Equipment identity register (EIR)							X						
Base station controller (BSC)							X						
Signal transfer point (STP)							X						
Serving GPRS support node (SGSN)							X						
Gateway GPRS support node (GGSN)							X						

(Continued)

(In millions of colones)

	As of December 31, 2012												
Useful life (in years)	**3**	**4**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**25%**	**20%**	**17%**	**14%**	**13%**	**10%**	**8%**	**7%**	**5%**	**4%**	**3%**	**3%**
Access:													
Peripheral switching systems													
Line concentrator			X										
Remote unit			X										
Multiservice access platforms													
IMAPs			X										
Multiservice access nodes (MSAN)							X						
Copper network													
Primary							X						
Secondary							X						
Copper network poles										X			
Copper network underground wiring												X	
Base stations													
Fixed phone line			X										
Broad band						X							
2G mobile phone line (BTS)							X						
3G mobile phone line (Nodes B)							X						
Network terminal equipment													
VSAT					X								
Public				X									
Residential	X												
Business	X												
Packet network													
DSLAM			X										
Metro router			X										
Access router			X										
Distribution													
Main distributor			X										
Closet			X										
Optical distributor									X				
Gateways													
Trunking gateway			X										
Media gateway					X								
Fiber optic network - Access													
Fiber optic access										X			
Poles for fiber optic network access										X			
Underground wiring for fiber optic network access												X	

(Continued)

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	As of December 31, 2012												
Useful life (in years)	**3**	**4**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**25%**	**20%**	**17%**	**14%**	**13%**	**10%**	**8%**	**7%**	**5%**	**4%**	**3%**	**3%**
Civil & electromechanical:													
Property													
Land													
Property rights													
Civil works													
Access roads							X						
Buildings													X
Infrastructure civil works												X	
Towers												X	
Posts										X			
Underground wiring												X	
Perimeter security										X			
Electromechanical													
Uninterruptible power system (UPS)			X										
Alternating current system									X				
AC power back-up system								X					
Climatization system					X								
Direct current system			X										
Electronic security system							X						
Protection and grounding system									X				
Platforms:													
Management													
Network			X										
Services			X										
Services													
Automatic call distributor (ACD)			X										
Voicemail platform			X										
Multimedia messaging service (MMS)			X										
Multi-service platforms (APEX)			X										
Support for data packets routing services (GPRS)			X										
Intelligent network			X										
Prepaid mobile recharge			X										
Short message service (SMS)			X										
Customer relationship management (CRM)			X										
Internet protocol television services (IP-TV)			X										
Multimedia services system (IMS)			X										
Ringback tone			X										
Support for email services (PSS)			X										
Transmission of short messages (FDA)			X										
Automatic device configurations (ADC)			X										
Video streaming			X										
Added value - telephone book service			X										
Unstructured Supplementary Service Data (USSD)			X										
Content gateway			X										
Mobile banking			X										
Mobile internet enabling proxy (MIEP)			X										
Videoconferencing			X										
Wireless integrated services gateway (WISG/SCG)			X										
Service delivery and development (MDSP)			X										
Unified messaging service (UMS)			X										
Services portal			X										
Service delivery platform (SDP)			X										
Fraud and intervention			X										
Changes to SIM card (OTA)			X										
Localization			X										
Atlantis SMS			X										
Data mediation and supply			X										
Security for IP services			X										
Backup system and data warehouse			X										
Data center network platform			X										
Data center IT service platforms			X										

(Continued)

Depreciation percentages applied by CNFL and RACSA are based on the following useful lives:

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

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Revalued operating assets are as follows:

Operating assets - revalued		Plants, substations, lines, stations, and other As of December 31,								
		2010 *(Restated)**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011** *(Restated)**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2012**
ICE Electricity:										
Hydraulic power generation	¢	1,081,373	62,780	(12,296)	(4)	1,131,853	27,941	(8,255)	-	1,151,539
Thermal power generation		80,788	8,043	(317)	66	88,580	3,363	(1,164)	-	90,779
Substations		140,585	11,459	(19)	-	152,025	5,922	(199)	-	157,748
Transmission lines		83,958	6,331	-	-	90,289	4,682	-	-	94,971
Distribution lines		229,872	17,617	(3,341)	(23)	244,125	7,991	(6,258)	-	245,858
Street lighting		4,118	332	-	-	4,450	175	(13)	-	4,612
Geothermal power generation		283,331	20,191	-	-	303,522	10,760	-	-	314,282
Wind power generation		3,859	576	-	-	4,435	228	(11)	-	4,652
Solar power generation		1,222	157	-	-	1,379	72	-	-	1,451
Micro hydro power generation		(2)	-	-	-	(2)	3	-	-	1
Communication, control and infrastructure equipment		6,587	610	-	-	7,197	380	-	-	7,577
Subtotal ICE Electricity	**¢**	**1,915,691**	**128,096**	**(15,973)**	**39**	**2,027,853**	**61,517**	**(15,900)**	**-**	**2,073,470**
ICE Telecom:										
Transport	¢	47,136	-	(8,750)	-	38,386	-	-	(304)	38,082
Access		147,061	-	(5,457)	-	141,604	-	-	-	141,604
Civil and electromechanical		80,104	4,971	(473)	-	84,602	4,730	-	-	89,332
Platforms		42	-	(42)	-	-	-	-	-	-
Subtotal ICE Telecom	**¢**	**274,343**	**4,971**	**(14,722)**	**-**	**264,592**	**4,730**	**-**	**(304)**	**269,018**
Subtotal ICE	**¢**	**2,190,034**	**133,067**	**(30,695)**	**39**	**2,292,445**	**66,247**	**(15,900)**	**(304)**	**2,342,488**

* See note 27.

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Operating assets - revalued		Plants, substations, lines, stations, and other As of December 31,								
		2010 (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	2011 (Restated)*	Revaluation	Retirements and transfers	Adjustments and reclassifications	2012
CNFL:										
Land	¢	14,018	816	-	-	14,834	633	-	215	15,682
Land improvements		6,842	595	-	-	7,437	598	(21)	(126)	7,888
Buildings		16,488	1,261	-	37	17,786	1,142	(36)	(230)	18,662
Plants		61,301	5,460	-	-	66,761	3,668	2	-	70,431
Distribution		110,789	9,051	(1,413)	-	118,427	7,407	(1,023)	-	124,811
Transmission		1,360	163	-	-	1,523	133	(1)	-	1,655
Substations		18,267	1,353	-	-	19,620	1,127	-	(30)	20,717
Service connections		26,516	2,078	(213)	-	28,381	1,169	(142)	-	29,408
Street lighting		10,345	915	(245)	-	11,015	724	(77)	135	11,797
General equipment		6,049	-	(503)	-	5,546	-	(354)	(2)	5,190
Communication systems		200	30	-	-	230	6	-	1	237
Subtotal CNFL	**¢**	**272,175**	**21,722**	**(2,374)**	**37**	**291,560**	**16,607**	**(1,652)**	**(37)**	**306,478**
RACSA:										
Land		11	-	-	-	11	-	-	-	11
Building		2,287	-	-	-	2,287	-	-	-	2,287
Communication equipment		10,819	-	(630)	-	10,189	-	(456)	-	9,733
General equipment		1,670	-	(61)	-	1,609	-	(110)	-	1,499
Subtotal RACSA	**¢**	**14,787**	**-**	**(691)**	**-**	**14,096**	**-**	**(566)**	**-**	**13,530**
Total ICE Group	**¢**	**2,476,996**	**154,789**	**(33,760)**	**76**	**2,598,101**	**82,854**	**(18,118)**	**(341)**	**2,662,496**

* See note 27.

(Continued)

ICE Telecom

2012

In June 2012, ICE Group made a retrospective adjustment to revalued assets in the amount of ¢740,568 (revalued cost) due to the change in the revaluation policy that identifies the network elements that are not subject to revaluation based on the following and other technical criteria:

- Technological changes,
- Drop in market prices, and
- Equipment's reduced capacity and adaptability.

Based on the above and considering the new market conditions faced by the entity, a decision was made to change the accounting policy related to revaluation of certain categories of operating assets because historical cost is considered to better reflect their value. Using a price index for assets subject to constant technological changes may not adequately reflect their carrying amount in the consolidated financial statements. In compliance with the accounting regulations in force, since the adjustment is treated as a change in accounting policies, its effect must be applied retrospectively to the Segment's historical consolidated financial statements and the accounts in the consolidated balance sheet and consolidated statement of profit or loss must be adjusted (see notes 2 (e) (i) and 27).

The asset revaluation policy applicable to the Telecom segment was amended as a result of an analysis performed by ICE Group in 2012 (see notes 2 (e) and 27). The operating asset categories of the Telecom segment that are subject to revaluation and those that are not are as follows:

As of December 31, 2012				
Group of assets	**Category**	**Class**	**Subject to revaluation**	**Not subject to revaluation**
Transport:				
	Transmission			X
	Switching			X
	Distribution			X
	Optical wiring			X
	Equipment-System, control, and register			X
Access:				
	Peripheral switching systems			X
	Multiservice access platforms			X
	Copper network			X
	Base stations			X
	Network terminal equipment			X
	Packet network			X
	Distribution			X
	Gateways			X
	Fiber optic network - Access			X
Civil & electromechanical:				
	Property			
		Land	X	
	Civil works			
		Access roads	X	
		Buildings	X	
		Infrastructure civil works	X	
	Electromechanical			X
Platforms:				
	Management			X
	Services			X

In 2012 and 2011, based on ICE Telecom's technical criteria, network elements included in operating assets subject to revaluation (as presented above) were not revalued, except for buildings (civil works) and land, which were revalued by applying an index of 0.03991673 and 0.03773136, respectively.

(In millions of colones)

ICE Electricity

2012

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

Operating assets	As of December 31, 2012	2011
ICE Electricity:		
Hydraulic power generation	0.01675	0.05109
Thermal power generation	0.02066	0.05097
Substations	0.02351	0.05051
Transmission lines	0.03414	0.04911
Distribution lines	0.02182	0.05068
Street lighting	0.02556	0.05004
Geothermal power generation	0.02338	0.05126
Wind power generation	0.01934	0.05097
Solar power generation	0.02209	0.05062
Micro hydro power generation	0.01675	0.05109
Communication and control equipment	0.02953	0.04975

A slight decrease in revaluation rates with respect to 2011 resulted from the following variables: the local (Costa Rica) annual inflation rate for the period was 4.55%, a decline of 0.18% with respect to the rate reported for 2011 (4.73%); the foreign exchange rate (colon-U.S. dollar) decreased by -0.017%, from ¢518.33 to ¢509.23; and the external (USA) annual inflation rate (Employment Cost Trends of the Bureau of Labor Statistics) increased by 2.22%, compared to 5.26% in 2011.

(Continued)

(In millions of colones)

Revaluation rates applied by CNFL and RACSA are as follows:

Operating assets	**As of December 31,**	
	2012	**2011**
CNFL:		
Hydraulic	0,031490	0,049287
Distribution	0,037675	0,048242
Transformation	0,004276	0,053119
Substations	0,034788	0,048823
Street lighting	0,035201	0,048764
Land	0,045509	0,047313
Land improvements	0,045509	0,047313
Buildings	0,045509	0,047313
General equipment	0,045509	0,047313
Service connections	0,025717	0,049868
Communication systems	0,006869	0,049810
RACSA: (*)		

(*) Assets were not revalued in 2012 and 2011.

(In millions of colones)

Accumulated depreciation of revalued operating assets is as follows:

		Plants, substations, lines, stations, and other									
		As of December 31,									
Accumulated depreciation - Revaluation		**2010** *(Restated)**	**Depreciation**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011** *(Restated)**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2012**
ICE Electricity:											
Hydraulic power generation	¢	585,698	27,502	30,921	(7,092)	-	637,029	28,719	(5,428)	10,426	670,746
Thermal power generation		47,133	1,613	3,158	(120)	1	51,785	1,920	(639)	2,055	55,121
Substations		85,216	4,658	5,230	(12)	(13)	95,079	5,155	(167)	2,764	102,831
Transmission lines		56,921	2,875	2,364	-	-	62,160	2,577	-	1,474	66,211
Distribution lines		131,860	8,014	8,226	(2,024)	118	146,194	8,819	(3,814)	4,014	155,213
Street lighting		3,930	26	276	-	-	4,232	26	(13)	148	4,393
Geothermal power generation		94,236	9,268	6,510	-	-	110,014	9,973	-	3,420	123,407
Wind power generation		1,241	199	178	-	-	1,618	235	(5)	81	1,929
Solar power generation		349	47	38	-	-	434	54	-	21	509
Micro hydro power generation		-	-	-	-	-	-	-	-	(2)	(2)
Communication, control and infrastructure equipment		4,918	386	354	-	-	5,658	478	-	258	6,394
Subtotal ICE Electricity	**¢**	**1,011,502**	**54,588**	**57,255**	**(9,248)**	**106**	**1,114,203**	**57,956**	**(10,066)**	**24,659**	**1,186,752**
ICE Telecom:											
Transport	¢	34,469	3,216	-	(8,162)	-	29,523	11,074	-	(9,643)	30,954
Access		102,648	6,959	-	(5,416)	-	104,191	7,892	-	(1,509)	110,574
Civil and electromechanical		49,950	3,665	2,422	(496)	-	55,541	8,131	-	(3,191)	60,481
Platforms		10	32	-	(42)	-	-	193	-	(193)	-
Subtotal ICE Telecom	**¢**	**187,077**	**13,872**	**2,422**	**(14,116)**	**-**	**189,255**	**27,290**	**-**	**(14,536)**	**202,009**
Subtotal ICE	**¢**	**1,198,579**	**68,460**	**59,677**	**(23,364)**	**106**	**1,303,458**	**85,246**	**(10,066)**	**10,123**	**1,388,761**

* See note 27.

(In millions of colones)

		Plants, substations, lines, stations, and other As of December 31,									
		2010 *(Restated)**	Depreciation	Revaluation	Retirements and transfers	Adjustments and reclassifications	2011 *(Restated)**	Depreciation	Retirements and transfers	Adjustments and reclassifications	2012
CNFL:											
Land improvements	¢	1,700	148	116	-	-	1,964	150	(3)	112	2,223
Buildings		6,281	294	352	-	36	6,963	305	35	273	7,576
Plants		18,121	1,731	1,228	-	-	21,080	1,675	-	838	23,593
Distribution		57,383	3,320	3,470	(1,032)	-	63,141	3,927	(774)	2,112	68,406
Transmission		435	55	34	-	-	524	50	-	31	605
Substations		7,924	616	402	-	-	8,942	659	-	331	9,932
Service connections		17,873	568	1,027	(157)	-	19,311	949	(109)	174	20,325
Street lighting		5,953	276	355	(237)	-	6,347	375	(74)	286	6,934
General equipment		4,711	290	-	(466)	-	4,535	124	(241)	-	4,418
Communication systems		65	8	7	-	-	80	8	-	(2)	86
Subtotal CNFL	**¢**	**120,446**	**7,306**	**6,991**	**(1,892)**	**36**	**132,887**	**8,222**	**(1,166)**	**4,155**	**144,098**
RACSA:											
Building	¢	1,088	91	-	(63)	-	1,116	48	-	-	1,164
Communication equipment		10,529	196	-	(631)	-	10,094	78	(455)	-	9,717
General equipment		1,183	77	-	-	-	1,260	73	(110)	-	1,223
Subtotal RACSA	**¢**	**12,800**	**364**	**-**	**(694)**	**-**	**12,470**	**199**	**(565)**	**-**	**12,104**
Total ICE Group	**¢**	**1,331,825**	**76,130**	**66,668**	**(25,950)**	**142**	**1,448,815**	**93,667**	**(11,797)**	**14,278**	**1,544,963**

* See note 27.

In June 2012, an adjustment for a total of ¢615,566 was made to the accumulated depreciation of revalued operating assets of ICE Telecom as a result of the change in accounting policies. The effect of such adjustment is a decrease in the depreciation expense for 2012 in the consolidated statement of profit or loss in the amount of ¢16,655 and a retrospective decrease in the depreciation expense for 2011 in the amount of ¢31,816 (see notes 2 (e) (i) and 27).

(Continued)

(In millions of colones)

Note 5. Other operating assets

Other operating assets – cost are as follows:

Other operating assets - cost		As of December 31,								
		2010	Additions	Adjustments and reclassifications	Retirements and transfers	2011 (Restated)*	Additions	Adjustments and reclassifications	Retirements and transfers	2012
Land	¢	2,603	-	-	-	2,603	(524)	-	(41)	2,038
Access roads		83	1,677	-	-	1,760	-	-	-	1,760
Buildings		14,847	8,864	(9)	(11)	23,691	7,252	-	(5)	30,938
Production machinery and equipment		2,203	67	-	(34)	2,236	96	24	146	2,502
Construction equipment		38,860	11,291	-	(560)	49,591	23,295	-	1,271	74,157
Transport equipment		73,163	6,467	(71)	(607)	78,952	3,934	-	(573)	82,313
Communication equipment		11,584	1,639	11	(710)	12,524	1,031	-	(1,082)	12,473
Office furniture and equipment		6,946	1,233	-	(232)	7,947	1,007	-	(394)	8,560
Computer hardware and software		64,260	9,582	(18)	(7,999)	65,825	7,032	-	(3,080)	69,777
Laboratory, research, and sanitation equipment		23,754	4,680	9	(743)	27,700	5,687	-	(1,021)	32,366
Sports, recreational, and educational furniture and equipment		734	214	-	(85)	863	84	-	(282)	665
Sundry machinery and equipment		11,361	2,944	-	31	14,336	3,373	-	17	17,726
Maintenance machinery and equipment		21,419	10,369	1	(411)	31,378	4,213	-	(283)	35,308
Photography, video, and publication equipment		2,498	1,042	1	(137)	3,404	1,757	-	(1,456)	3,705
Livestock		5	1	-	(1)	5	-	-	(5)	-
Total ICE Group	**¢**	**274,320**	**60,070**	**(76)**	**(11,499)**	**322,815**	**58,237**	**24**	**(6,788)**	**374,288**

*See note 27

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

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

Accumulated depreciation other operating assets - cost		As of December 31,						
		2010	Depreciation	Retirements and transfers	2011	Depreciation	Retirements and transfers	2012
Buildings	¢	3,000	376	(2)	3,374	590	(1)	3,963
Production machinery and equipment		792	110	-	902	81	(324)	659
Construction equipment		19,531	6,609	(287)	25,853	8,426	(95)	34,184
Transport equipment		44,659	13,042	(733)	56,968	8,128	(470)	64,626
Communication equipment		4,693	1,472	(536)	5,629	1,534	(935)	6,228
Office furniture and equipment		2,764	652	(187)	3,229	716	(198)	3,747
Computer hardware and software		36,822	11,154	(7,793)	40,183	11,745	(2,460)	49,468
Laboratory, research, and sanitation equipment		10,985	2,462	(584)	12,863	3,267	(1,017)	15,113
Sports, recreational, and educational furniture and equipment		379	55	(43)	391	67	(223)	235
Sundry machinery and equipment		4,680	1,949	(165)	6,464	2,309	(133)	8,640
Maintenance machinery and equipment		8,476	4,117	(260)	12,333	5,778	(239)	17,872
Photography, video, and publication equipment		1,029	476	(35)	1,470	729	(164)	2,035
Livestock		4	-	(1)	3	-	(3)	-
Total ICE Group	**¢**	**137,814**	**42,474**	**(10,626)**	**169,662**	**43,370**	**(6,262)**	**206,770**

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

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

(Continued)

(In millions of colones)

Revalued other operating assets are as follows:

Other operating assets - revalued		As of December 31,						
		2010	Revaluation	Retirements and transfers	2011	Revaluation	Retirements and transfers	2012
Land	¢	6,259	313	-	6,572	309	(37)	6,844
Buildings		41,844	2,441	(145)	44,140	2,505	-	46,645
Production machinery and equipment		1,750	85	-	1,835	116	(206)	1,745
Construction equipment		9,134	1,208	(487)	9,855	1,488	(177)	11,166
Transport equipment		12,810	1,871	(385)	14,296	1,390	(272)	15,414
Office furniture and equipment		1,964	263	(182)	2,045	258	(134)	2,169
Computer hardware and software		-	-	-	-	(1)	1	-
Laboratory, research, and sanitation equipment		4,913	794	(470)	5,237	878	(914)	5,201
Sports, recreational, and educational furniture and equipment		55	26	(1)	80	19	(36)	63
Sundry machinery and equipment		790	267	(27)	1,030	308	(27)	1,311
Maintenance machinery and equipment		2,276	561	(82)	2,755	1,013	(46)	3,722
Photography, video, and publication equipment		144	79	(5)	218	106	(13)	311
Total ICE Group	**¢**	**81,939**	**7,908**	**(1,784)**	**88,063**	**8,389**	**(1,861)**	**94,591**

(Continued)

(In millions of colones)

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

Other operating assets	As of December 31,	
	2012	**2011**
Land and rights of way	0.037731	0.039289
Buildings	0.039917	0.043353
Production machinery and equipment	0.039509	0.042293
Construction equipment	0.040418	0.044451
Transport equipment	0.040360	0.044386
Office furniture and equipment	0.040221	0.044486
Laboratory, research, and sanitation equipment	0.040352	0.044439
Sports, recreational, and educational furniture and equipment	0.040057	0.043717
Sundry machinery and equipment	0.040429	0.043868
Maintenance machinery and equipment	0.040692	0.044486
Photography, video, and publication equipment	0.040359	0.044417

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Accumulated depreciation of revalued other operating assets is as follows:

Accumulated depreciation - revalued		As of December 31,								
		2010	Depreciation	Revaluation	Retirements and transfers	2011	Depreciation	Revaluation	Retirements and transfers	2012
Buildings	¢	22,919	901	1,085	(86)	24,819	958	1,097	-	26,874
Production machinery and equipment		900	100	22	-	1,022	98	61	(63)	1,118
Construction equipment		8,781	181	349	(487)	8,824	407	502	(175)	9,558
Transport equipment		11,818	520	718	(379)	12,677	796	528	(271)	13,730
Communication equipment		(0)	(9)	-	(1)	(10)	(2)	(1)	13	(0)
Office furniture and equipment		1,674	98	82	(171)	1,683	90	72	(126)	1,719
Computer hardware and software		1	-	-	-	1	-	(2)	1	(0)
Laboratory, research, and sanitation equipment		4,327	172	238	(459)	4,278	286	284	(902)	3,946
Sports, recreational, and educational furniture and equipment		50	1	13	(1)	63	3	3	(33)	36
Sundry machinery and equipment		641	64	81	(26)	760	106	95	(26)	935
Maintenance machinery and equipment		2,105	80	131	(78)	2,238	207	258	(41)	2,662
Photography, video, and publication equipment		110	14	24	(4)	144	35	33	(14)	198
Total ICE Group	**¢**	**53,326**	**2,122**	**2,743**	**(1,692)**	**56,499**	**2,984**	**2,930**	**(1,637)**	**60,776**

(Continued)

(In millions of colones)

Note 6. Other operating assets under finance leases

Other operating assets under finance leases are as follows:

Other operating assets under finance leases		As of December 31, 2012	2011
Land	¢	1,151	1,151
Buildings		25,315	25,315
Office furniture and equipment		1,084	1,084
Total ICE Group	**¢**	**27,550**	**27,550**

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

Accumulated depreciation - Other operating assets under finance leases - cost		As of December 31, 2012	2011
Buildings	¢	1,267	760
Office furniture and equipment		270	162
Total ICE Group	**¢**	**1,537**	**922**

On January 29, 2010, BCR and ICE agreed to create a "Securitization Trust", which involved execution of a trust agreement whereby ICE acts as the trustor and beneficiary and BCR is named as the trustee. The general purpose of the trust is the independent generation and management of the necessary resources to acquire the property known as "Centro Empresarial La Sabana". Such property corresponds to an office tower located in Sabana Sur, San José, where ICE Telecom's administrative offices are located. The trust may obtain those resources by acquiring commercial loans and by issuing, placing, and managing debt securities through securitization. Currently, the trust is authorized to issue public debt and has booked liabilities therefor as of December 31, 2012 and 2011. The trust, as the owner of "Centro Empresarial La Sabana", leases such property to ICE for a 12-year term, at the end of which ICE may exercise a purchase option for US$1 (one U.S. dollar). ICE Group has classified this lease as a finance lease. In accordance with ICE's accounting policies, this trust is not required to be included as an entity in the consolidated financial statements of ICE Group.

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

- The purposes of the trust are as follows:

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

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

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

- The funds received by the trust from the lease shall be used to pay the principal and returns on the securities placed in the securities market, as well as private placements and funds obtained from local and international bank loans.

- The term of the trust is 30 years.

- The trust equity will be used exclusively to comply with and attain the objectives of the trust agreement.

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

Other operating assets under finance leases	Useful life (in years) 10	50
Buildings		x
Office furniture and equipment	x	

The revaluation rates for other operating assets under finance leases are described in note 5.

(In millions of colones)

Revalued other operating assets under finance leases are as follows:

Other operating assets under finance leases - revalued		As of December 31,	
		2012	2011
Land	¢	90	45
Buildings		2,152	1,097
Office furniture and equipment		94	48
Total ICE Group	**¢**	**2,336**	**1,191**

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

Accumulated depreciation - Other operating assets under finance leases - revalued		As of December 31,	
		2012	2011
Buildings	¢	64	11
Office furniture and equipment		14	2
Total ICE Group	**¢**	**78**	**13**

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Notes to Consolidated Financial Statements
(In millions of colones)

Note 7. Construction work in progress and materials in transit and inventory for investment

In 2012 and 2011, movements in construction work in progress and materials in transit and inventory for investment are as follows:

Account	As of December 31, 2010	Additions	Capitalizations	Warehoused	Adjustments and reclassifications	Used in works	Prior period adjustments	As of December 31, 2011 (*Restated*)*	Additions	Capitalizations	Interest and commissions	Warehoused	Adjustments and reclassifications	Used in works	Prior period adjustments	As of December 31, 2012
ICE:																
Major construction work in progress	¢ 495,852	193,357	(453,324)	-	(5,024)	-	16	230,877	178,189	(64,860)	20,071	-	650	-	-	364,927
Other construction work in progress	194,656	214,011	(184,109)	-	(1,275)	-	1,713	224,996	209,246	(200,399)	5,169	-	(4,665)	-	-	234,347
Subtotal construction work in progress	**690,508**	**407,368**	**(637,433)**	**-**	**(6,299)**	**-**	**1,729**	**455,873**	**387,435**	**(265,259)**	**25,240**	**-**	**(4,015)**	**-**	**-**	**599,274**
Materials in transit for investment	98,225	143,097	-	(51,478)	(15,054)	(92)	-	174,698	39,668	-		(42,915)	(35)	(17,940)	-	153,476
Inventory for investment	130,092	13,448	-	117,790	9	(122,703)	-	138,636	34,019	-		119,422	26,676	(161,227)	-	157,526
Subtotal ICE	**918,825**	**563,913**	**(637,433)**	**66,312**	**(21,344)**	**(122,795)**	**1,729**	**769,207**	**461,122**	**(265,259)**	**25,240**	**76,507**	**22,626**	**(179,167)**		**910,276**
CNFL:																
Construction work in progress	16,193	40,817	(17,092)	-	1,135	-	-	41,053	64,934	(11,044)	-	-	6,070	-	(6,939)	94,074
Inventory and materials for investment	4,512	-	-	-	-	(16)	-	4,496	-	-	-	-	-	(779)	-	3,717
Subtotal CNFL	**20,705**	**40,817**	**(17,092)**	**-**	**1,135**	**(16)**	**-**	**45,549**	**64,934**	**(11,044)**		**-**	**6,070**	**(779)**	**(6,939)**	**97,791**
RACSA:																
Construction work in progress	4	869	(317)	-	(16)	-	-	540	167	(556)	-	-	16	-	-	167
Materials in transit for investment	515	203	-	-	-	-	-	718	18	(700)	-	-	-	-	-	36
Subtotal RACSA	**519**	**1,072**	**(317)**	**-**	**(16)**	**-**	**-**	**1,258**	**185**	**(1,256)**	**-**	**-**	**16**	**-**	**-**	**203**
Total ICE Group	**940,049**	**605,802**	**(654,842)**	**66,312**	**(20,225)**	**(122,811)**	**1,729**	**816,014**	**526,241**	**(277,559)**	**25,240**	**76,507**	**28,712**	**(179,946)**	**(6,939)**	**1,008,270**
ICE GROUP:																
Major construction work in progress	512,049	235,043	(470,733)	-	(3,905)	-	16	272,470	243,290	(76,460)	20,071	-	6,736	-	(6,939)	459,168
Other construction work in progress	194,656	214,011	(184,109)	-	(1,275)	-	1,713	224,996	209,246	(200,399)	5,169	-	(4,665)	-	-	234,347
Subtotal construction work in progress	**706,705**	**449,054**	**(654,842)**	**-**	**(5,180)**	**-**	**1,729**	**497,466**	**452,536**	**(276,859)**	**25,240**	**-**	**2,071**	**-**	**(6,939)**	**693,515**
Materials in transit for investment	98,740	143,300	-	(51,478)	(15,054)	(92)	-	175,416	39,686	(700)	-	(42,915)	(35)	(17,940)	-	153,512
Inventory for investment	134,604	13,448	-	117,790	9	(122,719)	-	143,132	34,019	-	-	119,422	26,676	(162,006)	-	161,243
Total ICE Group	**¢ 940,049**	**605,802**	**(654,842)**	**66,312**	**(20,225)**	**(122,811)**	**1,729**	**816,014**	**526,241**	**(277,559)**	**25,240**	**76,507**	**28,712**	**(179,946)**	**(6,939)**	**1,008,270**

* See note 27.

(Continued)

(In millions of colones)

Movement in construction work in progress and other construction work in progress for the year ended December 31, 2012 is as follows:

Construction work in progress and other construction work in progress	As of December 31,						
	2011 *(Restated) **	Additions	Capitalizations	Interest and commissions	Adjustments and reclassifications	Prior period adjustments	2012
ICE							
Reventazón Hydroelectric Project (1)	¢ 109,328	109,726	-	9,874	-	-	228,928
PESSO Project (2)	34,257	7,556	(90)	(36)	-	-	41,687
Cachí Hydroelectric Project (3)	14,127	17,860	-	1,145	-	-	33,132
Advanced mobile services (4)	133	25,843	(1,299)	-	-	-	24,677
Expansion and upgrade of electricity transport system (5)	4,909	29,502	(11,190)	616	-	-	23,837
Peñas Blancas - Garita Transmission Line (6)	14,980	5,616	-	956	-	-	21,552
Construction and rehabilitation of civil and metallic works (7)	14,528	8,167	(2,777)	75	(105)	-	19,888
Network Development Project (8)	15,948	11,643	(9,127)	613	-	-	19,077
Expansion of mobile telephony (9)	19,605	14,397	(17,310)	(28)	(2,252)	-	14,412
Ongoing quality improvement (Distribution) (10)	10,443	5,556	(3,328)	583	-	-	13,254
Río Macho - Moín Transmission Line Project (11)	34,889	5,879	(31,044)	3,601	-	-	13,325
Toro - San Miguel deviation (12)	8,346	3,260	-	-	-	-	11,606
Cariblanco - Trapiche Transmission Line (13)	4,223	6,598	-	696	-	-	11,517
Technical services for distribution projects (14)	11,856	7,693	(9,756)	992	-	-	10,785
Logical security management system for advanced internet network (15)	10,932	3,870	(4,796)	27	-	-	10,033
Advanced connectivity fiber optic (FOCA)	12,136	24,192	(26,715)	-	(72)	-	9,541
Río Macho Hydroelectric Project	2,778	5,116	(5)	319	-	-	8,208
Coronado Transmission Line	1,110	4,464	-	35	-	-	5,609
Las Pailas Geothermal Project	3,686	5,498	(5,894)	351	1,604	-	5,245
Venecia Transmission Line	-	5,236	-	4	-	-	5,240
Cóbano Transmission Line	2,912	2,127	-	151	-	-	5,190
Transformation of power	2,160	2,714	-	142	-	-	5,016
Río Macho Transmission System upgrade	2,345	2,199	-	182	-	-	4,726
Auxiliary bars	17,012	2,267	(16,360)	1,504	-	-	4,423
Expansion of platform and renovation of technological infrastructure	3,411	987	-	-	-	-	4,398
Improvements to electricity transport network	3,237	3,290	(3,262)	409	-	-	3,674
Infrastructure maintenance and soundproofing	5,575	6,415	(8,316)	16	(38)	-	3,652
Permanent investment in transmission works	-	3,314	(12)	9	-	-	3,311
Arenal Hydroelectric Project	3,263	1,467	(1,487)	253	(281)	-	3,215
Improvements to telecommunications transport network	6,019	9,830	(12,945)	13	(26)	-	2,891
Technological infrastructure	1,721	511	(12)	297	-	-	2,517
Ingenio El Viejo Interconnection	2,087	219	-	204	-	-	2,510
Public street lighting	1,270	740	(44)	72	-	-	2,038
Tarbaca Transmission Line	1,127	324	-	100	-	-	1,551
Miravalles Transmission System Interconnection No.8	906	460	-	76	-	-	1,442
New Power Control Center	636	883	(199)	20	-	-	1,340
MV connections	195	931	-	53	-	-	1,179
Miravalles II Geothermal Project	527	1,019	(461)	70	-	-	1,155
Integral business customer services	2,202	4,345	(5,490)	-	-	-	1,057
Corobicí Hydroelectric Project	2,432	1,530	(2,048)	144	(1,017)	-	1,041
Anillo Sur Transmission Line	-	1,007	-	11	-	-	1,018
Sundry projects	68,622	33,184	(91,292)	1,691	(1,828)	-	10,377
Subtotal ICE	**455 873**	**387 435**	**(265 259)**	**25 240**	**(4 015)**	**-**	**599 274**
CNFL:							
Balsa Inferior Hydroelectric Project	37,973	51,633	-	-	6,070	(6,939)	88,737
Anonos Hydroelectric Project	986	756	-	-	-	-	1,742
San Buenaventura Wind Power Project	548	252	-	-	-	-	800
Other	1,546	12,293	(11,044)	-	-	-	2,795
Subtotal CNFL	**41 053**	**64 934**	**(11 044)**	**-**	**6 070**	**(6 939)**	**94 074**
RACSA:							
UPS units	305	-	(305)	-	-	-	-
Aerial fiber optic network	121	-	(121)	-	-	-	-
300 Km fiber optic network	-	76	-	-	-	-	76
Java Enterprise System (JES) server virtualization	-	91	-	-	-	-	91
Other	114	-	(130)	-	16	-	-
Subtotal RACSA	**540**	**167**	**(556)**	**-**	**16**	**-**	**167**
Total ICE Group	**¢ 497 466**	**452 536**	**(276 859)**	**25 240**	**2 071**	**(6 939)**	**693 515**

* See note 27.

Following is a summary of the main construction work in progress.

(1) Reventazón Hydroelectric Power Project

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

In July 2012, heavy rains increased the water level of the Reventazón River, which caused damages to the dam that in turn affected the engine room, access roads, power lines, temporary facilities, and minor equipment and caused delays in the development of the works-in-progress. Damages were estimated at ¢5,390, which were adjusted against profit or loss.

In 2012, additions increased by approximately ¢110,000. These additions correspond to investments related to the start-up of excavations and construction of preliminary roads for the headrace tunnel, surge tank, and penstock; accordingly, the use of equipment and labor and the purchase of materials and equipment increased. Materials include imported steel sheets and deformed bar for the surge tank and headrace tunnel.

(2) Evolution Plan for Systems Supporting Business Operations (P.E.S.S.O.):

The scope of this project includes replacement of all current applications that support the telecom business operations towards state-of-the art applications, based on industry best practices and the TOM model (framework that identifies the business processes; a guidebook that classifies all the business activities of a service provider and places them in different levels; it is a communication instrument). The cost of this project does not exceed US$155.20 (in millions).

(3) Cachí Hydroelectric Power Project

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

The entire project consists of the construction of an additional tunnel that will provide the plant with an additional power output of 20 MW, a surge tank, two inspection openings, and the expansion of the current engine room. Construction is expected to be completed by the second half of 2014.

(4) Advanced Mobile Services

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

The additions for ¢25,843 correspond to the purchase of equipment to expand the capacity of mobile network traffic with SMA-3G technology and its installation. This will ensure growth and optimization of service platforms associated with the UMT network.

(5) Expansion and Modernization of ICE's transport system

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

Additions in the amount of ¢29,502 mainly correspond to installation of switching centers in order to improve the IP transport network and increase capacity and redundancy. The project involves installing transport equipment in 31 sites and migrating current equipment and services. In 2012, capitalizations related to this project amount to ¢11,190.

(6) Peñas Blancas-Garita Transmission Line

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

The transmission line will serve as an alternate connection point for the Peñas Blancas Hydroelectric Power Project with the National Electricity System (SEN).

Investments made include additions in the amount of ¢3,108, mainly corresponding to the acquisition of materials and supplies required for the development of the works.

(Continued)

(7) Construction and Rehabilitation of Civil and Metal Structures

The purpose of this project is to provide support to different electric power generation and transmission projects through the construction of civil and metal structures as needed.

As of December 31, 2012, additions amount to ¢5,713 and mainly correspond to the acquisition of materials and supplies.

(8) Network Development Project

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

As of December 31, 2012, capitalizations were made in the amount of ¢9,127.

(9) Project for the Expansion of Mobile Telephony

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

In 2012, capitalizations related to this project amount to ¢17,310.

(10) Ongoing Quality Improvement (Electricity Distribution)

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

In 2012, additions for this project amount to ¢5,556 and mainly correspond to the acquisition of long-lasting materials and goods.

(11) Río Macho – Moín Transmission Line Project

This transmission line runs through the cantons of Paraíso, Turrialba, Siquirres, and Limón.

The project consists of reconstruction of the Río Macho – Moín Transmission Line by expanding its transport capacity from 138 kW to 230 kW, and involves replacement of wiring structures (raising their height) and the wire transport capacity. This project also includes expansion of the Moín Substation.

As of December 31, 2012, additions amount to ¢5,879 and mainly correspond to acquisition of materials and supplies.

(12) Toro - San Miguel Diversion

The Toro - San Miguel Diversion Project is located in San Rafael de Varablanca, Heredia, and San Miguel, Sarapiquí, Alajuela. This project involves the diversion of a 17 km section of the Cariblanco – San Miguel transmission line, which was damaged during the earthquake that struck Cinchona in 2009.

As of December 31, 2012, additions amount to ¢3,260.

(13) Cariblanco - Trapiche Transmission Line

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

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

As of December 31, 2012, additions amount to ¢5,598 and mainly correspond to acquisition of materials, supplies, and service center distribution.

(Continued)

(14) Technical Services for Distribution Projects

This project aims to provide support to all distribution works executed by UEN Proyectos y Servicios Asociados (PySA), as well as to control and monitor those works.

In 2012, capitalizations related to this project amount to ¢9,576. Additions amount to ¢7,693 and mainly correspond to acquisition of materials and supplies.

(15) Logical Security Management System for Advanced Internet Network (RAI)

This project is mainly aimed at implementing a comprehensive logical security system for the Advanced Internet Network to ensure completeness of the information and services provided by different access networks that use IP transport. The cost of this project amounts to approximately US$18.50 (in millions).

As of December 31, 2012, additions amount to ¢3,870.

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(In millions of colones)

ICE Electricity

As of December 31, 2012, principal construction work in progress by financing source is as follows:

	Financing sources															
Construction work in progress	**Local**	**IDB 796**	**A bonds**	**B bonds**	**CABEI electricity services (2007)**	**CABEI (additional)**	**Andean Development Corporation (CAF)**	**Local banks**	**CLIPP**	**Multilateral banks**	**International bonds**	**Local bonds (2009)**	**Local bonds 2010**	**CABEI**	**Other third parties**	**As of December 31, 2012**
Hydraulic power generation:																
Río Macho Hydroelectric Project	¢ 2,813	-	-	-	-	1	-	-	220	-	-	141	2,813	-	-	5,988
Cachí Hydroelectric Project	6,802	-	-	-	-	-	2	-	-	-	32	170	12,748	13,314	-	33,068
Reventazón Hydroelectric Project	75,546	-	-	-	-	9	22	7,205	-	20	144,975	1,130	20	-	-	228,927
Subtotal	**85,161**	**-**	**-**	**-**	**-**	**10**	**24**	**7,205**	**220**	**20**	**145,007**	**1,441**	**15,581**	**13,314**	**-**	**267,983**
Substations:																
Río Macho - Moín Transmission Line	277	-	-	-	-	-	-	-	-	-	-	-	264	-	-	541
Cariblanco -Trapiche Transmission Line	856	-	-	-	-	-	-	-	569	-	-	-	1,333	-	-	2,758
Tarbaca Transmission Line	660	47	-	-	-	-	-	73	-	-	-	-	368	-	-	1,148
Peñas Blancas-Garita Transmission Line	900	291	-	-	-	110	3	52	-	-	-	29	1,854	-	-	3,239
Coronado Transmission Line	1,209	-	-	-	-	-	-	12	4,386	-	-	-	-	-	-	5,607
Quin 03-07 Transformer Back-up Program	2,871	141	-	-	15	-	98	505	-	-	433	58	896	-	-	5,017
MV connections	468	-	-	-	14	-	-	226	-	-	-	-	471	-	-	1,179
Anillo Sur Transmission Line	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Auxiliary bars	2,619	8	-	-	179	-	(614)	562	-	-	-	134	1,536	-	-	4,424
Ingenio El Viejo Interconnection	1,313	25	-	-	1	-	208	273	-	-	-	370	320	-	-	2,510
Miravalles Transmission System expansion No. 8	935	-	-	-	39	-	-	159	-	-	-	26	282	-	-	1,441
Río Macho Transmission System upgrade	1,713	-	-	-	-	-	-	171	1,248	-	-	-	1,594	-	-	4,726
Venecia Transmission Line	4,904	-	-	-	-	-	-	-	-	-	-	-	337	-	-	5,241
Subtotal	**18,732**	**512**	**-**	**-**	**248**	**110**	**(305)**	**2,033**	**6,203**	**-**	**433**	**617**	**9,255**	**-**	**-**	**37,838**
Transmission lines																
Río Macho - Moín	6,347	849	92	300	465	292	298	480	-	-	-	1	3,659	-	1	12,784
Cariblanco - Trapiche	2,385	(57)	-	16	220	27	202	-	-	-	-	305	5,659	-	-	8,757
Parrita	63	1	-	-	-	-	3	-	-	-	-	-	59	-	-	126
Poás	(764)	774	1	32	9	-	-	-	-	-	-	8	-	-	-	60
Tarbaca	180	3	-	-	-	-	-	-	-	-	-	-	221	-	-	404
Peñas Blancas-Garita	7,926	(351)	49	10	503	2,822	1,809	-	-	-	-	18	5,526	-	1	18,313
Cóbano	3,047	-	-	-	-	-	-	-	-	-	-	-	2,143	-	-	5,190
SIEPAC Transmission Lines	914	-	(27)	(99)	23	-	39	-	-	-	-	-	4	-	-	854
Anillo Sur	17	-	-	-	-	-	-	-	-	-	-	-	994	-	-	1,011
Toro - San Miguel deviation	11,593	-	-	-	-	-	-	-	-	-	-	-	14	-	-	11,607
Subtotal	**31,708**	**1,219**	**115**	**259**	**1,220**	**3,141**	**2,351**	**480**	**-**	**-**	**-**	**332**	**18,279**	**-**	**2**	**59,106**
Total construction work in progress	**¢ 135 601**	**1 731**	**115**	**259**	**1 468**	**3 261**	**2 070**	**9 718**	**6 423**	**20**	**145 440**	**2 390**	**43 115**	**13 314**	**2**	**364 927**

(Continued)

(In millions of colones)

Note 8. <u>Long-term investments</u>

Long-term investments are as follows:

		As of December 31,	
		2012	**2011**
ICE:			
Investments in stock at cost:			-
Empresa Propietaria de la Red, S.A.	¢	2,872	2,872
Rural electrification cooperative		43	43
Toro III Hydroelectric Power Project Trust		11,203	-
Subtotal		**14,118**	**2,915**
Long-term financial investments:			
Government (External debt bonds)		9,780	5,878
BCCR (Bond)		1,765	1,748
Banco Popular y de Desarrollo Comunal		-	1,500
Banco de Costa Rica		1,000	1,000
JASEC		-	581
Banco Hipotecario de la Vivienda (BANHVI) (Bond)		500	500
Banco BAC San José, S.A. (BAC)		500	-
Instituto Costarricense del Cemento y del Concreto		350	-
Scotiabank (Certificate)		-	259
Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo		316	315
Mutual Cartago de Ahorro y Préstamo		1,413	-
Banco Promerica		300	-
Florida Ice and Farm Company, S.A. (FIFCO)		500	-
Costa Rican Oil Refinery (RECOPE)		509	-
		16,933	**11,781**
Subtotal ICE	¢	**31,051**	**14,696**
<u>CNFL:</u>			
Eólico Valle Central, S.A.		5,322	5,322
Empresa Propietaria de la Red, S.A.		253	253
Subtotal CNFL	¢	**5,575**	**5,575**
Total ICE Group	¢	**36,626**	**20,271**

ICE Group holds an ownership interest in Empresa Propietaria de la Red, S.A., which was selected to execute the Sistema de Interconexión Eléctrica de los Países de América Central [Central American Electric Interconnection System] (SIEPAC) Project.

(Continued)

Toro III Hydroelectric Power Project Trust

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

Valle Central Wind Power Project

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

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

The company's share capital amounts to US$100,000 (exactly one hundred thousand US dollars) and is comprised of 1,000 ordinary and registered shares of US$100 par value each. CNFL and CABEI hold an ownership interest of 40% and 60%, respectively. The company agreed to issue 1,000 equity instruments of US$25,688.03 par value each, for a total of US$25.7 (in millions). Each equity instrument represents an indissoluble unit and the ordinary share bears the same number as the equity instrument; accordingly, one may not be transferred without the other. Equity instruments do not entitle their holders to corporate or equity rights since any right or benefit derives exclusively from shares. The amount contributed by CNFL amounts to ¢5,322.

(In millions of colones)

As of December 31, 2012, the main features of long-term financial investments are as follows:

									As of December 31, 2012				
Instrument	**ISIN**	**Risk rating**	**Currency**	**Issuer**	**Purchase date**	**Maturity**	**Term**		**Face value**	**Value traded**	**Rate**	**Coupon**	**Net return**
CNFL bond	CRCFLUZB0207	AAA (cri)	Colones	CNFL	4-Oct-10	30-Sep-17	2516	¢	400	400	Fixed	10.53%	10.51%
BANHVI bond	CRBANVIB0037	F1+ (cri)	Colones	BANHVI	15-Apr-10	07-Apr-15	1792		500	504	Variable	10.50%	10.32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	13-Jan-11	09-Dec-15	1766		318	318	Variable	9.40%	9.63%
BCR bond	CRBCR00B2760	AA (cri)+	Colones	Banco de Costa Rica	28-Apr-11	14-Jun-13	766		1,000	1,074	Fixed	10.12%	8.14%
BSJ bond	CRBSJ00B1608	SCR AAA	Colones	BAC	28-Jun-12	27-Mar-14	629		500	500	Fixed	10.85%	10.85%
INC (HOLCIM) bond	CRINC00B0126	AAA (cri)	Colones	Instituto Costarricense del Cemento y del Concreto	7-May-12	02-May-14	715		350	351	Variable	10.35%	10.29%
FIFCO bond	CRFIFCOB0972	SCR AAA	Colones	FIFCO	8-Nov-12	06-Nov-17	1798		500	500	Fixed	11.27%	11.25%
Bond	CRBPROMB1169	SCR AA +	Colones	Banco Promerica	5-Oct-12	03-Oct-14	718		300	300	Fixed	12.50%	12.47%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.66%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.68%
Mortgage participation certificate	CRMUCAPB1383	F1+ (cri)	Colones	Mutual Cartago de Ahorro y Préstamo	28-Jun-12	25-Mar-16	1347		500	468	Fixed	10.50%	12.68%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1065		286	281	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	BCCR	4-Mar-11	19-Nov-14	1065		500	491	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3496	Country risk	Colones	BCCR	6-Apr-11	03-Jul-13	807		1,000	1,000	Fixed	7.06%	7.91%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	12-Jan-11	27-Mar-13	795		1,000	1,061	Fixed	9.84%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-11	27-Mar-13	795		1,000	1,062	Fixed	9.84%	8.11%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-11	27-Mar-13	795		300	318	Fixed	9.84%	8.16%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-11	19-Mar-14	1076		1,000	996	Fixed	8.28%	8.41%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-11	19-Mar-14	1076		1,000	995	Fixed	8.28%	8.46%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	12-Jan-11	28-Jun-17	2326		1,000	1,023	Fixed	9.89%	9.45%
Central Bank bond	CRG0000B80G9	Country risk	Colones	Government	3-Oct-12	23-Sep-15	1070		500	498	Fixed	10.58%	10.84%
Central Bank bond	CRG0000B80G9	Country risk	Colones	Government	2-Oct-12	23-Sep-15	1071		500	498	Fixed	10.58%	10.84%
Central Bank bond	CRG0000B63G5	Country risk	Colones	Government	8-Oct-12	23-Mar-16	1245		500	465	Fixed	8.74%	11.36%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	3-Oct-12	28-Mar-18	1975		500	494	Fixed	11.13%	11.46%
Central Bank bond	CRG0000B89G0	Country risk	Colones	Government	24-Oct-12	28-Mar-18	1954		1,000	994	Fixed	11.13%	11.46%
Central Bank bond	CRG0000B93G2	Country risk	Colones	Government	24-Oct-12	21-Dec-22	3657		1,000	1,011	Fixed	11.50%	11.97%
Total investments								¢	**16,454**				

Instrument	**ISIN**	**Risk rating**	**Currency**	**Issuer**	**Purchase date**	**Maturity**	**Term**		**Face value**	**Value traded**	**Rate**	**Coupon**	**Net return**
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	11-May-09	20-Mar-14	1749		613	628	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	09-Mar-10	20-Mar-14	1451		498	557	Fixed	6.55%	4.18%
Costa Rican external debt bond	USP3699PAA59	***	U.S. dollars	Government	12-Jan-11	01-Aug-20	3439		20	28	Fixed	10.00%	5.12%
Recope standardized bond	CRRECOPB0012	AAA (cri)	U.S. dollars	RECOPE	07-Dec-12	05-Dec-22	3598		1,000	1,017	Fixed	5.50%	5.27%
Total investments								US$	**2,131**				

*** Not rated according to SUGEVAL information

(Continued)

(In millions of colones)

As of December 31, 2011, the main features of long-term financial investments are as follows:

									As of December 31, 2011				
Instrument	**ISIN**	**Risk rating**	**Currency**	**Issuer**	**Purchase date**	**Maturity**	**Term**		**Face value**	**Value traded**	**Rate**	**Coupon**	**Net return**
BPDC bond	CRBPDC0B6509	AA (cri)	Colones	Banco Popular y de Desarrollo Comunal	21-Jan-2011	23-Jun-12	512		500	512	Fixed	10.50%	9.22%
BPDC bond	CRBPDC0B6509	AA (cri)	Colones	Banco Popular y de Desarrollo Comunal	21-Jan-2011	23-Jun-12	512		1,000	1,022	Fixed	10.50%	9.32%
BANHVI bond	CRBANVIB0037	AA (cri)	Colones	BANHVI	15-Apr-2010	7-Apr-15	1,792		500	504	Variable	10.50%	10.32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	Grupo Mutual Alajuela - La Vivienda de Ahorro y Préstamo	13-Jan-2011	9-Dec-15	1,766		318	318	Variable	9.40%	9.63%
BCR bond	CRBCR00B2760	AA (cri)+	Colones	Banco de Costa Rica	28-Apr-2011	14-Jun-13	766		1,000	1,074	Fixed	10.12%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	12-Jan-2011	27-Mar-13	795		1,000	1,061	Fixed	9.84%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-2011	27-Mar-13	795		1,000	1,062	Fixed	9.84%	8.11%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	14-Jan-2011	27-Mar-13	795		300	318	Fixed	9.84%	8.16%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-2011	19-Mar-14	1,076		1,000	996	Fixed	8.28%	8.41%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	23-Mar-2011	19-Mar-14	1,076		1,000	995	Fixed	8.28%	8.46%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	12-Jan-2011	28-Jun-17	2,326		1,000	1,023	Fixed	9.89%	9.45%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	4-Mar-2011	19-Nov-14	1,335		286	281	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	4-Mar-2011	19-Nov-14	1,335		500	491	Fixed	7.47%	8.70%
Monetary stabilization bond - fixed rate	CRBCCR0B3496	Country risk	Colones	Government	6-Apr-2011	3-Jul-13	807		1,000	1,000	Fixed	7.06%	7.91%
Total investments								¢	**10,404**	**10,657**			

Instrument	**ISIN**	**Risk rating**	**Currency**	**Issuer**	**Purchase date**	**Maturity**	**Term**		**Face value**	**Value traded**	**Rate**	**Coupon**	**Net return**
Scotiabank debt bond	CRSCOTIB0989	AAA (cri)	U.S. dollars	Scotiabank	21-May-10	21-May-12	724	US$	500	500	Fixed	3.15%	3.09%
JASEC - Private issue bond	CRJASECB0036	***	U.S. dollars	JASEC	13-Dec-10	10-Dec-12	717		1,120	1,120	Fixed	5.25%	5.25%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	11-May-09	20-Mar-14	1,749		613	628	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	09-Mar-10	20-Mar-14	1,451		498	557	Fixed	6.55%	4.18%
Costa Rican external debt bond	USP3699PAA59	***	U.S. dollars	Government	12-Jan-11	1-Aug-20	3,439		20	28	Fixed	10.00%	5.12%
Total investments								US$	**2,751**	**2,833**			

(Continued)

(In millions of colones)

Note 9. Banks

Banks are as follows:

Banks		As of December 31, 2012	2011
ICE Group			
Public and private entities	¢	8,262	7,952
Total ICE Group	**¢**	**8,262**	**7,952**

Note 10. Notes and accounts receivable

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

		As of December 31, 2012		2011	
		Long-term	**Short-term**	**Long-term**	**Short-term**
ICE:					
Loan to autonomous entities (1)	¢	7,075	-	2,347	-
Individuals		-	799	-	2 621
Other		120	100	183	190
Subtotal ICE	**¢**	**7,195**	**899**	**2,530**	**2,811**
CNFL:					
Central Valley wind power project -					
Principal		1,579	203	-	-
In legal collections		-	108	-	24
Payment arrangements		-	67	-	40
Other		6	15	8	4
Subtotal CNFL	**¢**	**1,585**	**393**	**8**	**68**
Total ICE Group	**¢**	**8,780**	**1,292**	**2,538**	**2,879**

(Continued)

Loan to autonomous entities

(1) Payment arrangement for accounts due from the 911 emergency system to ICE:

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

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

Additionally, ICE granted a loan to Empresa Propietaria de la Red (EPR) to repay loan IDB No. 1908 for ¢2,251, corresponding to the two main items related to autonomous entities.

(Continued)

(In millions of colones)

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

Receivables for services rendered		As of December 31, 2012	2011 *(Restated)**
ICE:			
Individuals	¢	48,387	44,717
Electricity cooperatives and municipal electricity distribution companies		9,768	8,551
Operators and service providers		9,808	4,651
Telephone administrations		9,441	5,721
Public agencies		5,750	3,737
Sale of terminals		243	1,045
Fixed services for individuals		-	6
Subtotal ICE	¢	**83,397**	**68,428**
CNFL:			
Electricity services - consumers		18,274	18,529
Electricity services - Government		864	537
Electricity services		491	484
Subtotal CNFL	¢	**19,629**	**19,550**
RACSA:			
Customers	¢	3,141	2,676
Other		1,565	1,566
Foreign lines		793	1,463
In legal collections		1,006	1,274
Government of Costa Rica		87	114
Payment arrangements		1	1
Subtotal RACSA	¢	**6,593**	**7,094**
Total ICE Group	¢	**109,619**	**95,073**

* See note 27.

Notes to Consolidated Financial Statements
(In millions of colones)

Non-trade receivables		As of December 31, 2012	2011 *(Restated)* *
ICE:			
In administrative and legal collections	¢	38,291	35,931
Private individuals or companies (1)		30,268	55,920
Government taxes		4,315	3,936
Other		3,384	2,317
Toro III Project (2)		3,214	55,941
Employees		251	174
Subtotal ICE	**¢**	**79,723**	**154,219**
CNFL:			
National Insurance Institute (INS) compensation - Cote Power Plant	¢	2,036	4,146
Agreements, paid services, and other		937	1,292
Sales tax credit		1,367	1,562
Sales tax credit		301	879
Damage to electrical installations		473	884
Other services rendered		2,192	656
Income tax withholding (2%)		614	635
Trade transactions receivable		1,343	393
Savings and loan fund		200	200
Sundry government services		135	109
Estimated sales tax		85	78
Officers		16	18
Bad checks		3	8
Social interest electricity services		10	-
Subtotal CNFL	**¢**	**9,712**	**10,860**
RACSA:			
Estimated income tax		154	174
Other accounts receivable		1,177	88
Other accounts receivable		2	19
Advance payments to suppliers		-	1
Subtotal RACSA	**¢**	**1,333**	**282**
Total ICE Group	**¢**	**90,768**	**165,361**

* See note 27.

(In millions of colones)

(1) Private individuals or companies

An invoice due from the Ministry of the Environment, Energy, and Telecommunications (MINAET) was booked for ¢3,381 as a result of income earned from the opening of the frequency bands derived from the termination of concessions for the use of the 850 MHz Sub-band E (frequency band). Additionally, the amounts of ¢10,179, ¢4,808, and ¢4,629 were booked for advance payments to private individuals or companies (advance payments to suppliers); receivables for unpriced services, corresponding to the services provided by the Strategic Business Units; and advance payments for the purchase of fuel, respectively.

(2) Toro III Hydroelectric Power Project

For 2011, invoices were booked for percentage of completion of the works under the construction agreement signed with the Toro III Hydroelectric Power Project Securitization Trust. The invoices are due within 30 days of their date of issue and are non-interest bearing. In 2012, these invoices significantly decreased due to the progress of the construction of the Toro III Hydroelectric Power Project.

Movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts		As of December 31, 2010	Used	Recoveries	Expense	As of December 31, 2011	Used	Recoveries	Expense	As of December 31, 2012
ICE										
Receivables for services rendered and non-trade receivables	¢	33,866	(10,549)	1,261	8,755	33,333	(4,807)	909	3,207	32,642
Subtotal ICE		**33,866**	**(10,549)**	**1,261**	**8,755**	**33,333**	**(4,807)**	**909**	**3,207**	**32,642**
CNFL										
Receivables for services rendered and non-trade receivables		1,660	(172)	-	808	2,296	(1,282)	-	780	1,794
Subtotal CNFL		**1,660**	**(172)**	**-**	**808**	**2,296**	**(1,282)**	**-**	**780**	**1,794**
RACSA										
Receivables for services rendered and non-trade receivables		1,023	(64)	-	478	1,437			(257)	1,180
Subtotal RACSA		**1,023**	**(64)**	**-**	**478**	**1,437**	**-**	**-**	**(257)**	**1,180**
Total ICE Group	**¢**	**36,549**	**(10,785)**	**1,261**	**10,041**	**37,066**	**(6,089)**	**909**	**3,730**	**35,616**

(In millions of colones)

Note 11. Operating inventory

Operating inventory by location is as follows:

Operating inventory		As of December 31, 2012	2011 (Restated)*
ICE:			
San José	¢	40,102	61,816
Alajuela		5,203	8,682
Guanacaste		6,825	6,080
Limón		23,483	25,137
Puntarenas		17,758	28,271
Cartago		7,649	9,307
Subtotal ICE		**101,020**	**139,293**
Reclassification to inventory for investment and other assets		(59,271)	(54,353)
Total ICE		**41,749**	**84,940**
CNFL:			
San José		5,157	5,376
Subtotal CNFL		**5,157**	**5,376**
RACSA:			
San José		240	192
Subtotal RACSA		**240**	**192**
Total ICE Group	**¢**	**47,146**	**90,508**

* See note 27.

ICE follows the policy of reclassifying items of operating inventory that are directly related to operating assets and other assets to inventory for investment.

(In millions of colones)

Allowance for valuation of inventory

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

		As of December 31,						
		2010	**Used**	**Expenses**	**2011**	**Used**	**Expenses**	**2012**
ICE:								
Allowance for valuation of inventory	¢	5,119	(963)	3,080	7,236	(2,324)	1,015	5,927
Subtotal ICE	**¢**	**5,119**	**(963)**	**3,080**	**7,236**	**(2,324)**	**1,015**	**5,927**
CNFL:								
Allowance for valuation of inventory		40	(40)	75	75	(175)	149	49
Subtotal CNFL		**40**	**(40)**	**75**	**75**	**(175)**	**149**	**49**
Total ICE Group	**¢**	**5,159**	**(1,003)**	**3,155**	**7,311**	**(2,499)**	**1,164**	**5,976**

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

Materials and equipment held in custody		**As of December 31, 2012**	**2011 *(Restated)****
ICE:			
Terminals and other devices	¢	3,016	4,427
Spare parts not in warehouse custody		938	669
Total ICE Group	**¢**	**3,954**	**5,096**

* See note 27.

(In millions of colones)

Note 12. Temporary investments

Temporary investments are as follows:

		Issuer	Type of financial instrument		As of December 31, 2012 Balance	Face value	Rate of return	Term in months
ICE Electricity								
Uncommitted:								
Available-for-sale	**Colones**	Banco Nacional de Costa Rica	Investment funds	¢	2	-	6,66%-6,90%	Demand
		Banco de Costa Rica	Investment funds		2	-	6,29%-7,13%	Demand
		National Insurance Institute (INS)	Investment funds		2	-	5.66%	Demand
	U.S. dollars	Banco de Costa Rica	Investment funds		16	-	1.92%	Demand
		Banco Internacional de Costa Rica	Overnight deposit		15,491	-	0,20%	Demand
Held-to-maturity	**Colones**	BCCR	Electronic term deposit		173	173	3.04%	Dec 2012 to Jan 2013
		Banco Nacional de Costa Rica	Short-term investment		18,941	18,941	6,00%	Dec 2012 to Jan 2013
	U.S. dollars	Banco de Costa Rica	Term certificate of deposit (over the counter)		153	153	2,49%-2,50%	Dec 2012 to Jan 2013
Subtotal ICE Electricity				¢	**34,780**			
ICE Telecom								
Committed:								
Held-to-maturity	**U.S. dollars**	Scotiabank	Term certificate of deposit (over the counter)		1,120	1,120	3.80%	Nov 2012 to May 2013
Uncommitted:								
Available-for-sale	**Colones**	Banco Nacional de Costa Rica	Investment funds		468	-	6,66%-6,90%	Demand
		Banco Nacional de Costa Rica	Term certificate of deposit		7,615	7,615	8,89%-10,53%	Jan 2012 to May 2013
		Banco de Costa Rica	Investment funds		533	-	6,29%-7,13%	Demand
		Banco de Costa Rica	Term certificate of deposit		3,000	3,000	9,00%-10,05%	Oct 2011 to Jul 2013
		Banco de Costa Rica	Commercial paper (global bond)		880	887	9,39%-10,89%	May 2012 to Jul 2013
		Government	Zero-coupon Central Bank global bond		8,731	9,000	8,64%-9,14%	May 2012 to Jun 2013
		National Insurance Institute (INS)	Investment funds		73	-	5.66%	Demand
		Banco Popular y de Desarrollo Comunal	Investment funds		2	-	5.52%	Demand
		Banco Popular y de Desarrollo Comunal	Short-term bonds		995	1,000	11.91%	Oct 2012 to Jul 2013
		BCCR	Monetary Stabilization Bond		971	1,000	8,73%	May 2012 to May 2013
		Banco Crédito Agrícola de Cartago	Term certificate of deposit		1,400	1,400	10,45%-10.67%	Jul 2012 to Oct 2013
		Repurchase operations	Repurchase operations		23,401	23,714	3,30%-8,11%	Nov 2012 to May 2013
		Scotiabank	Investment funds		56	-	5.56%	Demand
		CABEI	Commercial paper		500	500	9,42%	Jun 2012 to Dec 2012
		Banco Lafise, S.A.	Term certificate of deposit (global bond)		1,000	1,000	10.99%	Nov 2012 to Nov 2013
		Mutual Cartago de Ahorro y Préstamo	Mortgage participation certificate		250	250	12.00%	Aug 2012 to Aug 2013
	U.S. dollars	Banco de Costa Rica	Investment funds		9	-	1.92%	Demand
		Government	Fixed-rate Central Bank bond		509	509	3,46%-3,51%	Oct 2012 to Aug 2013
		Banco de Costa Rica	Commercial paper		518	519	3,10%	Aug 2012 to Feb 2013
		Banco Internacional de Costa Rica	Overnight deposit No. 104600328 BICSA US$		5,588	5,588	0.20%	Demand
		Banco Crédito Agrícola de Cartago	Term certificate of deposit		255	255	3,90%	May 2012 to May 2013
		Repurchase operations	Repurchase operations		9,680	9,729	2,50%-3,90%	Nov 2012 to Feb 2013
		Mutual Cartago de Ahorro y Préstamo	Mortgage participation certificate		509	509	3.77%	Oct 2012 to Apr 2013
		Cariblanco Securitization Trust	Cariblanco Securitization Trust		322	321	4,44%-4,45%	Dec 2012 to Sep 2013
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Short-term investment		8,415	8,415	6,00%	Dec 2012 to Jan 2013
		BANHVI	Term certificate of deposit		2,245	2,245	8.56%	Jul 2012 to Jan 2013
		Banco de Soluciones Bansol de Costa Rica, S.A.	Term certificate of deposit (over the counter)		500	500	10.00%	Nov 2012 to May 2013
	U.S. dollars	Banco de Costa Rica	Term certificate of deposit (over the counter)		8,148	8,148	2.76%	Dec 2012 to Jan 2013
		Banco Internacional de Costa Rica	Term deposit - BICSA, Miami branch		1,018	1,018	2.00%	Sep 2012 to Mar 2013
		Banco CMB (Citibank)	Term certificate of deposit		10,185	10,185	4.00%	Dec 2012 to Feb 2013
		Banco Lafise, S.A.	Term certificate of deposit (over the counter)		2,037	2,037	3.75%	Oct 2012 to Jan 2013
Subtotal ICE Telecom				¢	**100,933**			
Subtotal ICE				¢	**135,713**			
CNFL:								
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Term certificate of deposit		59	-	7.26%	45 days
	U.S. dollars	BCCR	Monetary Stabilization Bond		102	-	2.96%	1 month
		Government	Central Bank bond		356	-	3.15%	1 month
		Government	Central Bank bond		106	-	2.91%	1 month
		Government	Central Bank bond		107	-	2.92%	1 month
		Government	Central Bank bond		300	-	3.10%	1 month
		Government	Central Bank bond		560	-	3.15%	1 month
		Government	Central Bank bond		145	-	3.06%	1 month
		Banco de Costa Rica - US$	Investment funds		96	-	3.61%	1 month
		Government	Central Bank bond		204	-	3.38%	1 month
		Banco de Costa Rica - US$	Term certificate of deposit (US$)		509	-	1.75%	17 days
Subtotal CNFL				¢	2,544	-		
RACSA:								
Held-to-maturity	**Colones**	Banco de Costa Rica	Term certificate of deposit		200	200	5.35%	Nov 2012 to Jan 2013
		Banco de Costa Rica	Term certificate of deposit		200	200	5.60%	Dec 2012 to Jan 2013
Subtotal RACSA				¢	400			
CRICRSA:								
Available-for-sale	**Colones**	S.A.	Investment funds		14	-	-	-
Subtotal CRICRSA				¢	14	-		
Total ICE Group				¢	**138,671**	-	-	-

(Continued)

(In millions of colones)

		Issuer	Type of financial instrument	As of December 31, 2011 Balance	Face value	Rate of return	Term in months
ICE Electricity							
Uncommitted:							
Available-for-sale	**Colones**	Banco Nacional de Costa Rica	Investment funds	¢ 155	-	4,69% - 4,92%	Demand
		Banco de Costa Rica	Investment funds	5	-	5,39% - 6,05%	Demand
		National Insurance Institute (INS)	Investment funds	93	-	5,50% - 5,67%	Demand
	U.S. dollars	Banco de Costa Rica	Investment funds	2,080	-	0.96%	Demand
		Banco Internacional de Costa Rica	Overnight deposit	8,469	-	0.20%	Demand
Held-to-maturity	**Colones**	BCCR	Electronic term deposit	162	162	3.04%	Dec 2011 to Jan 2012
Total ICE Electricity				**10,964**			
ICE Telecom							
Committed:							
Held-to-maturity	**U.S. dollars**	Banco Internacional de Costa Rica	Term certificate of deposit	1,140	1,140	2.00%	Nov 2011 to May 2012
Uncommitted:							
Available-for-sale	**Colones**	Banco Nacional de Costa Rica	Investment funds	100	-	4,69% - 4,92%	Demand
		Banco Nacional de Costa Rica	Term certificate of deposit	1,594	1,594	7.09%	Apr 2011 to Apr 2012
		Banco de Costa Rica	Investment funds	8	-	5,39% - 6,05%	Demand
		Banco de Costa Rica	Term certificate of deposit	2,500	2,500	6,30% - 8,17%	Aug 2011 to Oct 2012
		Banco de Costa Rica	Commercial paper (global bond)	6,731	6,832	6,40% - 7,59%	Jan 2011 to Sep 2012
		Government	Fixed-rate Central Bank bond	2,000	2,000	6,52% - 6,78%	May 2011 to Mar 2012
		Government	Zero-coupon Central Bank global bond	13,429	13,624	6,39% - 7,04%	Feb 2011 to Jun 2012
		National Insurance Institute (INS)	Investment funds	153	-	5,50% - 5,67%	Demand
		Banco Popular y de Desarrollo Comunal	Investment funds	4	-	4.23%	Demand
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit	3,000	3,000	7,39% - 9,09%	Jan 2011 to Jun 2012
		BCCR	Monetary Stabilization Bond	7,949	8,000	6,39% - 6,99%	Feb 2011 to May 2012
		Banco Crédito Agrícola de Cartago	Term certificate of deposit	5,175	5,175	6,89% - 7,90%	Jan 2011 to Jul 2012
		CABEI	Commercial paper	1,394	1,400	6,77% - 7,11%	Jul 2011 to Feb 2012
	U.S. dollars	Banco Nacional de Costa Rica	Investment funds	5,183	-	4.69%	Demand
		Banco de Costa Rica	Investment funds	7,487	-	0.48%	Demand
		Banco Internacional de Costa Rica	Overnight deposit	2,538	-	0.20%	Demand
		Scotiabank	Term certificate of deposit	2,250	2,250	1,44% - 1,49%	Mar 2011 to Mar 2012
		Government	Term certificate of deposit	1,037	1,037	2.90%	Nov 2011 to May 2012
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Term certificate of deposit	2,000	2,000	8.00%	Sep 2011 to Nov 2012
		Banco Nacional de Costa Rica	Short-term investment	520	520	6.00%	Dec 2011 to Jan 2012
		Government	Zero-coupon Central Bank global bond (over the counter)	3,020	3,030	6.00%	Nov 2011 to Jan 2012
		Government	Term certificate of deposit	3,041	3,041	6,90% - 8,57%	Jun 2011 to May 2012
		BCCR	Electronic term deposit	9,376	9,376	3.04%	Dec 2011 to Jan 2012
		Banco CMB (Citibank)	Term certificate of deposit	4,190	4,190	7,06% - 8,50%	Jan 2011 to May 2012
		BANHVI	Term certificate of deposit	2,000	2,000	8.00%	Jan 2011 to Jan 2012
		Banco BAC San José, S.A. (BAC)	Term certificate of deposit	1,116	1,116	8.20%	Jan 2011 to Jan 2012
		Scotiabank	Term certificate of deposit	500	500	8.15%	Jan 2011 to Jan 2012
	U.S. dollars	Banco de Costa Rica	Term certificate of deposit (over the counter)	20,733	20,733	1,38% - 1,89%	Dec 2011 to Jan 2012
		Government	Zero-coupon Central Bank global bond (over the counter)	10,367	10,381	0,83% - 1,15%	Dec 2011 to Feb 2012
		Banco Internacional de Costa Rica	Term deposit - BICSA, Miami branch	1,762	3	2.00%	Aug 2011 to Mar 2012
		Banco BAC San José, S.A. (BAC)	Term certificate of deposit	2,592	2,592	2.50%	Dec 2011 to Mar 2012
Total ICE Telecom				**124,889**			
Subtotal ICE				**¢ 135,853**			
CNFL:							
	U.S. dollars	Banco de Costa Rica - US$	Term certificate of deposit - US$	2,527	5	1.12%	Dec 2011 to Jan 2012
Subtotal CNFL				**¢ 2,527**			
RACSA:							
	Colones	Government	Central Bank bond	100	100	9.58%	Feb 2010 to Mar 2012
		Accrued interest receivable					
	U.S. dollars	Government	External debt bond	76	76	5.00%	May 2009 to Feb 2012
		BICSA	Term certificate of deposit	632	632	2.00%	Jun 2011 to Jan 2012
		BICSA	Term certificate of deposit	632	632	1.50%	Oct 2011 to Jan 2012
		BICSA	Term certificate of deposit	227	227	1.25%	Nov 2011 to Jan 2012
Subtotal RACSA				**¢ 1,667**			
CRICRSA:							
	Colones	BN Sociedad de Fondos de Inversión, S.A.	Investment funds	13	-	-	-
Subtotal CRICRSA				**¢ 13**			
Total ICE Group				**¢ 140,060**	-	-	-

Valuation of investments

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

(Continued)

(In millions of colones)

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

As of December 31, 2012, ICE Group recognized a net unrealized gain in the amount of ¢906 (2011: ¢1,323) as a result of the valuation of temporary investments. Such unrealized gain is included under “Result of valuation of financial instruments” in the equity section. The sale of securities will not be approved until January 2013; accordingly, the effect of the valuation is booked directly in equity.

Note 13. Restricted funds

Restricted funds allocated to specific purposes are as follows:

Restricted funds		As of December 31,	
		2012	2011
ICE:			
Guarantees received from third parties:			
In U.S. dollars, account No. 164475-0	¢	540	786
In U.S. dollars, account No. 192916-0		292	437
In colones, account No. 192915-1		162	203
In colones, account No. 58166-6		84	71
Subtotal ICE		**1,078**	**1,497**
CNFL:			
Specific purpose funds			
BCR Platinum (¢) - Cash for payments of ICE services		3,764	3,499
BNCR Gold - Cash for amortization of short-term debt		5,210	2,146
BCR Platinum - Bonds		1	4
Subtotal CNFL		**8,975**	**5,649**
Total ICE Group	¢	**10,053**	**7,146**

(In millions of colones)

Note 14. Prepaid expenses

Prepaid expenses are as follows:

Prepaid expenses		As of December 31, 2012	2011 *(Restated)**
ICE:			
Use agreements (1)	¢	19,000	18,994
U-500 insurance policy, net (2)		4,128	2,252
Stationery		377	720
All-risk insurance policy - construction		606	180
Fuel (3)		15,460	-
Mobile terminals and devices (4)		22,825	11,895
Sundry policies		24	25
Subtotal ICE	**¢**	**62,420**	**34,066**
CNFL:			
U-500 insurance policy, net		209	173
Sundry policies		228	144
Subtotal CNFL		**437**	**317**
RACSA:			
Yellow pages		2,253	2,337
U-500 insurance policy, net		59	76
Other		31	47
Vacation		47	9
National Insurance Institute (INS) - vehicles		4	4
Subtotal RACSA		**2,394**	**2,473**
Total ICE Group	**¢**	**65,251**	**36,856**

* See note 27.

(In millions of colones)

U-500 insurance policy

		As of December 31,	
		2012	**2011**
ICE:			
Amount of premium	¢	10,114	9,197
Amortization of premium		(5,986)	(6,945)
Subtotal ICE		**4,128**	**2,252**
CNFL:			
Amount of premium		1,046	840
Amortization of premium		(837)	(667)
Subtotal CNFL		**209**	**173**
RACSA:			
Amount of premium		307	365
Amortization of premium		(248)	(289)
Subtotal RACSA		**59**	**76**
Total ICE Group	¢	**4,396**	**2,501**

(1) Use agreements

On November 5, 2007, ICE and BCR (trustee) subscribed a lease agreement under a Securitization Trust for construction of a thermal power plant called Garabito Thermal Power Plant (see note 31). The lease term of the aforementioned thermal power plant according to that trust is 142 months (11 years and 10 months) starting June 2010. Since the plant did not start commercial operations on the anticipated date, management of the Executing Unit of the Garabito Thermal Power Plant and ICE agreed on November 19, 2010 that ICE would begin to amortize prepaid expenses in January 2011, applying the first payment (made in June 2010) in January 2011 and so on until March 2022, which is the expiration date of the lease agreement.

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

(2) U-500 insurance policy

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

The increase in the premium in 2012 is a result of the inclusion of a policy to cover business interruptions and additional expenses of the power generation centers of the Las Pailas and Pirrís projects. Also, a policy was acquired for the purchase of the LIDAR electronic equipment.

(3) <u>Fuels</u>

In 2012, according to Decision No. 977-RCR-2012 dated November 2, 2012, ARESEP partially approved the request filed by ICE for the recognition through rate adjustments of fuel and lubricant additional expenses corresponding to the first half of 2012. Those expenses for a total of ¢19,225 were not recognized in the rate approved in ARESEP’s prior ruling. Of that amount, ICE recovered ¢3,765, while the outstanding amount of ¢15,460 corresponds to lags in the recognition of fuel and lubricant expenses in 2012. According to ARESEP Decision No. RJD-003-2013 issued on February 25, 2013, such lags must be recognized through rate adjustments by no later than July 1, 2013, in quarterly intervals. Accordingly, ICE booked the amount pending recognition under “Prepaid expenses” as of December 31, 2012.

(4) <u>Mobile terminals and devices</u>

In 2012, the corresponding accounting policy was amended. The change involved recognizing as a prepaid expense the cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans. The prepaid expense will be realized as an expense based on the term of the plan, in order to present a matching of income, and when the service is canceled or the plan is changed.

In compliance with accounting regulations currently in effect, since this situation involves a change in the accounting policy, the effect of the adjustment must be recognized retrospectively in the consolidated financial statements for the affected periods (see notes 2(e) and 27).

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

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

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2012	2011
ICE:					
U-500	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; civil liability; and commercial crime.	Administrative and technical buildings (central offices, blocks A - B, and block C (Procurement Department), PySA building, and Power Control Center), warehouses, telephone exchanges, shelters, base stations, electricity agencies, telephone agencies, Comprehensive Customer Service Center (CAIC), power generation centers, power transformers, autotransformers, and mobile transformers.	¢	3,191,787	2,386,326
02-01-INS-613-00	Construction and assembly works all-risk insurance. Covers tremors, earthquakes, volcanic eruptions, cyclones, hurricanes, hail, tempests, windstorms, floods, water overflow, seaquake, mud silting, testing period, civil liability, adjacent property, and debris removal.	Project to expand Cachí		65,506	-
G-9312	Construction and assembly works all-risk basic liability insurance. Covers direct damage as a result of earthquake, volcanism, seaquake, tempest, cyclone, rising floodwaters, flood, landslide, extended maintenance, and debris removal.	Toro III Hydroelectric Project		61,046	61,155
02-01-INS-44	Covers direct physical damage, recovery value of fixed assets, assault, automatic coverage for new goods, errors and omissions, loanding and unloading, replacement of accounting books, technical and professional fees, automatic reinstatement of insured amount in the event of loss (not applicable to catastrophic risk or robbery), extraordinary expenses, reconstruction of electronic files, multiple location, fire extinguishment expenses, goods in custody, and control over the insured good.	Goods imported by ICE and in custody of the bonded warehouse		2,551	5,295
01-01-CGM-7800 (55000)	Covers inland, maritime, and air transport of materials acquired by ICE through temporary import and/or export permits issued worldwide, as follows: A. All risk; C: Named-risk; D: War; and E: Strike.	All imported materials		1,028	880
02-01-EQE-0000335-00	Covers all risks of loss or damage and collision and/or overturn of a vehicle transporting insured assets (mobile or portable equipment), as follows: R. Direct damage to electronic equipment.	LIDAR electronic equipment and vehicle where it is installed		482	-
01-01-ACG-245-01	Covers accidental death, permanent disability, and medical expenses.	Non-employee passengers in ICE vehicles		40	20
02-01-VAG-77	Covers personal accident (death, dismemberment, total and permanent disability), medical expenses for accident or acute illness, additional expenses (funeral expenses, emergency dental treatment, medical repatriation, repatriation of remains, air travel for a companion upon medical recommendation, accommodation, board, and local transportation for a companion), and daily costs of a hospital stay. Exchange rate $516.41, amount of insurance US$21,530.96	Officers traveling abroad	¢	161	26

(Continued)

(In millions of colones)

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2012	2011
AUM-052	Covers vehicles for personal use assigned to ICE's senior management, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision or overturn; F: Robbery and/or theft; and H: Additional risks.	Senior management vehicles	¢	151	166
02-01-INS-000062	General civil liability that covers bodily injury or death of third parties and damage to third party property as combined single limit civil liability and total limit civil liability per year, related to activities, property, and legal actions filed abroad.	Civil liability arising from activities and property while providing international interconnection access service, MSM access points, and equipment maintenance and/or operation in the Global Crossing building located in Los Angeles (USA).		13	-
01-ACG-264	Covers accidental death, total and permanent disability, and medical expenses for accident.	Employees of ICE's Institutional Protection and Security Office		11	11

CNFL:

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2012	2011
U-500 currently ING-008	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; civil liability; and commercial crime.	Administrative buildings, hydroelectric power plants, and substations. Amount insured expressed in U.S. dollars.		255,665	213,032
RT-5658	Covers occupational hazards	Employees		-	-
AUM-144	Covers CNFL's vehicle fleet, as follows: A: Umbrella liability or excess liability for injury and/or death of persons and C: Umbrella liability or excess liability for damages to third party property.	CNFL's vehicle fleet		5,622	4,917
11955	Maritime Cargo Insurance	Imports		1,450	2,025
AUM-172	Covers CNFL's vehicle fleet, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision or overturn; F: Robbery and/or theft; and H: Additional risks.	Vehicles (insurable interest)		166	165
FCP-0000041-00	Fidelity Guarantee Insurance			50	50
EQC-3868	Contractor's Equipment Insurance	Forklifts and tractors	¢	50	50

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

RACSA:

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2012	2011
U-500	Covers all risks of physical damage to property (acts of God); additional expenses and/or increases in operating costs; theft and/or robbery and/or assault, excluding money (cash) and assets convertible into cash; damages to assets in incidental inland transit, excluding money (cash) and assets convertible into cash; debris removal; documents; designs; professional consultant fees; construction work in progress; minor infrastructure and the like, provided that such infrastructure is built on existing or adjacent sites or facilities; temporary transfer of assets; reconstruction of electronic files; replacement of books; errors and omissions; policy issue expenses; fire extinguishment expenses; costs to facilitate recovery; wire theft; terrorism; and civil liability.	RACSA's central buildings (Buildings A, B, and C located at the intersection of Avenida 5 and Calle 1) and the office furniture and equipment, and electronic and telecommunications equipment contained therein; inventories in warehouses (supplies and electronic and telecommunications equipment); and the RACSA-ZURQUI Teleport buildings (located in Calle Blancos) and their contents.	¢	75,198	100,561
AUM-0502-06 - RACSA	Covers company vehicles, as follows: A: Umbrella liability or excess liability for injury and/or death of persons; C: Umbrella liability or excess liability for damages to third party property; D: Collision and/or overturn; F: Robbery and/or theft; and H: Additional risks.	Vehicle fleet		203	203
EQE-0009580 - RACSA	Mobile and/or portable equipment all-risk insurance, as follows: E: Risks of loss or damage to mobile and/or portable equipment and R: Direct damage to electronic equipment and collision and/or overturn of a vehicle transporting insured assets.	Sales force laptops		28	28
OCI-0001137-RACSA	Covers personal accident (death, loss of limb(s), total and permanent disability), medical expenses for accident or acute illness, additional expenses (funeral expenses, emergency dental treatment, medical repatriation, repatriation of remains, air travel for a companion upon medical recommendation, accommodation, board, and local transportation for a companion), daily costs of a hospital stay, lost luggage, and lost passport.	Employees traveling abroad		26	26
INC-0256115-17 - RACSA	Insurance against accidental fire or lightning strike, sundry risks, flood, landslide, and convulsions of nature.	El Cerrito Farm storehouse		28	26
EQC-0004970 - RACSA	Insurance against: E: Direct damage including losses to the equipment caused by collision, accidental overturn, accidental fire, lightning strike, and transport of the equipment by other means; and L: Combined Single Limit Civil Liability.	El Cerrito Farm tractor	¢	10	10

(Continued)

(In millions of colones)

Note 15. Service agreements

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

Service agreements		As of December 31, 2012	2011
ICE:			
Toro III Hydroelectric Project	¢	8,410	12,755
Other		345	1,161
Total ICE Group	**¢**	**8,755**	**13,916**

Toro III Hydroelectric Power Project

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

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

The amount of ¢8,410 (2011: ¢12,755) corresponds to the balance pending reimbursement by the trust for construction costs and technical services provided by ICE.

The percentage of completion of the project is estimated at 100%, except for the compensation works established in the Environmental Management Plan, which percentage of completion is 85%. The project started operations in December 2012 without having conducted efficiency tests. However, those tests were performed from January 2013. The compensation works are expected to be completed by May 22, 2013 and the formalization of the administrative closure is expected for August 19, 2013.

(Continued)

(In millions of colones)

Note 16. Project design and execution

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

Project design and execution		As of December 31, 2012	2011
El Diquís Hydroelectric Project (1)	¢	68,902	60,954
Borinquen Geothermal Project (2)		15,252	11,497
Transmission lines		5,328	5,270
Las Pailas II Geothermal Project		3,823	397
Other		1,468	800
Total ICE Group	¢	**94,773**	**78,918**

(1) El Diquís Hydroelectric Power Project (PHED)

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

As of December 31, 2012, PHED includes costs incurred prior to construction and disbursements made during the investment phase, which encompasses the design of the works, and technical, economic, and financial studies for a total of ¢68,902 (2011: ¢60,954) that were required to complete the Environmental Feasibility Studies and the final Environmental Impact Study. PHED's Environmental Impact Study is in its final stages and will be submitted to Secretaría Técnica Nacional Ambiental [National Technical Secretariat for the Environment] (SETENA), which is the entity charged with issuing the environmental feasibility permit or environmental permit required to begin construction of the project.

The area required for PHED covers a number of indigenous territories, the most significant of which are China Kichá (Cabécar) and Térraba (Térraba). The area of PHED's reservoir will require the use of 74 and 653 hectares of those indigenous lands, which will be flooded. Legal actions and consultative processes have been initiated with the aforementioned communities, seeking an agreement for execution of the project. In the opinion of ICE's Legal Department, the consultative process with indigenous peoples is required for the issue of the Environmental Permit required by ICE to begin construction of PHED.

(Continued)

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

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

- Appeal No. 08-009215-0007-CO filed by ADIT against a number of articles of the aforementioned Decree No. 34312-MP-MINAE. As of the date of this report, judicial decisions have been handed down in this regard that require performing a consultative process with the communities affected by the construction of the project. As previously informed, the outcome of this proceeding is binding for the issue of the Environmental Permit.

(2) Borinquen Geothermal Power Project

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

Costs incurred in 2012 correspond to work related to site preparation for deep-well drilling. Construction is expected to begin in late 2015.

(Continued)

(In millions of colones)

Note 17. Non-operating assets

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

		As of December 31,						
Cost		**2010**	**Additions**	**Retirements and transfers**	**2011**	**Additions**	**Retirements and transfers**	**2012**
ICE:								
Land	¢	18,329	3,433	(34)	21,728	754	(368)	22,114
Buildings		427	3,863	-	4,290	-	315	4,605
Land and rights of way (1)		14,892	4,528	(254)	19,166	2,652	(166)	21,652
Artwork and collector's items		82	-	-	82	-	(59)	23
Substations		1,959	1,077	-	3,036	-	(1,073)	1,963
Subtotal ICE		**35,689**	**12,901**	**(288)**	**48,302**	**3,406**	**(1,351)**	**50,357**
CNFL:								
Land		1,034	217	(314)	937	45	-	982
Buildings		283	-	-	283	-	(148)	135
Hydroelectric plants		674	-	-	674	-	-	674
General equipment		899	-	-	899	-	-	899
Other assets		146	-	-	146	-	-	146
Subtotal CNFL		**3,036**	**217**	**(314)**	**2,939**	**45**	**(148)**	**2,836**
RACSA:								
Surco Tico, S.A. - Forestry project		672	83	-	755	86	-	841
Subtotal RACSA		**672**	**83**	**-**	**755**	**86**	**-**	**841**
Total ICE Group	¢	**39,397**	**13,201**	**(602)**	**51,996**	**3,537**	**(1,499)**	**54,034**

		As of December 31,						
Accumulated depreciation:		**2010**	**Additions**	**Retirements and transfers**	**2011**	**Additions**	**Retirements and transfers**	**2012**
ICE:								
Buildings	¢	32	51	-	61	213	146	420
Artwork and collector's items		-	-	-	22	-	(22)	-
Substations		58	62	-	120	63	-	183
Subtotal ICE		**90**	**113**	**-**	**203**	**276**	**124**	**603**
CNFL:								
Land and land improvements		20	6	-	26	9	-	35
Buildings		46	6	-	52	5	-	57
Hydroelectric plants		84	16	-	100	17	-	117
General equipment		2	-	-	2	-	-	2
Other assets		11	2	-	13	1	-	14
Subtotal CNFL		**163**	**30**	**-**	**193**	**32**	**-**	**225**
Total ICE Group	¢	**253**	**143**	**-**	**396**	**308**	**124**	**828**

(In millions of colones)

(1) In 2012, rights of way were acquired for transmission projects in the amount of ¢2,652, which will be allocated to the following works: La Carpio, Verbena, Cariblanco – Trapiche, SIEPAC, Peñas Blancas – Garita deviation, etc.

		As of December 31,						
Revaluation		**2010**	**Revaluation**	**Retirements and transfers**	**2011**	**Revaluation**	**Retirements and transfers**	**2012**
ICE:								
Land	¢	1,641	784	-	2,425	899	(38)	3,286
Buildings		137	24	-	161	202	277	640
Land and rights of way		48	586	-	634	-	6	640
Substations		(13)	99	-	86	48	-	134
Subtotal ICE		**1,813**	**1,493**	**-**	**3,306**	**1,149**	**245**	**4,700**
CNFL:								
Land		2,767	197	(32)	2,932	146	-	3,078
Buildings		674	45	-	719	12	(100)	631
Hydroelectric plants		6,865	313	-	7,178	196	-	7,374
General equipment		1	-	-	1	-	-	1
Other assets		131	13	-	144	13	-	157
Subtotal CNFL		**10,438**	**568**	**(32)**	**10,974**	**367**	**(100)**	**11,241**
Total ICE Group	**¢**	**12,251**	**2,061**	**(32)**	**14,280**	**1,516**	**145**	**15,941**

		As of December 31,						
Accumulated depreciation - revaluation		**2010**	**Revaluation**	**Retirements and transfers**	**2011**	**Revaluation**	**Retirements and transfers**	**2012**
ICE:								
Buildings	¢	87	7	-	94	19	128	241
Land and rights of way		-	-	-	-	-	6	6
Substations		-	3	-	3	6	-	9
Subtotal ICE		**87**	**10**	**-**	**97**	**25**	**134**	**256**
CNFL:								
Land		181	14	-	195	18	-	213
Buildings		503	39	-	542	16	-	558
Hydroelectric plants		4,711	271	-	4,982	203	-	5,185
General equipment		1	-	-	1	-	-	1
Other assets		37	5	-	42	5	-	47
Subtotal CNFL		**5,433**	**329**	**-**	**5,762**	**242**	**-**	**6,004**
Total ICE Group	**¢**	**5,520**	**339**	**-**	**5,859**	**267**	**134**	**6,260**
Total Non-operating assets ICE Group		**45,875**	**14,780**	**(634)**	**60,021**	**4,479**	**(1,612)**	**62,887**

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

(In millions of colones)

Note 18. Intangible assets

Intangible assets with a finite useful life are as follows:

Intangible assets		As of December 31, 2012	2011 *(Restated)**
Licenses, systems and applications			
Opening balance	¢	61,717	41,471
Additions		22,308	35,855
Transfers		(533)	(8,740)
Retirements		(11,389)	(6,869)
Subtotal cost ICE Group		**72,103**	**61,717**
Amortization of intangible assets			
Licenses, systems and applications			
Opening balance		27,962	18,980
Additions		1,069	(706)
Amortization - expenses		14,505	8,305
Adjustments		(57)	-
Transfers		(530)	1,512
Retirements		(2,582)	(129)
Subtotal amortization ICE Group		**40,367**	**27,962**
Net total ICE Group	**¢**	**31,736**	**33,755**

* See note 27.

Amortization method

For calculating the amortization of intangible assets, ICE Group applies the straight-line method from the date the assets were first used, over a useful life of three years.

(In millions of colones)

Note 19. Guarantee and Savings Fund (restricted fund)

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

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

As of December 31, 2012, the balance of the employer contribution transferred by ICE Group to the Employee Guarantee and Savings Fund is allocated as follows:

		As of December 31,			
		2012		2011	
		Amount	%	Amount	%
ICE:					
Electricity	¢	65,990	39%	60,329	41%
Telecom		91,371	54%	77,985	53%
Corporate		11,844	7%	8,828	6%
Subtotal ICE	**¢**	**169,205**	**100%**	**147,142**	**100%**
RACSA:					
RACSA Guarantee and Savings Fund		3,065	100%	3,062	100%
Subtotal RACSA		**3,065**	**100%**	**3,062**	**100%**
Total ICE Group	**¢**	**172,270**	**100%**	**150,204**	**100%**

Of that amount, ¢99,996 corresponds to the Supplemental Pension System and ¢69,209 to the Savings Fund (4.5% and 6%, respectively, of the monthly salaries of ICE's permanent employees).

(Continued)

(In millions of colones)

Note 20. Amortizable items

Amortizable items are as follows:

Cost	Frequency	Method	As of December 31, 2010	Write-offs	Increase	As of December 31, 2011	Write-offs	Increase	As of December 31, 2012
Project									
Miravalles III Geothermal Project	180 months	Straight line	¢ 176	-	-	176	-	-	176
Peñas Blancas Hydroelectric Project	155 months	Straight line	-	-	-	-	-	-	-
Electriona Belén Hydroelectric Project	480 months	Straight line	573	-	-	573	-	-	573
Insurance	1 month	Single payment	-	-	-	-	-	-	-
Transaction costs - investments:									
Transaction costs - investments	30 days	Effective interest	3	(3)	2	2	(5)	3	0
Transaction costs - investments	60 days	Effective interest	9	(9)	-	-	(33)	50	17
Transaction costs - investments	90 days	Effective interest	-	-	-	-	-	23	23
Transaction costs - investments	120 days	Effective interest	-	-	-	-	(1)	11	10
Transaction costs - investments	More than 180 days	Effective interest	118	(82)	325	361	(205)	62	218
Subtotal transaction costs - projects and investments			**879**	**(94)**	**327**	**1,112**	**(244)**	**149**	**1,017**
Commissions for financing agreements:									
Series A bonds	120 months	Effective interest	296	-	-	296	-	-	296
Series B bonds	120 months	Effective interest	358	-	-	358	-	-	358
Citibank	120 months	Effective interest	378	-	-	378	-	-	378
CABEI No. 1856	180 months	Effective interest	143	-	-	143	-	-	143
Andean Development Corporation (CAF)	180 months	Effective interest	644	-	-	644	-	-	644
Conversion IDB No. 1931 A/OC-CR - tranche A	180 months	Effective interest	975	-	-	975	-	-	975
Conversion IDB No. 1931 A/OC-CR - tranche B	120 months	Effective interest	1,532	-	-	1,532	-	-	1,532
INS Security No. 1	60 months	Effective interest	90	-	-	90	-	-	90
INS Security No. 2	60 months	Effective interest	9	-	-	9	-	-	9
INS Security No. 3	36 months	Effective interest	305	-	-	305	(305)	-	-
Nordea Export & Project Finance No. 1	60 months	Effective interest	834	-	-	834	-	-	834
M&T Bank No. 1	84 months	Effective interest	56	-	-	56	-	-	56
Scotiabank - tranche A	36 months	Effective interest	157	-	-	157	-	-	157
Scotiabank - tranche B	60 months	Effective interest	157	-	-	157	-	-	157
BNP Paribas - loan A	60 months	Effective interest	33	-	-	33	-	-	33
BNP Paribas - loan B	60 months	Effective interest	115	-	-	115	-	-	115
HSBC Bank	60 months	Effective interest	57	-	-	57	-	-	57
Citibank No. 2	12 months	Effective interest	75	(84)	9	-	-	-	-
Deutsche Bank Trust Company Americas	12 months	Effective interest	75	(80)	6	1	-	-	1
M&T Bank No. 2	60 months	Effective interest	71	-	17	88	-	-	88
Nordea Export & Project Finance No. 2	60 months	Effective interest	216	(3)	-	213	-	-	213
Mercantil Commercebank	12 months	Effective interest	-	(4)	4	-	-	-	-
International Series B bonds	120 months	Effective interest	-	-	602	602	-	343	945
Subtotal commissions for financing agreements			**6,576**	**(171)**	**638**	**7,043**	**(305)**	**343**	**7,081**
Total - ICE Group			**¢ 7,455**	**(265)**	**965**	**8,155**	**(549)**	**492**	**8,098**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Absorption of amortizable items	Frequency	Method		As of December 31, 2010	Amortizations	Write-offs	As of December 31, 2011	Amortizations	Write-offs	As of December 31, 2012
Projects										
Miravalles III Geothermal Project	180 months	Straight line	¢	126	11	-	137	12	-	149
Peñas Blancas Hydroelectric Project	155 months	Straight line		-	-	-	-	-	-	-
Electriona Belén Hydroelectric Project	480 months	Straight line		272	14	-	286	15	-	301
Insurance	1 month	Single payment		-	-	-	-	-	-	
Transaction costs - investments:								-	-	
Transaction costs - investments	30 days	Effective interest		1	3	(1)	3	1	(3)	1
Transaction costs - investments	60 days	Effective interest		4	-	(4)	-	23	(12)	11
Transaction costs - investments	90 days	Effective interest		1	-	(1)	-	14	(1)	13
Transaction costs - investments	120 days	Effective interest		-	-	-	-	4	(1)	3
Transaction costs - investments	More than 180 days	Effective interest		60	195	(55)	200	108	(169)	139
Subtotal transaction costs - projects and investments				**464**	**223**	**(61)**	**626**	**177**	**(186)**	**617**
Commissions for financing agreements:										
Series A bonds	120 months	Effective interest		193	35	(8)	220	80	-	301
Series B bonds	120 months	Effective interest		227	40	(10)	257	-	-	257
Citibank	120 months	Effective interest		170	39	(16)	193	49	-	242
CABEI No.1856	180 months	Effective interest		31	9	(8)	32	8	-	40
Andean Development Corporation (CAF)	180 months	Effective interest		97	45	(4)	138	40	-	178
Conversion IDB - tranche A	180 months	Effective interest		157	62	(40)	179	58	(5)	232
Conversion IDB - tranche B	120 months	Effective interest		370	141	(131)	379	118	-	497
INS Security No. 1	60 months	Effective interest		33	20	-	53	18	-	71
INS Security No. 2	60 months	Effective interest		4	2	-	6	2	-	8
INS Security No. 3	36 months	Effective interest		160	114	-	274	31	(305)	(0)
Nordea Export & Project Finance No. 1	60 months	Effective interest		237	169	(2)	404	169	-	573
M&T Bank No. 1	84 months	Effective interest		8	8	(1)	15	8	-	23
Scotiabank - tranche A	36 months	Effective interest		52	53	(3)	102	55	-	157
Scotiabank - tranche B	60 months	Effective interest		31	31	(5)	57	31	-	88
BNP Paribas - loan A	60 months	Effective interest		1	7	-	8	6	-	14
BNP Paribas - loan B	60 months	Effective interest		1	26	-	27	23	-	50
HSBC Bank	60 months	Effective interest		1	11	(1)	11	11	-	22
Nordea Export & Project Finance No. 2	12 months	Effective interest		-	46	(1)	45	41	-	86
Citibank No. 2	12 months	Effective interest		-	84	(84)	-	-	(14)	(14)
Deutsche Bank Trust Company Americas	60 months	Effective interest		-	80	(80)	-	-	-	-
Mercantil Commercebank	60 months	Effective interest		-	4	(4)	-	-	-	-
M&T Bank No. 2	12 months	Effective interest		-	17	-	17	17	-	34
International Series B bonds	120 months	Effective interest		-	3	-	3	59	-	62
Subtotal commissions for financing agreements				**1,773**	**1,046**	**(398)**	**2,421**	**824**	**(324)**	**2,921**
Total - ICE Group			¢	**2,237**	**1,269**	**(459)**	**3,047**	**1,001**	**(510)**	**3,538**

(Continued)

(In millions of colones)

Note 21. Securities payable (bonds)

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

Securities payable	2010	Amortization	Foreign exchange differences	Disbursements	2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term
ICE:											
Internal debt:											
INS Security No. 1	¢ 12,382	-	6	-	12,388	-	(217)	-	¢ 12,171	-	12,171
INS Security No. 2	1,230	-	1	-	1,230	-	(22)	-	1,208	-	1,208
INS Security No. 3 (1)	30,500	-	-	-	30,500	30,500	-	-	-	-	-
Series A1 bonds	50,000	-	-	-	50,000	-	-	-	50,000	50,000	-
Series A2 bonds	6,328	-	-	-	6,328	-	-	-	6,328	6,328	-
Series B1 bonds	38,857	-	18	-	38,874	-	(683)	-	38,192	38,192	-
Series B2 bonds	25,905	-	12	-	25,917	-	(455)	-	25,462	25,462	-
Series A2 bonds - 2010	28,426	-	-	-	28,426	-	-	-	28,426	28,426	-
Series B3 bonds - U.S. dollars (Electricity)	38,857	-	18	-	38,875	-	(683)	-	38,192	38,192	-
Series A3 bonds - colones	20,000	-	-	-	20,000	-	-	-	20,000	20,000	-
Series E1 bonds - U.S. dollars (Electricity)	30,343	-	15	-	30,357	-	(533)	-	29,824	29,824	-
Series A4 bonds - Telecom	2,255	-	-	7,745	10,000	-	-	-	10,000	10,000	-
Series A5 bonds - Electricity	20,000	-	-	-	20,000	-	-	-	20,000	20,000	-
Series A2 bonds -Electricity	-	-	-	15,246	15,246	-	-	-	15,246	15,246	-
Series E1 bonds - Electricity	-	-	4	8,514	8,518	-	(150)	-	8,369	8,369	-
Series A6 bonds - Electricity	-	-	-	18,756	18,756	-	-	-	18,756	18,756	-
Serie E2 bonds - Electricity	-	-	-	64,791	64,791	-	(1,138)	-	63,654	63,654	-
Series F1 bonds (2)	-	-	-	-	-	-	(301)	17,155	16,853	16,853	-
Series F3 bonds - U.S. dollars (Electricity) (3)	-	-	-	-	-	-	-	5,627	5,627	5,627	-
Series F4 bonds - U.S. dollars (Telecom) (4)	-	-	-	-	-	-	(273)	15,550	15,277	15,277	-
Series F4 bonds - U.S. dollars (Electricity) (4)	-	-	-	-	-	-	(1,320)	75,158	73,838	73,838	-
Subtotal internal debt - ICE	**¢ 305,083**	**-**	**73**	**115,053**	**420,206**	**30,500**	**(5,773)**	**113,489**	**¢ 497,423**	**484,044**	**13,379**

(Continued)

(In millions of colones)

Securities payable	2010	Amortization	Foreign exchange differences	Disbursements	2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term
	As of December 31,										
ICE:											
External debt:											
A bonds - Credit Suisse First Boston	20,723	-	10	-	20,733	-	(364)	-	¢ 20,369	-	20,369
B bonds - Credit Suisse First Boston	31,086	-	14	-	31,100	-	(546)	-	30,554	30,554	-
International bond issue (5)	-	-	60	129,523	129,583	-	(4,550)	129,583	254,615	254,615	-
Other:											
Premium Series A1 bonds	161	9	-	-	151	7	-	-	144	144	-
Premium Series A2 bonds	93	3	-	-	90	2	-	-	87	87	-
Premium Series B1 bonds	171	10	-	-	161	11	-	-	149	149	-
Premium Series B2 bonds	448	73	-	-	376	77	-	-	299	299	-
Series A2 bonds - 2010	8	-	-	-	8	-	-	-	8	8	-
Series B3 bonds - U.S. dollars (Electricity)	1,290	75	-	-	1,216	81	-	-	1,135	1,135	-
Premium Series A3 bonds (Electricity)	4	-	-	-	4	-	-	-	4	4	-
Premium Series E1 bonds (Electricity)	212	16	-	-	195	17	-	-	178	178	-
Premium Series E1 bonds - U.S. dollars (Electricity)	-	-	-	4	4	-	-	-	4	4	-
Premium Series A6 bonds - colones (Electricity)	-	-	-	1	1	-	-	-	1	1	-
Premium Series F3 bonds - U.S. dollars (Electricity)	-	-	-	-	-	-	-	3	3	3	-
Premium international bond issue - ICE	-	-	-	-	-	287	-	6,479	6,192	6,192	-
Premium Series F4 bonds - U.S. dollars (Telecom)	-	-	-	-	-	2	-	176	174	174	-
Premium Series F4 bonds - U.S. dollars (Electricity)	-	-	-	-	-	1	-	117	116	116	-
Discounts:											
Series A2 bonds - 2010	(635)	(22)	-	-	(612)	(17)	-	-	(595)	(595)	-
Series A3 bonds (Electricity)	(101)	(5)	-	-	(94)	(6)	-	-	(88)	(88)	-
Series A4 bonds (Telecom)	-	(1)	-	(25)	(25)	(3)	-	-	(20)	(20)	-
Series A2 bonds (Electricity)	-	(10)	-	(450)	(440)	(13)	-	-	(427)	(427)	-
Series E2 bonds - U.S. dollars (Electricity)	-	-	-	(207)	(207)	(10)	-	-	(197)	(197)	-
Series F1 bonds	-	-	-	-	-	(23)	-	(244)	(221)	(221)	-
Series F4 bonds - U.S. dollars	-	-	-	-	-	(2)	-	(188)	(186)	(186)	-
Subtotal external debt - ICE	**¢ 53,460**	**148**	**84**	**128,846**	**182,244**	**411**	**(5,460)**	**135,926**	**312,298**	**291,928**	**20,369**
Standardized commercial paper											
Standardized commercial paper Series C1, C2 and D1 (6)	-	-	-	-	-	27,068	-	27,147	78	-	78
Subtotal short-term securities payable - ICE	**¢ -**	**-**	**-**	**-**	**-**	**27,068**	**-**	**27,147**	**78**	**-**	**78**
Subtotal securities payable - ICE	**358,543**	**148**	**157**	**243,899**	**602,450**	**57,979**	**(11,233)**	**276,562**	**809,798**	**775,972**	**33,826**
CNFL:											
Internal debt:											
Series A bonds	6,000	6,000	-	-	-	-	-	-	-	-	-
Series B1 bonds	14,996	-	-	-	14,996	-	-	4	15,000	15,000	-
Series B2 bonds	-	-	-	14,600	14,600	-	-	-	14,600	14,600	-
Series B3 bonds	-	-	-	-	-	-	-	12,000	12,000	12,000	-
Subtotal CNFL	**¢ 20,996**	**6,000**	**-**	**14,600**	**29,596**	**-**	**-**	**12,004**	**41,600**	**41,600**	**-**
Total ICE Group	**¢ 379,539**	**6,148**	**157**	**258,499**	**632,046**	**57,979**	**(11,233)**	**288,566**	**¢ 851,398**	**817,572**	**33,826**

(Continued)

(In millions of colones)

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

Securities payable									
Creditor	**Instrument**	**Currency**	**Interest rate**	**Type of rate**	**Load**	**Contract date**	**Maturity date**	**As of December 31, 2012**	**2011**
ICE:									
Bonds in colones:									
Series A1 bonds	Standardized bonds	Colones	12.25%	Variable	-	30-Sep-09	30-Sep-21	¢ 50,000	50,000
Series A2 bonds	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	6,328	6,328
Series A2 bonds - 2010	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	28,426	28,426
Series A2 bonds - 2011	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	15,246	15,246
Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20	20,000	20,000
Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	14-Dec-10	14-Dec-17	10,000	10,000
Series A5 bonds	Standardized bonds	Colones	12.70%	Variable	-	16-Dec-10	16-Dec-25	20,000	20,000
Series A6 bonds	Standardized bonds	Colones	12.15%	Variable	-	11-Aug-11	11-Aug-23	18,756	18,756
Series F3 bonds	Standardized bonds	Colones	12.75%	Variable	-	3-Apr-12	3-Apr-23	5,627	-
Premium Series A1 bonds	Standardized bonds	Colones	12.25%	Variable	-	30-Sep-09	30-Sep-21	144	151
Premium Series A2 bonds	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	87	90
Premium Series A2 bonds	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	8	8
Premium Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20	4	4
Premium Series A6 bonds	Standardized bonds	Colones	12.15%	Variable	-	11-Aug-11	11-Aug-23	1	1
Premium Series F3 bonds	Standardized bonds	Colones	12.75%	Variable		3-Apr-12	3-Apr-23	3	-
Discount Series A2 bonds	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	(595)	(612)
Discount Series A2 bonds - 2011	Standardized bonds	Colones	11.50%	Variable	-	6-Nov-09	6-Nov-24	(427)	(440)
Discount Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	14-Dec-10	14-Dec-17	(20)	(23)
Discount Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	3-Nov-10	3-Nov-20	(88)	(94)
Bonds in U.S. dollars:									
International bonds	Standardized bonds	U.S. dollars	6.95%	Fixed	-	10-Nov-11	10-Nov-21	129,769	129,583
International bonds	Standardized bonds	U.S. dollars	6.95%	Fixed	-	10-May-12	10-Nov-21	124,846	-
Credit Suisse First Boston	Series B bonds	U.S. dollars	6.45%	Fixed	-	3-Feb-04	3-Feb-14	30,554	31,100
Credit Suisse First Boston	Series A bonds	U.S. dollars	7.10%	Fixed	-	1-Dec-03	10-Dec-13	20,369	20,733
Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	17-Nov-09	17-Nov-21	38,192	38,875
Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	20-May-10	20-May-16	25,462	25,917
Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	24-Jun-10	24-Jun-22	38,192	38,875
Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	14-Feb-11	12-Nov-20	29,824	30,357
Series E1 bonds - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	14-Feb-11	12-Nov-20	8,369	8,518
Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12-Dec-11	12-Dec-24	63,654	64,791
Series F1 bonds	Standardized bonds	U.S. dollars	5.97%	Fixed	-	13-Feb-12	13-Feb-19	16,853	-
Series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27	89,115	-
Premium Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	17-Nov-09	17-Nov-21	149	161
Premium Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	20-May-10	20-May-16	299	376
Premium Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	24-Jun-10	24-Jun-22	1,136	1,216
Premium Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	14-Feb-11	12-Nov-20	178	195
Premium Series E1 bonds - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	14-Feb-11	12-Nov-20	3	4
Premium international bond issue	Standardized bonds	U.S. dollars	6.95%	Fixed	-	10-Nov-11	10-Nov-21	6,192	-
Premium series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27	291	-
Discount Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12-Dec-11	12-Dec-24	(198)	(207)
Discount Series F1 bonds	Standardized bonds	U.S. dollars	5.97%	Fixed	-	13-Feb-12	13-Feb-19	(221)	-
Discount Series F4 bonds	Standardized bonds	U.S. dollars	7.61%	Fixed	-	7-Sep-12	7-Sep-27	(186)	-
Securities:									
INS	Security No. 3	Colones	13.75%	Variable	0.75%	6-Mar-09	6-Mar-12	-	30 500
INS	Security No. 1	U.S. dollars	2.73%	Variable	0.75%	11-Nov-08	12-Nov-13	12,171	12,388
INS	Security No. 2	U.S. dollars	2.74%	Variable	0.75%	11-Nov-08	28-Nov-13	1,208	1,230
Standardized commercial paper:									
Standardized commercial paper	Commercial paper	Colones	Zero Coupon	-	-	8-Mar-12	8-Dec-12	78	-
Subtotal ICE								**809,798**	**602,449**
CNFL:									
Bonds in U.S. dollars:									
Series B3 bonds	Standardized bonds	Colones	BDR + 3.21%	Variable	-	25-Jan-12	25-Jan-27	12,000	-
Series B2 bonds	Standardized bonds	Colones	BDR + 3.27%	Variable	-	28-Jun-11	28-Jun-23	14,600	14,600
Series B1 bonds	Standardized bonds	Colones	11.45%	Fixed	-	30-Sep-10	30-Sep-17	15,000	15,000
Subtotal CNFL								**41,600**	**29,596**
Total ICE Group								**¢ 851,398**	**632,046**

(Continued)

ICE's bond issues

The main features of ICE's bond issued as of December 31, 2012 are as follows:

Internal debt:

Series	Issue date	Maturity date	Nominal annual interest rate		In millions of colones: Authorized and issued	Placed by series	Available balance		Premium bond issue	Discount on bond issue
A1	30-Sep-09	30-Sep-21	Base deposit rate + 1.75%	¢	50,000	50,000	-	¢	144	-
A2	6-Nov-09	6-Nov-24	Base deposit rate + 1.75%		50,000	50,000	-		95	1,022
A3	3-Nov-10	3-Nov-20	11.41% fixed		20,000	20,000	-		4	88
A4	14-Dec-10	14-Dec-17	10.87% fixed		10,000	10,000	-		-	20
A5	16-Dec-10	16-Dec-25	Base deposit rate + 2.20%		20,000	20,000	-		-	-
A6	11-Aug-11	11-Aug-23	Base deposit rate + 2.15%		20,000	18,756	1,244		1	-
C2	8-Mar-12	8-Dec-12	Zero coupon		36,000	16,000	20,000		-	-
C1	2-May-12	2-Nov-12	Zero coupon		-	10,000	10,000		-	-
F3	3-Apr-12	3-Apr-23	Base deposit rate + 3%		50,000	5,627	44,373		3	
				¢	**256,000**	**200,383**	**75,617**	¢	**247**	**1,130**

Series	Issue date	Maturity date	Nominal annual interest rate		In millions of U.S. dollars: Authorized and issued	Placed by series	Available balance		Premium bond issue	Discount on bond issue
B1	17-Nov-09	17-Nov-21	7.65% fixed	US$	75	75	-	US$	-	-
B2	20-May-10	20-May-16	5.71% fixed		50	50	-		1	-
B3	24-Jun-10	24-Jun-22	7.18% fixed		75	75	-		2	-
E1	14-Feb-11	12-Nov-20	5.98% fixed		75	75	-		-	-
E2	12-Dec-11	12-Dec-24	7.61% fixed		125	125	-		-	-
F1	13-Feb-12	13-Feb-19	5.97% fixed		100	33	67		-	-
D1	2-May-12	2-Nov-12	Zero coupon		30	10	20		-	-
F4	7-Sep-12	7-Sep-27	7.61% fixed		176	176	-		1	-
				US$	**706**	**619**	**87**	US$	**4**	**-**

<u>Securities – Instituto Nacional de Seguros [National Insurance Institute] (INS)</u>

(1) In March 2012, INS Security No. 3 was fully amortized. The security was issued in colones for a total of ¢30,500, bearing interest at the base deposit rate with a floor of 13.75% per annum. The purpose of the security is the development of projects of the Electricity segment.

ICE's local bond issues – Offering of standardized bonds

(2) On February 9 and 20, 2012, Series F1 bonds denominated in U.S. dollars were placed for US$100 (in millions) with a 7-year maturity. The face value raised amounted to US$11.6 and US$11.4 (in millions). The weighted average price was 98.69% and 98.5%, respectively. In March 2012, ICE held another auction for Series F1 bonds in U.S. dollars for US$10 (in millions) with a weighted price of 98.52%. The amount of US$10 (in millions) was raised bearing interest at 5.5% per annum for a 7-year term. The funds from these bond issues were allocated to the development of the Telecom segment.

(3) In April 2012, ICE held an auction for Series F3 bonds in the amount of ¢15,000. The weighted price was 100.05%. The amount of ¢5,627 was raised bearing interest at 4.25% per annum for an 11-year term. The funds from this bond issue were allocated to the development of projects of the Electricity segment.

(4) In September 2012, ICE held an auction for Series F4 bonds in U.S. dollars, which was comprised of two issues for a total of US$176 (in millions) bearing interest at the nominal rate of 7.61% per annum. The average weighted price was 101.13% per annum. The funds from this bond issue will be allocated to the development of projects of the Telecom and Electricity segments.

ICE's international bond issues

(5) In May 2012, ICE held an auction for bonds in the international market corresponding to the reopening of the debt issued in November 2011. The total raised amounted to US$250 (in millions). The amount of US$250 (in millions) was raised with a coupon of 6.95% per annum, a 10-year maturity, and a yield equivalent to 6.24% per annum. The weighted price was 105%. The funds from this bond issue were allocated to the development of the Electricity segment.

Standardized commercial paper

(6) On March 8 and 15, 2012, an auction was held for Series C2 standardized commercial paper for a total of ¢16,000 and a 270- and 263-day term, respectively. The face value of ¢7,484 and ¢7,499 was raised, respectively. The benchmark yield was 9.20% and 9.15% per annum. The funds from this issue will be allocated to the development of projects of the Electricity segment.

(Continued)

As of June 30, 2012, two auctions (one in colones and one is U.S. dollars) were held for standardized commercial paper. The first auction was held for Series C1 standardized commercial paper for a total of ¢10,000, with a 180-day term, and a rate of return of 9.25% per annum. The second auction was held for Series D1 standardized commercial paper for a total of US$10 (in millions), with a 180-day term, and a rate of return of 3.50% per annum.

Subsidiary – Compañía Nacional de Fuerza y Luz (CNFL)

In Decision SGV – R-2311 dated August 18, 2010, SUGEVAL authorized CNFL to issue Series B standardized bonds in the amount of US$106 (in millions) or its equivalent in colones. The purpose of this bond issue is to partially finance the design and construction of the Balsa Inferior Hydroelectric Power Project.

As of December 31, 2011, CNFL issued Series B1 and Series B2 standardized bonds for ¢15,000 each. The term of those bonds is 12 years, the face value is ¢1, and the interest rate is equal to the base deposit rate + 3.27% per annum.

As of December 31, 2012, CNFL issued Series B3 standardized bonds for ¢12,000 each. The term of those bonds is 15 years, the face value is ¢1, and the interest rate is equal to the base deposit rate + 3.21% per annum.

(In millions of colones)

Note 22. Loans payable

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

		As of December 31,								
		2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term		2012 (in U.S. dollars)
ICE										
Internal debt:										
Tranche V										
Purchase of non-restructured debt - Tranche V	¢	802	229	(10)	-	563	338	225		1.1
Subtotal Tranche V		**802**	**229**	**(10)**	**-**	**563**	**338**	**225**	US$	**1.1**
Banco Nacional de Costa Rica		34,275	1,050	-	-	33,226	30,650	2,575		65.2
Parallel cooperation		13	13	-	-	-	-	-		-
Subtotal		**34,288**	**1,063**	**-**	**-**	**33,226**	**30,650**	**2,575**	US$	**65.2**
Scotiabank										
Scotiabank - Tranche A		12,958	-	(228)	-	12,731	12 731	-		25.0
Scotiabank - Tranche B		11,107	3,670	(163)	-	7,275	3 637	3 637		14.3
Subtotal Scotiabank		**24,065**	**3,670**	**(390)**	**-**	**20,005**	**16,368**	**3,637**	US$	**39.3**
BCR Trust - Telecom building		25,787	1,199	-	-	24,588	23 179	1,409		48.3
Supplier credit (1)		5,345	6,278	(509)	29,571	28,128	22 134	5,994		55.2
Subtotal internal debt		**90,287**	**12,439**	**(909)**	**29,571**	**106,510**	**92,670**	**13,840**	US$	**209.2**
External debt										
CABEI:										
CABEI No. 1599		64,964	9,995	(965)	-	54,005	44,186	9 819		106.1
CABEI No. 1856		49,174	4,683	(781)	-	43,710	39,109	4 601		85.8
CABEI No. 1962		33,692	1,379	(592)	-	31,721	28,963	2 758		62.3
CABEI Restructuring		17,364	3,758	(239)	-	13,367	9,293	4 074		26.2
CABEI No. 1516 - Moín III Thermal Plant		6,797	2,266	(80)	-	4,451	2,225	2 226		8.7
Subtotal CABEI	¢	**171,991**	**22,080**	**(2,656)**	**-**	**147,254**	**123,776**	**23,478**	US$	**289.2**

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

		Loans payable				As of December 31,				
		2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term		2012 (in U.S. dollars)
European Investment Bank (BEI)	**¢**	**4,910**	**2,381**	**(44)**	**-**	**2,485**	**-**	2,485	US$	**4.9**
IDB:										
IDB No. 598		2,277	569	(43)	-	1,665	1,105	559		3.3
IDB No. 1931 A/OC-CR Conversion - Tranche B		101,074	15,550	(1,502)	-	84,023	68,746	15,277		165.0
IDB No. 1931 A/OC-CR Conversion - Tranche A		84,941	7,386	(1,362)	-	76,194	68,937	7,257		149.6
IDB No. 1908/OC-CR (2)		34,211	(240)	(1,197)	33,739	66,993	66,993	-		131.6
Subtotal IDB		**222,503**	**23,265**	**(4,104)**	**33,739**	**228,874**	**205,781**	**23,093**	US$	**449.5**
										-
BNP Paribas:										
BNP Paribas loan A (3)		1,921	274	(29)	(1,617)	-	-	-		-
BNP Paribas loan B		5,176	1,466	(78)	-	3,632	2,179	1,453		7.1
Subtotal BNP Paribas		**7,097**	**1,740**	**(107)**	**(1,617)**	**3,632**	**2,179**	**1,453**	US$	**7.1**
Nordea:										
Nordea Export & Project Finance		9,955	3 982	(105)	-	5,868	1,956	3,912		11.5
Nordea Export & Project Finance		3,892	965	(60)	-	2,867	1,910	957		5.6
Subtotal Nordea		**13,847**	**4,947**	**(165)**	**-**	**8,735**	**3,867**	**4,869**	US$	**17.2**
M&T Bank										
M&T Bank		3,214	643	(45)	-	2,526	1,894	631		5.0
M&T No. 2		2,245	557	(35)	-	1,654	1,102	552		3.2
Subtotal M&T Bank		**5,459**	**1,199**	**(80)**	**-**	**4,179**	**2,997**	**1,183**	US$	**8.2**
Other creditors:										
Andean Development Corporation (CAF)		49,673	4,319	(796)	-	44,558	40,314	4,244		87.5
Citibank		16,368	4,056	(251)	-	12,061	8,040	4,020		23.7
Japan Bank for International Cooperation		96,234	6,637	(10,932)	-	78,665	72,145	6,520		154.5
Natexis Banque		200	177	-	-	24	1	23		0.0
HSBC Panama		8,293	2,073	(109)	-	6,111	4,074	2,037		12.0
Cisco Systems Capital Corporation		667	441	(4)	-	222	-	222		0.4
Cisco Systems		20,096	307	(380)	1 796	21,204	18,039	3,165		41.6
CABEI No. 2076 (4)		-	-	(268)	26 412	26,145	26,145	-		51.3
Multibank INC.		-	-	-	1 617	1,617	1,078	539		3.2
Subtotal other creditors		**191,531**	**18,010**	**(12,741)**	**29,825**	**190,606**	**169,836**	**20,770**	US$	**374.3**
Subtotal external debt		**617,338**	**73,624**	**(19,896)**	**61,947**	**585,766**	**508,435**	**77,331**	US$	**1,150.3**
Total ICE - Long-term loans payable	**¢**	**707,626**	**86,062**	**(20,805)**	**91,518**	**692,276**	**601,105**	**91,171**	US$	**1,359.5**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Loans payable						As of December 31,				
		2011	Amortization	Foreign exchange differences	Disbursements	2012	Long-term	Short-term		2012 (in U.S. dollars)
Short-term loans payable - ICE:										
Internal debt:										
Scotiabank (5)		15,959	54,846	3	56,570	17,685	-	17,685		34.7
Subtotal internal debt	¢	**15,959**	**54,846**	**3**	**56,570**	**17,685**	**-**	**17,685**	**US$**	**34.7**
External debt:										
BNP Paribas		-	5,183	-	5,183	-	-	-		-
Citibank No.1		10,367	20,733	-	10,367	-	-	-		-
HSBC		15,032	26,953	-	11,922	-	-	-		-
Bladex (6)		8,293	65,310	-	57,016	-	-	-		-
Global Bank Corporation		5,183	20,733	-	15,550	-	-	-		-
Mercantil Commercebank (7)		15,550	46,650	-	37,720	6,620	-	6,620		13.0
Banco Aliado de Panamá		-	18,142	-	18,142	-	-	-		-
Banco de San José (BAC)		3,300	6,600	-	3,300	-	-	-		-
Subtotal external debt		**57,725**	**210,304**	**-**	**159,200**	**6,620**	**-**	**6,620**	US$	**13.0**
Total short-term loans payable - ICE		**73,684**	**265,150**	**3**	**215,769**	**24,306**	**-**	**24,305**		**47.7**
Total internal debt - ICE		**106,246**	**67,285**	**(907)**	**86,140**	**124,195**	**92,670**	**31,525**		**243.9**
Total external debt - ICE		**675,063**	**283,927**	**(19,896)**	**221,147**	**592,386**	**508,435**	**83,951**		**1,163.3**
Total debt - ICE	¢	**781,309**	**351,212**	**(20,802)**	**307,287**	**716,581**	**601,105**	**115,476**	US$	**1,407.2**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Loans payable - Subsidiaries

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

(Continued)

(In millions of colones)

As of December 31, 2011, movement in long-term loans payable is as follows:

Loans payable										
						As of December 31,				
		2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term		2011 (in U.S dollars)
ICE										
Internal debt:										
Purchase of non-restructured debt - Tranche V	¢	1,031	229	-	-	802	573	229		2
Subtotal - Tranche V		**1,031**	**229**	**-**	**-**	**802**	**573**	**229**	**US$**	**2**
Banco Nacional de Costa Rica		19,932	657	-	15,000	34,275	31,782	2,493		66
Parallel cooperation		27	14	-	-	13	-	13		-
Scotiabank - Tranche A		12,952	-	6	-	12,958	-	12,958		25
Scotiabank - Tranche B		12,952	1,851	6	-	11,107	7 405	3 702		21
BCR Trust - Telecom building		27,003	1,216	-	-	25,787	24 482	1,305		50
ECI Telecom (provider credit)		-	524	3	5,866	5,345	4 284	1,061		10
Subtotal internal debt		**73,897**	**4,491**	**15**	**20,866**	**90,287**	**68,526**	**21,761**	US$	**174**
Deuda externa										-
CABEI:										
CABEI No. 1599		72,300	9,990	30	2,624	64,964	54,969	9,995		125
CABEI No. 1856		53,832	4,681	23	-	49,174	44,491	4,683		95
CABEI No. 1962		33,676	-	16	-	33,692	32,288	1,404		65
CABEI Restructuring		20,724	3,368	8	-	17,364	13,606	3,758		34
CABEI No. 1516 - Moín III Thermal Plant		9,058	2,264	3	-	6,797	4,531	2,266		13
Subtotal CABEI	¢	**189,590**	**20,303**	**80**	**2,624**	**171,991**	**149,885**	**22,106**	US$	**332**

Notes to Consolidated Financial Statements

(In millions of colones)

		Loans payable								
					As of December 31,					
		2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term		2011 (in U.S dollars)
European Investment Bank (BEI)	**¢**	**7,149**	**2,241**	**2**	**-**	**4,910**	**2,529**	**2,381**	US$	**9**
IDB:										
IDB No. 598		2,842	571	6	-	2,277	1,708	569		4
IDB No. 463/SF-CR		134	134	-	-	-	-	-		-
IDB No. 1931 A/OC-CR Conversion - Tranche B		108,799	7,772	47	-	101,074	85,524	15,550		195
IDB No. 1931 A/OC-CR Conversion - Tranche A		88,593	3,691	39	-	84,941	77,555	7,386		164
IDB No. 1908/OC-CR		8,168	-	12	26,031	34,211	34,211	-		66
Subtotal IDB		**208,536**	**12,168**	**104**	**26,031**	**222,503**	**198,998**	**23,505**	US$	**429**
										-
BNP Paribas:										
BNP Paribas loan A		2,468	549	2	-	1,921	1,372	549		4
BNP Paribas loan B		6,652	1,479	3	-	5,176	3,697	1,479		10
Subtotal BNP Paribas		**9,120**	**2,028**	**5**	**-**	**7,097**	**5,069**	**2,028**	US$	**14**
Nordea:										
Nordea Export & Project Finance		13,930	3,980	5	-	9,955	5,973	3,982		19
Nordea Export & Project Finance		1,507	974	2	3,356	3,892	3,027	865		8
Subtotal Nordea		**15,437**	**4,954**	**7**	**3,356**	**13,847**	**9,000**	**4,847**	US$	**27**
M&T Bank										
M&T Bank		3,854	641	1	-	3,214	2,630	584		6
M&T No. 2		2,268	563	1	539	2,245	1,684	561		4
Subtotal M&T Bank		**6,122**	**1,204**	**3**	**539**	**5,459**	**4,314**	**1,145**	US$	**10**
Other creditors:										
Andean Development Corporation (CAF)		51,809	2,159	23	-	49,673	45,354	4,319		96
Citibank		20,450	4,091	9	-	16,368	12,276	4,092		32
Japan Bank for International Cooperation		93,067	6,290	5,037	4,420	96,234	90,106	6,128		186
Natexis Banque		387	177	(9)	-	200	18	182		-
CITI Cross Currency Swap		-	-	-	-	-	-	-		-
HSBC Panama		10,362	2,073	3	-	8,293	6,220	2,073		16
Deutsche Bank Trust Company Americas		-	-	-	-	-	-	-		-
Cisco Systems Capital Corporation		1,094	427	-	-	667	226	441		1
Cisco Systems		-	-	9	20 087	20,096	19,808	287		39
Subtotal other creditors		**177,169**	**15,217**	**5,073**	**24,507**	**191,531**	**174,008**	**17,522**	US$	**370**
Subtotal external debt		**613,123**	**58,115**	**5,273**	**57,057**	**617,338**	**543,803**	**73,534**	US$	**1,191**
Total ICE - Long-term loans payable	**¢**	**687,020**	**62,607**	**5,288**	**77,923**	**707,625**	**612,329**	**95,295**	US$	**1,365**

(Continued)

(In millions of colones)

Loans payable

		As of December 31,								
		2010	**Amortization**	**Foreign exchange differences**	**Disbursements**	**2011**	**Long-term**	**Short-term**		**2011 (in U.S dollars)**
Short-term loans payable - ICE:										
Internal debt:										
Scotiabank		-	-	-	15,959	15,959	-	15,959		31
Subtotal internal debt	¢	**-**	**-**	**-**	**15,959**	**15,959**	**-**	**15,959**	**US$**	**31**
External debt:										
BNP Paribas		-	31,092	7	31,085	-	-	-		-
Citibank No.1		-	-	-	10,367	10,367	-	10,367		20
HSBC		5,181	41,188	6	51,033	15,032	-	15,032		29
Bladex		-	24,350	1	32,642	8,293	-	8,293		16
Global Bank Corporation		-	7,774	2	12,955	5,183	-	5,183		10
Mercantil Commercebank		-	5,182	8	20,724	15,550	-	15,550		30
Citibank No. 2		28,495	28,495	-	-	-	-	-		-
Deutsche Bank Trust Company Americas		28,495	28,495	-	-	-	-	-		-
Banco Aliado de Panamá		-	5,182	1	5,181	-	-	-		-
Banco de San José (BAC)		-	-	-	3,300	3,300	-	3,300		6
Subtotal external debt		**62,171**	**171,758**	**25**	**167,287**	**57,725**	**-**	**57,725**	US$	**111**
Total short-term loans payable		**62,171**	**171,758**	**25**	**183,246**	**73,684**	**-**	**73,684**		**142**
Total internal debt		**73,897**	**4,491**	**15**	**36,285**	**106,246**	**68,526**	**37,720**		**205**
Total external debt		**675,294**	**229,872**	**5,299**	**224,344**	**675,063**	**543,803**	**131,259**		**1,302**
Total debt - ICE	¢	**749,191**	**234,363**	**5,314**	**261,169**	**781,309**	**612,329**	**168,979**	US$	**1,507**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Loans payable - Subsidiaries

		As of December 31,								
		2010	**Amortization**	**Foreign exchange differences**	**Disbursements**	**2011**	**Long-term**	**Short-term**		**2011 (in U.S dollars)**
CNFL:										
External debt:										
Instituto Crédito Oficial (Spain)	¢	13,260	-	6	-	13,266	13,266	-		26
Deutsche Bank, Sociedad Anónima Española		5,967	1,299	(25)	-	4,643	3,318	1,326		9
Kreditanstal für Wiederaufbau loan 1		10,985	1,360	(9)	-	9,616	8,241	1,374		19
Kreditanstal für Wiederaufbau loan 2		4,675	488	(3)	-	4,184	3,693	492		8
BICSA - Line of credit		1,555	-	75	6,146	7,776	7,257	518		15
Subtotal external debt - CNFL		**36,442**	**3,147**	**44**	**6,146**	**39,485**	**35,775**	**3,710**	**US$**	**77**
Subtotal CNFL		**36,442**	**3,147**	**44**	**6,146**	**39,485**	**35,775**	**3,710**	**US$**	**77**
RACSA:										
External debt:										
CABEI		5,941	-	(911)	-	5,030	4,116	914		10
HSBC		65	7	(58)	-	-	-	-		-
Control Electrónico S.A. (CESA)		6,631	298	(858)	-	5,475	4,226	1,249		11
BD Consultores, S.A.		3,241	3,241	-	-	-	-	-		-
BICSA		-	-	(3)	1,040	1,037	-	1,037		2
CSI Leasing		-	138	(13)	4,645	4,494	3,921	573		9
Prival Bank		-	-	(6)	2,079	2,073	1,961	112		4
Subtotal external debt - RACSA		**15,878**	**3,684**	**(1,849)**	**7,764**	**18,109**	**14,224**	**3,885**	**US$**	**36**
Total internal debt - ICE Group		**73,897**	**4,491**	**15**	**36,825**	**106,246**	**68,526**	**37,720**	**US$**	**205**
Total external debt - ICE Group		**727,614**	**236,703**	**3,494**	**238,254**	**732,657**	**593,802**	**138,854**	**US$**	**1,415**
Total debt - ICE Group	**¢**	**801,511**	**241,194**	**3,509**	**275,079**	**838,903**	**662,329**	**176,574**	**US$**	**1,620**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

In 2012, the general features of loans payable classified as internal and external debt are as follows:

General features of debt (in millions of U.S dollars, as indicated)

	Contract date	Maturity date	Term (in years)	Grace period (in years)	Amortization (in years)	Payment period	Interest rate	Type of interest rate	Arrears interest	Load	Contract amount	Accumulated disbursed amount (2012)	Accumulated disbursed amount (2011)	Currency	Guarantee	Financing
Loans payable - ICE:																
ICE Electricity																
Internal debt:																
Restructured debt - Tranche V	21-May-89	21-May-15	25	-	25	Half-yearly	6.75%	Fixed	6.75%	-	4	4	4	US$	Government	Restructuring of debt with commercial banks
Parallel cooperation	01-Jul-09	01-Jun-12	3	-	3	Monthly	0.69%	Fixed	-	-	48	48	48	¢	ICE	Recognition of investment in telecom equipment (DIURSA)
Series F3 bonds	03-Apr-12	03-Apr-23	11	11	-	Quarterly	BDR + 3%	Var.	-	-	50,000	5,627	-	¢	ICE	New power generation projects
Banco Nacional de Costa Rica	25-Nov-10	31-Aug-25	15	-	15	Quarterly	BDR + 2.75%	Var.	2%	-	35,000	35,000	35,000	¢	ICE	Investment in transmission projects
Commercial banks:																
Scotiabank - Tranche A	18-Dec-09	22-Dec-12	3	3	-	Half-yearly	3M LIBOR + 3.50%	Var.	-	-	25	25	25	US$	ICE	Expansion of and improvements to transmission and distribution networks
Scotiabank - Tranche B	18-Dec-09	22-Dec-14	5	2	3	Half-yearly	3M LIBOR + 3.75%	Var.	-	-	25	25	25	US$	ICE	Expansion of and improvements to transmission and distribution networks
External debt:																
European Investment Bank (BEI)	30-Nov-93	25-Nov-13	20	5	14.5	Half-yearly	6.32%	Fixed	2%	-	50	50	50	US$	Government	Execution of Electrical Development Project III
Multilateral organizations:																
CABEI:																
CABEI No. 1599	17-Mar-03	25-Apr-18	15	5.5	9.5	Half-yearly	6.40% - Bank policy	Var.	3%	0.75%	172	172	172	US$	ICE	Construction of and equipment for Pirrís Hydroelectric Power Plant
CABEI 2005 Prepayment	21-Oct-05	21-Oct-15	10	2	8	Quarterly	8.5%	Fixed	2%		55	55	55	US$	ICE	Loan prepayment IDB No. 200, 535, and 572 (partial)
CABEI No. 1856	12-Apr-07	11-May-22	15	3	12	Half-yearly	6.40% - Bank policy	Var.	3%	-	110	108	108	US$	ICE	Expansion of and maintenance to national electricity system 2007
CABEI No. 1516 - Moín III Thermal Plant	11-Jun-07	14-Oct-14	7	-	7	Half-yearly	7.68% - Bank policy	Var.	-	-	12	12	12	US$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1516 - Moín III Thermal Plant	11-Jun-07	14-Oct-14	7	-	7	Half-yearly	6.35% - Bank policy	Var.	-	-	21	21	21	US$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1962	19-Jun-09	19-Jun-24	15	3	12	Half-yearly	6.40% - Bank policy	Var.	-	0.75%	65	65	65	US$	ICE	Programa de Obras Eléctricas 2008 - 2009
CABEI No. 2076	13-Feb-12	27-Nov-28	16	4	12	Half-yearly	6.4%	Fixed	30%	0.25%	140	-	-		ICE	Expansion of Cachí Hydroelectric Power Plant to increase capacity from 100 MW to 160 MW
IDB:																
IDB No. 598	09-Sep-80	09-Sep-15	35	8	27	Half-yearly	2.00%	Fixed	2%	0.50%	27	26	26	US$	Government	National Rural Electrification Project (various currencies)
Conversion IDB No. 1931 A/OC-CR - Tranche A	10-Jul-08	15-Feb-23	15	3	12	Half-yearly	6M LIBOR + 3.625%	Var.	2%	0.50%	159	159	159	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
Conversion IDB No. 1931 A/OC-CR - Tranche B	10-Jul-08	15-Feb-18	9.7	3	6.6	Half-yearly	6M LIBOR + 3.00%	Var.	2%	0.50%	196	196	196	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
IDB No. 1908/OC-CR CLIPP	25-May-09	25-May-34	25	5	20	Half-yearly	6M LIBOR + 0.80%	Var.	-	-	250	80	66	US$	Government	Electricity Development Program 2008-2011
Bilateral organizations:																
Andean Development Corporation (CAF)	09-Apr-08	09-Apr-23	15	3	12	Half-yearly	6M LIBOR + 1.70%	Var.	2%	-	100	100	100	US$	ICE	Studies for or construction of Toro III, Diquís, Pacuare, and Pirrís Projects
Japan Bank for International Cooperation	09-Apr-01	20-Apr-26	25	7	18	Half-yearly	2.2%	Fixed	2%	-	206	164	164	US$	Government	Pirrís Hydroelectric Project
Commercial banks:																
Citibank	14-Dec-05	19-Dec-15	10	1	9	Half-yearly	8.25% - Bank policy	Var.	-	-	75	75	75	US$	ICE	Loan prepayment 572
M&T Bank No. 1	16-Dec-09	30-Sep-16	7	-	7	Half-yearly	6M LIBOR + 2.15%	Var.	-	-	9	9	9	US$	ICE	Cost of equipment (steel sheeting, tunnel, and surge tank - Toro III Hydroelectric Power Plant)
M&T Bank No. 2	15-Dec-10	11-Dec-15	5	-	5	Half-yearly	6M LIBOR + 1.85%	Var.	-	-	10	5	5	US$	ICE	Projects executed by UEN PySA
BNP Paribas - loan A	01-Sep-10	20-Jun-15	5	-	5	Half-yearly	6M LIBOR + 4.50%	Var.	1%	-	6	5	5	US$	ICE	Sundry projects
Multibank INC	17-Aug-12	20-Jun-15	6	-	3	Half-yearly	6M LIBOR + 4.50%	Var.	1%	-	3	-	-	US$	ICE	Sundry projects
BNP Paribas - loan B	01-Sep-10	20-Jun-15	5	-	5	Half-yearly	6M LIBOR + 1.15%	Var.	1%	-	16	14	14	US$	ICE	Sundry projects

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

General features of debt (in millions of U.S dollars, as indicated)																
	Contract date	Maturity date	Term (in years)	Grace period (in years)	Amortization (in years)	Payment period	Interest rate	Type of interest rate	Arrears interest	Load	Contract amount	Accumulated disbursed amount (2012)	Accumulated disbursed amount (2011)	Currency	Guarantee	Financing
ICE Telecom																
Internal debt:																
Restructured debt - Tranche V	21-May-89	21-May-15	25	-	25	Half-yearly	6.75%	Fixed	7%	-	1	1	1	US$	Government	Restructuring of debt with commercial banks
Series B2 bonds	20-May-10	20-May-16	7	6	1	Quarterly	5.71%	Fixed	-	-	50	50	50	US$	ICE	Telecom sector needs
Series F1 bonds	13-Feb-12	13-Feb-19	7	7	-	Quarterly	5.97%	Fixed	-	-	100	33	23	US$	ICE	Telecom sector needs
Series A4 bonds	14-Dec-10	14-Dec-17	7	7	-	Quarterly	10.87%	Fixed	-	-	10	10	10,000	¢	ICE	Operation support system
BCR Trust - Telecom building	22-Apr-10	22-Jul-22	12	-	12	Monthly	BDR + 3.75%	Var.	-	-	28	28	27,550	¢	ICE	Securitization of property - ICE
												-	-			
External debt:																
Multilateral organizations:																
Conversion IDB No. 1931 A/OC-CR - Tranche A	10-Jul-08	15-Feb-23	15	3	12	Half-yearly	6M LIBOR+ 3.625%	Var.	2%	-	12	12	12	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse
Conversion IDB No. 1931 A/OC-CR - Tranche B	10-Jul-08	15-Feb-18	10	3	7	Half-yearly	6M LIBOR +3.00%	Var.	2%	-	14	14	14	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse
Bilateral organizations:																
Natexis Banque	09-Sep-82	30-Jun-13	31	16	15	Half-yearly	3.5%	Fixed	3%	-	4	4	4	US$	Government	Restructuring of debt with Alcatel CIT
Commercial banks:																
Nordea Export & Project Finance No. 1	29-Jun-09	28-Feb-14	5	-	5	Half-yearly	2.51%	Fixed	-	-	37	37	37	US$	ICE	Purchase of equipment and services from Ericsson
Nordea Export & Project Finance No. 2	04-Nov-10	08-Dec-15	5	-	5	Half-yearly	2.51%	Fixed	-	-	10	9	2	US$	ICE	Purchase of equipment and services from Ericsson
Cisco Systems No. 1	15-Apr-10	06-Apr-13	3	-	3	Quarterly	3.25%	Fixed	18%	-	50	2	2	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No. 2 - No. 3	25-May-11	13-Sep-18	7	1	6	Quarterly	3.00%	Fixed	13%	-	56	3	3	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No. 4	25-May-11	13-Sep-18	7	1	6	Quarterly	3.39%	Fixed	13%	-	56	7	7	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No. 5 - No. 6	25-May-11	08-Oct-18	7	1	6	Quarterly	3.01%	Fixed	13%	-	56	11	11	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No. 7 - No. 8	25-May-11	07-Nov-18	7	1	6	Quarterly	3.04%	Fixed	13%	-	56	8	8	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No. 9	13-Sep-12	08-Aug-19	7	9 months	7	Quarterly	3.00%	Fixed	13%	-	7	-	-	US$	ICE	Purchase of equipment and services from CISCO
ECI Telecom (provider credit)	16-Mar-11	01-Jun-16	5	-	5	Quarterly	4.95%	Fixed	-	-	11	-	-	US$	ICE	Expansion and modernization of DWDM network
ECI Telecom 2 (provider credit)	08-Dec-11	11-Nov-16	5	-	5	Quarterly	4.95%	Fixed	-	-	4	4	-	US$	ICE	Installation of network equipment and training
Huawei Technologies Co. LTD. (provider credit)	25-May-11	15-Jan-17	5.5	-	5.5	Half-yearly	5.45%	Fixed	-	-	60	41	-	US$	ICE	Equipment and services for expansion of 3G advanced mobile system
M&T Bank No. 2	15-Dec-10	11-Dec-15	5	-	5	Half-yearly	6M LIBOR + 1.85%	Var.	-	-	10	9	-	US$	ICE	Expansion of mobile telephony
HSBC Panama	01-Nov-10	08-Nov-15	5	-	5	Quarterly	6M LIBOR + 4.95%	Var.	0%	-	20	20	20	US$	ICE	Internet services
Loans payable - Subsidiaries																
CNFL																
External debt																
Instituto Crédito Oficial (Spain)	15-Jul-02	25-Sep-32	30	10	20	Half-yearly	0.70%	Fixed	6M LIBOR +1	0.15% management	26	26	26	US$	Government	Underground network - San José
Deutsche Bank, Sociedad Anónima Española	15-Jul-02	20-Apr-15	13	3	10	Half-yearly	5.86%	Fixed	8%	0.15% management	26	26	26	US$	Government	Underground network - San José
Kreditanstal für Wiederaufbau (KfW) - loan 1	16-Dec-05	30-Sep-18	10	2 years, 9 months	12 years, 9 months	Half-yearly	3.80%	Var.	6M LIBOR +2	1.25%	27	26	26	US$	ICE	El Encanto Hydroelectric Project
Kreditanstal für Wiederaufbau (KfW) - loan 2	25-Sep-08	30-Mar-20	10	2	12	Half-yearly	3.80%	Var.	6M LIBOR +2	1.25%	27	26	26	US$	ICE	El Encanto Hydroelectric Project
BICSA - Line of credit, disbursement No. 1	27-May-10	27-May-13	3	-	3	Half-yearly	5.00%	Fixed	)% + 30% = 6.5	0.25% superv.	10	26	26	US$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project
BICSA - Line of credit, disbursement No. 2	08-Dec-11	08-Dec-14	3	-	3	Half-yearly	6.50%	Fixed	-	0.125% superv.	20	26	26	US$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project
Banco de Costa Rica	04-Jun-12	06-Jul-32	20	2	18	Monthly	BDR + 2% & BDR + 3%	Var.	ırrent rate + 2.0(	0.50% formalization & 10% appraisal	1	26	26	¢	Promissory note	Balsa Inferior Hydroelectric Project
RACSA																
External debt																
CABEI	04-Dec-06	12-Jan-17	10	3	7	Half-yearly	6.85%	Var.	30%	0.75%	-	-	-	US$	Promissory note	Acquisition of submarine communications cable - Pacific (Costa Rica)
Control Electrónico S.A. (CESA)	06-May-10	06-Nov-15	5.5	6 months	5	Monthly	7.50%	Fixed	0%	0.25%	-	-	-	US$	Asset	JAVA architecture expansion and open-source solutions
BICSA	30-May-11	28-Mar-12	1	-	1	-	3.00%	Fixed	-	-	2	2	2	US$	Promissory note	Working capital
CSI Leasing	19-May-11	19-May-18	7	-	7	Quarterly	6.60%	Var.	-	US$46 (in thousands)	9	9	9	US$	Asset	Finance lease of information services platform
Prival Bank	07-Sep-11	07-Sep-16	5	12 months	4	Monthly	7.50%	Fixed	-	1% flat	4	4	4	US$	Draft	Link with capacity of STM-16

(Continued)

(In millions of colones)

In 2012, the general features of short-term loans payable classified as external debt are as follows:

General features	Original currency	Interest rate	Type of interest rate	Contract date	Maturity date	Term (in days)	As of December 31, 2011	Amount disbursed (2012)	As of December 31, 2012
ICE Electricity									
External debt									
Scotiabank	Colones	BDR + 1.50% = 11.5%	Fixed	9-May-12	29-Jun-12	51 days	¢ 5,000	10,000	-
Scotiabank	U.S. dollars	1.75% fixed	Fixed	9-May-12	9-Jul-12	49 days	5,183	-	-
Scotiabank	U.S. dollars	2.72% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	5,775	-	-
Scotiabank	U.S. dollars	6M LIBOR + 2.5676% = 3.30%	Variable	18-May-12	18-Oct-12	153 days	-	3,852	-
Scotiabank	U.S. dollars	6M LIBOR + 2.5676% = 3.30%	Variable	18-May-12	18-Oct-12	183 days	-	1,296	-
Scotiabank	U.S. dollars	2M LIBOR + 2.95295% = 3,30%	Variable	23-May-12	23-Jun-12	63 days	-	663	-
Scotiabank	U.S. dollars	2.72% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	-	3,706	-
Scotiabank	U.S. dollars	2.11% fixed	Fixed	13-Aug-12	27-Sep-12	45 days	-	2,592	-
Scotiabank	U.S. dollars	2.14% fixed	Fixed	7-Aug-12	8-Oct-12	61 days	-	2,592	-
Scotiabank	U.S. dollars	2.20% fixed	Fixed	1-Aug-12	3-Oct-12	63 days	-	7,775	-
Scotiabank	U.S. dollars	10% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	-	3,300	-
Scotiabank	U.S. dollars	2.72% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	-	3,110	-
Mercantil Commercebank	U.S. dollars	1.71560% fixed	Fixed	24-Apr-12	26-Jun-12	66 days	5,181	5,181	-
Mercantil Commercebank	U.S. dollars	1.53875% fixed	Fixed	29-May-12	28-Jun-12	30 days	10,369	10,369	-
HSBC	U.S. dollars	3.5% fixed	Fixed	25-May-12	25-Jun-12	31 days	12,440	-	-
HSBC	U.S. dollars	3.35% fixed	Fixed	23-May-12	25-Jun-12	33 days	2,592	5,183	-
HSBC	U.S. dollars	3.25% fixed	Fixed	8-May-12	8-Jun-12	30 days	-	2,073	-
HSBC	U.S. dollars	2.65% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	-	4,665	-
Banco de San José (BAC)	U.S. dollars	11.25% fixed	Fixed	9-May-12	29-Jun-12	32 days	3,300	3,300	-
Citibank	U.S. dollars	1M LIBOR + 2.40% = 2.64525%	Variable	26-Apr-12	29-Jun-12	64 days	10,367	-	-
Citibank	U.S. dollars	1M LIBOR + 2.50% = 2.78375%	Variable	5-Jul-12	20-Jul-12	15 days	-	10,367	-
Banco Aliado de Panamá	U.S. dollars	3.16% fixed	Fixed	10-Jan-12	9-May-12	120 days	-	2,592	-
Banco Aliado de Panamá	U.S. dollars	3.16% fixed	Fixed	10-May-12	9-Jul-12	50 days	-	2,592	-
Banco Aliado de Panamá	U.S. dollars	3.2081% fixed	Fixed	14-Feb-12	14-Aug-12	136 days	-	2,592	-
Banco Aliado de Panamá	U.S. dollars	1.975% fixed	Fixed	23-Aug-12	24-Sep-12	32 days	-	5,183	-
Banco Aliado de Panamá	U.S. dollars	1.99575% fixed	Fixed	5-Jul-12	20-Jul-12	15 days	-	5,183	-
Bladex	U.S. dollars	2M LIBOR + 2.25% = 2.59575%	Fixed	8-May-12	6-Jul-12	59 days	3,109	3,109	-
Bladex	U.S. dollars	3.31% fixed	Fixed	10-Jan-12	9-May-12	120 days	-	7,775	-
Bladex	U.S. dollars	2M LIBOR + 2.25% = 2.59575%	Fixed	10-May-12	9-Jul-12	60 days	-	7,775	-
Bladex	U.S. dollars	3.2081% fixed	Fixed	14-Feb-12	14-Aug-12	182 days	-	10,367	-
Bladex	U.S. dollars	3.2031% fixed	Fixed	27-Feb-12	24-Aug-12	179 days	-	4,665	-
Scotiabank	U.S. dollars	3M LIBOR (0.3090%) + 1.48% margin = 1.789%	Variable	19-Dec-12	19-Mar-13	90 days	-	10,185	10,185
Scotiabank	U.S. dollars	9.35% fixed	Fixed	14-Dec-12	14-Mar-13	90 days	-	7,500	7,500
Mercantil Commercebank	U.S. dollars	1.8090% fixed	Fixed	19-Dec-12	19-Mar-13	90 days	-	6,620	6,620
Total ICE									¢ **24,305**

(Continued)

As of December 31, 2012, significant disbursements correspond to:

Loan operations

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

Under this form of financing, the Telecom segment was granted a 5-year credit by suppliers for the acquisition of switching center equipment to be used in the different regions of the country. In March 2011, import purchase orders were issued in the amount of US$62 (in millions), bearing interest at 5.45% per annum. As of December 31, 2012, disbursements amount to ¢29,571.

(2) **Inter-American Development Bank (IDB No. 1908):** In November 2008, the Legislature approved the “Cooperation Agreement to Finance Investment Projects” between the Republic of Costa Rica, the Inter-American Development Bank (IDB), and ICE, granting ICE financing of up to US$500 (in millions). Pursuant to this agreement, the IDB opened a line of credit in 2009 for the aforementioned amount with the purpose of strengthening the National Electricity System.

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

In February, September, and November 2012 disbursements were made associated to loan IDB No. 1908/OC-CR in the amounts of ¢7,281, ¢14,375, and ¢12,083, respectively, for a total disbursed amount as of December 2012 of ¢33,739. Such disbursements were related to payment of equipment and materials for the 2008-2011 Electrical Development Program.

(3) **BNP Paribas A:** In December 2012, BNP Paribas exercised section 10.03 of the loan agreement subscribed with ICE in October 2010, which permits selling, assigning, transferring, etc., partially or in full, the aforementioned loan. In this case, the total of ¢1,617 (100%) was assigned to Multibank Inc.

(4) **CABEI No. 2076:** In November and December 2012, the amounts of ¢15,256 and ¢11,156 were disbursed, respectively. The total disbursed as of December 2012 amounts to ¢26,412, which is related to the expansion of the Cachí Hydroelectric Power Project, increasing its capacity to 160 MW from 100 MW.

Lines of credit:

As of December 31, 2012, the main movements in lines of credit used for working capital are as follows:

(5) **Scotiabank:** Lines of credit were subscribed with maximum terms of 218 days, bearing interest at the fixed rate of 10% per annum and at the variable rate of the 3-month LIBOR rate + 2.6129%; for a disbursed amount of ¢56,570.

(6) **Bladex:** Lines of credit were subscribed for ¢7,774, ¢7,774, ¢15,031, ¢10,884, ¢7,774, and ¢7,774, respectively, with maximum terms of 179 days, bearing interest at the fixed rate of 3.31% per annum and the 2-month LIBOR rate + 2.25%, and maturing in October 2012; for a total disbursed amount of ¢57,016 as of December 2012.

(7) **Mercantil Commercebank:** A line of credit was subscribed in December 2012 for ¢6,620, with a term of 90 days, bearing interest at the fixed rate of 1.8090% per annum, and maturing in March 2013.

RACSA:

According to a program approved in meeting No. 6006 of the Board of Directors of ICE, together with Financial Management of ICE, the loans included in the liability restructuring were settled, as follows:

- The operation with CABEI for US$8 (in millions) was settled on September 28, 2012.

- The operations with CESA and Prival Bank in the amounts of US$8 (in millions) and US$4 (in millions), respectively, were settled on October 5, 2012.

- The operation with CSI Leasing for US$8.3 (in millions) was settled on November 19, 2012.

(Continued)

Financial covenants:

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

Summary of most significant financial covenants

The main financial covenants that ICE Group must comply with in relation to the loan agreements in effect as of December 31, 2012 are as follows:

Loan		As of December 31, 2012	Sector	Financial covenants	Complies with the limit established at 31-Dec-12	Waivers or amendments obtained
ICE						
CABEI, Loan No. 2076	¢	26,145	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.3 times	Yes	-
				Maintain a financial ratio of: ((EBITDA + lease payments)/(finance expenses + lease payments)) > 2 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
CABEI, Loan No. 1962	¢	31,721	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.3 times	Yes	-
				Maintain a financial ratio of: ((EBITDA + lease payments)/(finance expenses + lease payments)) > 2 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Citibank N 1, N.A.	¢	12,061	Electricity	Mantain a debt/EBITDA ratio of not greater than 4.65 times	No	Yes
				Maintain an interest coverage ratio of not less than 2:1 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Nordea Bank AB, Loan SE10571	¢	5,868	Telecom	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.25 times	Yes	-
				Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times	Yes	-
				Maintain an interest coverage ratio of not less than 2:1 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Nordea Bank AB 2	¢	2,867	Telecom	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 5.25 times	Yes	-
				Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times	Yes	-
				Maintain an interest coverage ratio of not less than 2:1 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
IDB, Loan No. 1931 A/OC-CR	¢	160,216	Electricity and Telecom	Maintain a financial ratio of: (Consolidated net debt per IFRSs)/(adjusted EBITDA per IFRSs) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Consolidated net debt per GAAP)/(adjusted EBITDA per GAAP) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Adjusted consolidated net debt)/(consolidated adjusted EBITDA) < 5.3 times	Yes	-
				Maintain a financial ratio of: (Consolidated adjusted EBITDA/consolidated adjusted finance expenses) > 2 times		
				Maintain a financial ratio of: (Adjusted net debt/adjusted total assets) < 0.40 times	Yes	-
IDB, Loan No. 1908/OC-CR	¢	66,993	Electricity	Maintain a financial ratio of: New installments (capital commitments, power purchases, leases) < 2% of net average fixed assets	Yes	-
				Maintain a percentage of investment program financing with local funds of 15%	Yes	-
				Maintain a financial ratio of: Long-term debt/total assets < 0.5 times	Yes	-
				Maintain a financial ratio of: Debt service/internal cash generation > 1.15 times	Yes	-
Andean Development Corporation (CAF)	¢	44,558	Electricity	Maintain a financial ratio of: (Liabilities/equity) < 0.8 times	Yes	-
				Maintain a financial ratio of: (EBITDA/debt service) > 1.6 times	No	Yes
				Maintain a financial ratio of: (Financial debt/EBITDA) < 5 times	No	Yes
Scotiabank de Costa Rica	¢	20,005	Electricity	Maintain an interest coverage ratio of not less than 2:1 times	Yes	-
				Maintain a financial ratio of: (Total debt/EBITDA) < 6 times	Yes	-
				Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Kreditanstalt für Wiederaufbau (KfW, Frankfurt) (in millions)	¢	32,524	Electricity	Maintain a financial ratio of: (Consolidated net debt per IFRSs)/(adjusted EBITDA per IFRSs) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Consolidated net debt per GAAP)/(adjusted EBITDA per GAAP) < 5.0 times	Yes	-
				Maintain a financial ratio of: (Adjusted consolidated net debt)/(consolidated adjusted EBITDA) < 5.3 times	Yes	-
				Maintain a financial ratio of: (Consolidated adjusted EBITDA/consolidated adjusted finance expenses) > 2 times	Yes	-
				Maintain a financial ratio of: (Adjusted net debt/adjusted total assets) < 0.40 times	Yes	-

(Continued)

	Loan		As of December 31, 2012	Sector	Financial covenants	Complies with the limit established at 31-Dec-12	Waivers or amendments obtained
CNFL							
	Kreditanstalt für Wiederaufbau (KfW, Frankfurt) (in millions)	¢	11,724	Electricity	Maintain an equity/asset ratio of not less than 50%	Yes	-
					Maintain a debt service coverage ratio of not less than 1.5 times	Yes	-

Some of the loan agreements include the following clauses:

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

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

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

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

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

(Continued)

(In millions of colones)

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

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

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

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

Amendments to the terms of loan agreements in 2012

CABEI No. 1962 and CABEI No. 2076

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

Accordingly, the ratios established in article 10 "Special affirmative covenants" of loan agreements CABEI No. 1962 dated June 19, 2009 and CABEI No. 2076 dated February 13, 2012 will have no further effect and are replaced by the ratios presented below.

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

(In millions of colones)

NORDEA

On June 15, 2012, as per the request submitted by ICE in December 2011, NORDEA Bank AB (NORDEA) approved and signed an amendment to clause 12.03 "Financial undertakings" of the loan agreements subscribed in June 2009 and November 2010. According to the terms and conditions of such amendment, ICE must maintain a "Total consolidated debt/consolidated EBITDA ratio, in accordance with International Financial Reporting Standards (IFRSs) and ICE's Accounting Policy Manual" of not greater than 5.25 times from the beginning of 4Q 2011 to the end of 4Q 2012, and of not greater than 4.5 times in subsequent periods.

IDB No. 1908 and IDB No. 1931

With respect to noncompliance with the financial ratios established in loan agreements IDB No. 1908 and IBD No. 1931, ICE is negotiating since mid-December 2011 with IDB's representatives in Washington, D.C. and Costa Rica a change to the ratios established in those agreements.

Accordingly, through an addendum dated August 28, 2012 ("Amendment Agreement No. 5"), IDB changed the financial ratios originally established in loan agreement IBD No. 1931. The financial ratios applicable from June 2012 are as follows:

Covenant	2012-2013	2014-2019	2020-2022	2023
Clause 6.2.11.1 Consolidated net debt per IFRSs / Adjusted EBITDA per IFRSs	< 5.0	< 5.3	< 5.0	< 4.5
Clause 6.2.11.1 Consolidated net debt per CR - GAAP / Adjusted EBITDA per GAAP	< 5.0	< 5.3	< 5.0	< 4.5
Clause 6.2.11.2 Consolidated net debt / Consolidated adjusted EBITDA per IFRSs	< 5.3	< 5.5	< 5.0	< 4.5
Clause 6.2.11.3 Consolidated adjusted EBITDA / Consolidated adjusted interest expense	> 2	> 2	> 2	> 2

Covenant	2012	2013-2016	2017-2018	2019	2020-2022	2023
Clause 6.2.11.3 Consolidated adjusted EBITDA / Consolidated adjusted interest expense	<0.40	<0.42	<0.45	<0.42	<0.40	<0.40

IFRSs: International Financial Reporting Standards.
GAAP: ICE's Accounting Policy Manual.

(Continued)

On October 31, 2012, ICE subscribed loan agreement IDB No. 2747 for the total of US$250 (in millions), which together with loan agreement IDB No. 1908 comprise the CCLIP agreement. The financial ratios applicable to ICE were changed through this new credit, as follows:

"CLAUSE 4.06. Compliance with financial ratios. (a) During the term of the disbursement phase, the Borrower commits to:

(i) For the Electricity segment, refrain from subscribing capital commitments or entering into new power purchase commitments, leases of plants, or similar commitments related to new works that may require annual expenses in an amount greater than 2% of the average net fixed assets allocated to such segment, except as otherwise expressly authorized in writing by IDB. Such approval will require that ICE furnishes IDB with satisfactory evidence that such commitments are economically and technically justified and will not have an adverse impact on the Project's financial position or execution; and

(ii) Take the necessary measures to ensure that the Borrower's income from the sale of power is sufficient to cover the regular operating expenses of the Electricity segment, including those related to loan No. 2747/OC-CR (administrative, operating, maintenance, depreciation, and debt servicing expenses) and to finance a portion equal to or greater than 35% of the Electricity segment's investments (a portion equal to or greater than 15% in 2012, 2013, and 2014).

b) During the term of the Agreement, the Borrower commits to restrain from assuming, for the Electricity segment and except as otherwise previously authorized in writing by IDB, new financial obligations with maturities that exceed one (1) year if such obligations result in a long-term debt/total assets ratio greater than 0.5 and a long-term debt service coverage ratio of less than 1.5 times (a ratio equal to or greater than 1.15 times in 2012, 2013, and 2014)."

<u>Scotiabank</u>

Scotiabank, through an official letter dated July 10, 2012, communicated the change to clause 6.2 of section 6 "Confirmatory agreements" of the loan agreement subscribed in 2009, specifically in respect of the total financial debt/EBITDA ratio, which will be calculated using ICE's unconsolidated information and should be equal to or less than 6 times.

(In millions of colones)

KfW

In June 2009, ICE subscribed a "Side letter" whereby, as lessee of the Garabito Thermal Power Project, ICE commits with KfW to comply with, among other, certain financial ratios that match those established by IDB for loan agreement IDB No. 1931. Since KfW is also financing the "Tranche B" of loan IDB No. 1931, the bank elected to apply the same financial covenants established by IDB, which were formalized through an addendum dated September 27, 2012. The financial ratios applicable from June 30, 2012 are as follows:

Covenant	2012-2013	2014-2019	2020-2022
Clause 5.3.a Consolidated net debt per IFRSs / Adjusted EBITDA per IFRSs	< 5.0	< 5.3	< 5.0
Clause 5.3.b Consolidated net debt / Consolidated adjusted EBITDA per IFRSs	< 5.0	< 5.3	< 5.0
Clause 6.2.11.3 Consolidated adjusted EBITDA / Consolidated adjusted interest expense	> 2	> 2	> 2

Covenant	2012	2013-2016	2017-2018	2019	2020-2022
Clause 5.3.d Total adjusted net debt / Total adjusted assets per IFRSs	<0.40	<0.42	<0.45	<0.42	<0.40

Noncompliance with the terms and conditions of loan agreements

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

According to the figures presented in the audited consolidated financial statements as of December 31, 2012 and the calculations performed by ICE based thereon, ICE failed to comply with a number of the financial covenants related to leverage ratios and debt service coverage ratios. However, as of December 31, 2012, ICE Group obtained the corresponding waivers to the agreements, as appropriate, in respect of the events of noncompliance from each financial entity; therefore, the creditors' option to demanded early repayment of the corresponding loans as of that date and as of the date of the Independent Auditors' Report was not exercised.

In 2012, noncompliance with leverage ratios and debt service coverage ratios is a result of the following factors:

(Continued)

(1) In light of the rate model in effect, ICE did not receive the payment related to fuel consumption for thermal power generation on a timely basis.

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

Citibank N.A.

In December 2011, ICE's Financial Management requested Citibank N.A. to perform the necessary procedures to increase the Debt/EBITDA ratio established in clause 5.03 "Financial stipulations" of the loan agreement subscribed in 2005. Based on an analysis performed by the bank and the justification provided by ICE, through a letter dated April 17, 2012, Citibank N.A. approved an amendment to the aforementioned clause, establishing the following annual debt ratios (approved on April 25, 2012):

Year	**Debt/EBITDA ratio**
2011	Not greater than 5.10 to 1.0 times
2012	Not greater than 4.65 to 1.0 times
2013 and thereafter	Not greater than 4.0 to 1.0 times

The aforementioned amendment was subscribed by the parties (ICE and Citibank N.A.) in "Amendment No. 1 to Credit Agreement" dated April 25, 2012. However, since these covenants are more restrictive than those approved by other banks and due to unexpected events such as insufficient rainfall, increased fuel consumption in power generation, and delayed pricing adjustments, ICE requested Citibank N.A., through an official letter dated November 20, 2012, to revise the debt covenant.

Accordingly, through an official letter dated December 20, 2012, the bank waived the potential noncompliance as of December 31, 2012 with section 5.03 related to the debt/EBITDA ratio established in the covenant under review.

Andean Development Corporation (CAF)

As a result of the steps taken by ICE in December 2011, through a letter dated March 23, 2012 and an addendum to the original agreement dated March 30, 2012, CAF formally notified the waiver of noncompliance as of December 31, 2011 with clause 6.01 "Affirmative covenant" established in the loan agreement subscribed in April 2008 for a total of US$100 (in millions), and the modification of paragraphs (m) and (n) of that clause from January 1, 2012, as follows:

"Clause 6.01—Affirmative covenant. The Client specifically assumes the following affirmative duties with CAF, provided there are outstanding balances under the loan agreement (except as otherwise expressly and specifically authorized by CAF in writing):

- *Maintain a debt service/EBITDA ratio of not less than 1.6 times, and*
- *Maintain a financial debt/EBITDA ratio of not greater than 5.0 times until December 2015 and of not greater than 4.5 times starting January 2016.*

The waiver of noncompliance as of December 31, 2012 with two financial ratios established in Clause 6.01 "Affirmative covenants" of the loan agreement for US$100 (in millions), subscribed by ICE and CAF in 2008 and the corresponding addendum to the original agreement, signed in March 2012, were authorized by CAF for a 90-day term starting on March 20, 2013.

Note 23. Long-term obligations derived from credit

As of December 31, 2012, long-term obligations derived from credit in the amount of ¢4,266 (2011: ¢28,040) correspond to a credit supplier granted to the Telecom segment by Huawei Technologies Co. Ltda. for equipment and spare parts to expand the traffic capacity of the mobile network with SMA-3G technology and phase 2.2 of the installation of the SMA-3G network.

(In millions of colones)

Note 24. Accounts payable

Accounts payable are as follows:

Accounts payable		As of December 31, 2012	2011 (*Restated*)*
ICE:			
Materials suppliers	¢	107,655	111,350
Other creditors		22,594	15,735
Taxes		14,936	13,900
Service providers		12,630	6,492
Payroll and employee withholdings		7,724	7,082
Subsidiaries		3,229	-
Subtotal ICE		**168,768**	**154,559**
CNFL:			
Purchase of energy		12,909	-
Taxes		1,674	1,649
Employee withholdings		1,212	863
Other creditors		1,553	701
Accrued non-financial expenses		1,019	567
Subtotal CNFL		**18,367**	**3,780**
RACSA:			
Foreign lines		488	3,169
Other creditors		85	332
Suppliers and local institutions		2,594	274
Subtotal RACSA		**3,167**	**3,775**
Total ICE Group		**190,302**	**162,114**
Long-term		**44,896**	**44,288**
Short-term	**¢**	**145,406**	**117,826**

*See note 27.

(In millions of colones)

As of December 31, 2012 and 2011, the main purchase orders reclassified to long-term accounts are as follows:

Purchase order No.	Supplier		As of December 31, 2012
Electricity			
362646	Andritz Hydro GMBH	¢	15,430
362644	Andritz Hydro S.R.L. Unipersonale		13,997
363890	Sumec Complete Equipment and Engineering Co. LTD		3,873
Other	Préstamo Mogote		2,034
364940	Andritz Hydro GMBH		1,758
362646	Andritz Hydro GMBH		1,669
356609	Andritz Hydro GMBH		380
Telecom			
367279	ECI Telecom Consortium		5,755
	Total ICE Group	**¢**	**44,896**

Purchase order No.	Supplier		As of December 31, 2011
Electricity			
362646	Andritz Hydro GMBH	¢	19,536
362644	Andritz Hydro S.R.L Unipersonale		17,726
Other	Préstamo Mogote		2,148
361843	Veizades & Associates, Inc.		2,069
356611	Andritz Hydro GMBH		1,631
356609	Andritz Hydro GMBH		1,178
	Total ICE Group	**¢**	**44,288**

(Continued)

(In millions of colones)

Note 25. Accrued expenses for employer obligations

Accrued expenses for employer obligations are as follows:

Accrued expenses - employer obligations		As of December 31, 2012	2011
ICE:			
Back-to-school bonus	¢	15,525	14,513
Vacation		14,159	12,763
Statutory Christmas bonus		1,494	1,484
Subtotal ICE		**31,178**	**28,760**
CNFL:			
Back-to-school bonus		4,633	4,164
Vacation		3,177	2,720
Statutory Christmas bonus		344	348
Third biweekly salary payment		-	964
Fifth week salary payment		-	78
Subtotal CNFL		**8,154**	**8,274**
RACSA:			
Statutory Christmas bonus		43	36
Vacation		662	455
Subtotal RACSA		**705**	**491**
Total ICE Group	¢	**40,037**	**37,525**

Movement of accrued expenses for employer obligations is as follows:

Accrued expenses - employer obligations		Statutory Christmas bonus	Back-to-school bonus	Vacation	Occupational hazards	Third biweekly and fifth	Total
2012							
Opening balance	¢	1,868	18,677	15,938	-	1,042	37,525
Expensed - investments		12,053	8,163	11,383	-	8,005	39,603
Expensed - operations		14,120	12,629	12,117	-	-	38,867
Used		(26,160)	(19,311)	(21,440)	-	(9,047)	(75,958)
Total ICE Group	¢	**1,881**	**20,158**	**17,998**	**-**	**-**	**40,037**

Accrued expenses - employer obligations		Statutory Christmas bonus	Back-to-school bonus	Vacation	Occupational hazards	Third biweekly and fifth	Total
2011							
Opening balance	¢	1,917	18,819	15,050	52	914	36,752
Expensed - investments		7,140	2,899	7,514	797	6,932	25,282
Expensed - operations		16,736	15,848	13,801	-	-	46,385
Used		(23,925)	(18,889)	(20,427)	(849)	(6,804)	(70,894)
Total ICE Group	¢	**1,868**	**18,677**	**15,938**	**-**	**1,042**	**37,525**

(Continued)

(In millions of colones)

Note 26. Legal provisions

Legal provisions are as follows:

Legal provisions		As of December 31, 2012	2011
ICE:			
Severance benefits	¢	12,252	7,947
Occupational hazards		5,841	5,733
Provision for contingent liabilities		6,168	10,394
Subtotal ICE		**24,261**	**24,074**
CNFL:			
Severance benefits - short-term		1,000	1,000
Severance benefits - long-term		16,895	16,765
Employee Protection Law		184	117
Cash shortages and cash accounts		7	6
Provision for contingent liabilities		477	-
Subtotal ICE		**18,563**	**17,888**
RACSA:			
Severance benefits		2	-
Provision for contingent liabilities		-	132
Subtotal RACSA		**2**	**132**
Total ICE Group	**¢**	**42,826**	**42,095**

Movement in legal provisions is as follows:

Legal provisions		Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Total
2012							
Opening balance	¢	25,713	5,733	10,526	117	6	42,095
Expensed - investments		8,870	3,861	1,873	-	-	14,604
Expensed - operations		17,438	-	1,138	1,837	14	20,427
Used		(21,872)	(3,753)	(6,891)	(1,770)	(13)	(34,300)
Total ICE Group	**¢**	**30,149**	**5,841**	**6,645**	**184**	**7**	**42,826**

Legal provisions		Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Total
2011							
Opening balance	¢	20,875	4,219	9,424	112	7	34,637
Expensed - investments		5,741	3,650	10,384	-	-	19,775
Expensed - operations		8,767	-	-	1,649	58	10,474
Used		(9,670)	(2,136)	(9,282)	(1,644)	(59)	(22,791)
Total ICE Group	**¢**	**25,713**	**5,733**	**10,526**	**117**	**6**	**42,095**

(Continued)

(In millions of colones)

Note 27. Retrospective adjustments

In the year ended December 31, 2012, the figures as of December 31, 2011 and for the year then ended were restated due to a number of adjustments with retroactive effect and changes in the accounting policies related to property, machinery, and equipment of the Telecom segment, the cost of mobile terminals that are free of charge or sold for a discounted price with post-paid mobile telephony plans, and donations from customers, local governments, or foreign governments (see note 2-e).

Retrospective adjustments applied to ICE Group figures as a result of the above are as follows:

		Operating assets - cost (note 4)	Operating assets - revalued (note 4)	Accumulated depreciation of operating assets - revalued (note 4)	Other operating assets - cost (note 5)	Construction work in progress (note 7)	Inventory for investment (note 7)	Receivables for services rendered (note 10)	Non-trade receivables (note 10)	Material and equipment held in custody (note 11)	Prepaid expenses (note 14)	Operating Inventory (note 11)	Intangible assets (note 18)
Balances as of December 31, 2011, previously reported	¢	2,487,342	3,338,670	(2,064,382)	322,862	501,919	143,341	100,000	165,407	5,178	24,960	110,854	61,734
Accumulated effect of changes in accounting policies and adjustments prior to 2011:													
Change in accounting policy, donation-related transactions (1)		-	-	-	-	-	-	-	-	-	-	-	-
Change in accounting policy, asset revaluation (3)		-	(740,569)	583,750	-	-	-	-	-	-	-	-	-
Adjustment of IPO for application of freight and cargo insurance rate (5)		(8)	-	-	(47)	(4,453)	(209)	-	-	(82)	-	(104)	(17)
Total effect of changes in accounting policies and adjustments		(8)	(740,569)	583,750	(47)	(4,453)	(209)	-	-	(82)	-	(104)	(17)
Accumulated effect of changes in accounting policies and adjustments in 2011:													
Change in accounting policy, asset revaluation (3)		-	-	31,816	-	-	-	-	-	-	-	-	-
Adjustment for correction of errors of GICE balances (2)		-	-	-	-	-	-	(4,927)	(46)	-	-	-	-
Change in accounting policy, recognition of cost of mobile terminals (4)		-	-	-	-	-	-	-	-	-	11,896	-	-
Change in accounting policy, donation-related transactions (1)		-	-	-	-	-	-	-	-	-	-	-	-
Total effect of changes in accounting policies and adjustments		-	-	31,816	-	-	-	(4,927)	(46)	-	11,896	-	-
Subtotal adjustments		(8)	(740,569)	615,567	(47)	(4,453)	(209)	(4,927)	(46)	(82)	11,896	(104)	(17)
Balances as of December 31, 2011, restated	¢	2,487,334	2,598,101	(1,448,815)	322,815	497,466	143,132	95,073	165,361	5,096	36,856	110,750	61,717

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

		Accounts payable (note 24)	Guaranty deposits	Advanced income- short term	Deposits from individuals	Contributed capital	Development reserves	Asset revaluation reserves	Retained earnings	Depreciation expense - operating assets	Operating expenses - marketing (note 34)	Operation and maintenance (note 30)	Operation and maintenance of equipment under leases (note 31)	Production management	Other income	Net surplus
Balances as of December 31, 2011, previously reported	¢	122,762	58,614	2,425	6,553	46,090	1,461,922	1,313,157	72,301	249,542	189,023	234,783	171,763	80,510	122,726	(22,855)
Accumulated effect of changes in accounting policies and adjustments prior to 2011:																
Change in accounting policy, donation-related transactions (1)		-	-	-	-	(45,522)	32,303	-	13,219	-	-	-	-	-	-	-
Change in accounting policy, asset revaluation (3)		-	-	-	-	-	-	(156,818)	-	-	-	-	-	-	-	-
Adjustment of IPO for application of freight and cargo insurance rate (5)		(5,014)	-	-	-	-	96	-	-	-	-	(19)	-	(13)	-	32
Total effect of adjustments prior to 2011		(5,014)	-	-	-	(45,522)	32,399	(156,818)	13,219	-	-	(19)	-	(13)	-	32
Accumulated effect of changes in accounting policies and adjustments in 2011:																
Change in accounting policy, asset revaluation (3)		-	-	-	-	-	-	31,816		(31,816)	-	-	-	-	-	31,816
Adjustment for correction of errors of GICE balances (2)		78	(685)	(16)	(397)	-	(3,955)	-		-	-	-	-	-	-	
Change in accounting policy, recognition of cost of mobile terminals (4)		-	-	-	-	-	11,896	-		-	(11,896)	-	-	-	-	11,896
Change in accounting policy, donation-related transactions (1)		-	-	-	-	(412)	412	-		-	-	-	-	-	412	412
Total effect of adjustments in 2011		78	(685)	(16)	(397)	(412)	8,353	31,816	-	(31,816)	(11,896)	-	-	-	412	44,124
Subtotal adjustments		(4,936)	(685)	(16)	(397)	(45,934)	40,752	(125,002)	13,219	(31,816)	(11,896)	(19)	-	(13)	412	44,156
Balances as of December 31, 2011, restated	¢	117,826	57,929	2,409	6,156	156	1,502,674	1,188,155	85,520	217,726	177,127	234,764	171,763	80,497	123,138	21,301

(Continued)

1. Change in accounting policy to book transactions related to donations from customers and grants from local and foreign governments (see note 2 (e) (iii)).

2. Correction of errors derived from the alignment process performed by ICE's management in November 2012 as a result of the comparison of the carrying amounts included in the Standard Comprehensive Accounting Management (GICE) system and the balances in the transaction systems. Most of the adjustments correspond to reclassifications among balance sheet accounts related to adjustments implemented as part of the aforementioned process. The "Development reserve" presents an impact in the amount of ¢3,955 as a result of the correction of errors in the records of financed sales of terminals, which was a sales modality applied by ICE until early 2011. These errors mainly resulted from failures in information processing that caused duplicate invoice records, overstating income in prior periods

3. Change in accounting policy related to the revaluation of certain assets of the Telecom segment replacing the current method (historical cost plus adjustments using a price index until December 31, 2008) with the historical cost method, reversing the value of previously booked revaluations. This change was applied because of the competitive market that promotes the sale of higher-capacity equipment while maintaining a price similar to that of older versions (see note 2 (e) (i)).

4. Change in accounting policy related to the cost of mobile terminals that are free of charge or sold for a discounted price with post-paid telephony plans. The accounting treatment implies deferring the portion of the cost of the terminal not covered by the customer over the term of the plan in order to present an adequate matching of income with expenses (see note 2 (e) (ii)).

5. Adjustment derived from the correction of an error in the booking of international purchase orders (IPO) resulting from the incorrect application of the freight and cargo insurance rate for imported merchandise.

(Continued)

(In millions of colones)

Note 28. Memoranda accounts

Memoranda accounts		As of December 31, 2012	2011
ICE:			
Guarantees received:			
Performance bonds (1)	¢	280,511	139,696
Collection agents (2)		3,427	3,765
Bid bonds (3)		1,649	3,197
Tenders		9	8
Subtotal		**285,596**	**146,666**
Other guarantees received:			
Sundry services		656	4,249
Subtotal		**656**	**4,249**
Guarantees issued to third parties:			
Surety		5,894	10,420
Subtotal		**5,894**	**10,420**
Subtotal ICE	¢	**292,146**	**161,335**
CNFL:			
Contingent assets:			
Savings and loan fund	¢	28,584	24,832
CNFL Employees Association (ASEFYL)		11,103	9,640
Performance bonds - procurement		10,578	9,592
Materials in transit		1,813	772
Bid bonds		1,194	673
Collection of electricity services		764	711
Materials in transit - local		420	421
Materials loan		248	208
Employee guarantees		194	208
Rental of posts		86	67
Performance bonds - labor		77	87
Guaranty deposits (electricity consumption)		75	59
ICE easement - Cote Plant		7	7
Subtotal CNFL		**55,143**	**47,277**
Contingent liabilities:			
Payment arrangements - financing of appliances		21	65
Subtotal		**21**	**65**
Subtotal CNFL		**55,164**	**47,342**
RACSA:			
Guaranty deposits		424	861
Subtotal RACSA		**424**	**861**
Total ICE Group	¢	**347,734**	**209,538**

(Continued)

(1) Performance bonds

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

ICE-CNFL surety

On May 4, 2006, ICE and KfW subscribed a security agreement whereby ICE acts as joint surety for the obligations contracted by CNFL as debtor under the aforementioned loan agreement.

On September 25, 2008, CNFL and KfW entered into a supplemental loan agreement in the amount of US$9.5 (in millions) to finance unforeseen expenses. The surety required for this loan agreement was posted by ICE, increasing the total amount of the surety to US$36 (in millions) (¢18,940). This surety is for a maximum term of 3 years.

ICE-JASEC surety

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

JASEC and BCR are designing and structuring financing to obtain resources through a private issue of securities. Guarantees for that issue include a joint and several surety bond issued by ICE. On February 22, 2012, the Board of Directors of ICE unanimously authorized the provision of the joint and several surety bond to the Toro III Hydroelectric Power Project Trust for a maximum amount of US$180 (in millions), plus finance charges derived therefrom until settlement (maximum term of 3 years).

(2) Collection agents

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

(3) Bid bonds

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

(In millions of colones)

Note 29. Income from services

Income from services is as follows:

Income from services		For the year ended December 31, 2012	2011
ICE:			
Electricity services	¢	379,982	358,106
Telecom services		513,506	501,195
Institutional services		2,436	2,161
Subtotal ICE		**895,924**	**861,462**
CNFL:			
Electricity services		265,333	256,574
Subtotal CNFL		**265,333**	**256,574**
RACSA:			
Telecom services		23,693	26,697
Subtotal RACSA		**23,693**	**26,697**
Total ICE Group	**¢**	**1,184,950**	**1,144,733**

Regulation on Electricity Services

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

2012 Pricing adjustments

- Decisions No. 742 RCR-2011, No. 743 RCR-2011, No. 744 RCR-2011, and No. 745 RCR-2011, published in Official Gazette No. 23 dated February 1, 2012, approve the increase in the average rates for electricity subsystems, as follows: 1.24% for generation, 8.72% for transmission, 5.97% for distribution, and 10% for street lighting. Such increases are in effect from the date on which they were published.

- ARESEP Decision No. 817-RCR-2012 dated March 30, 2012 and published in Alcance No. 86 of Official Gazette No. 128 of July 3, 2012 sets average increases of 7.9% and 3.6% in the power generation and distribution rates, respectively. Such increases are in effect from the date on which they were published.

  This rate increase is in effect for 8 months, from July 3, 2012 to March 3, 2013.

- On November 2, 2012, through Decision No. 977-RCR-2012 dated November 13, 2012 published in Alcance No. 178 of Official Gazette No. 219, ARESEP approved average increases of 7.59%, 4.45%, and 3.94% for power generation, power distribution, and street lighting, respectively. Such increases are in effect from the date on which they were published.

2011 Pricing adjustments

- Decision 386-RCR-2011 published in Alcance No. 69 of the Official Gazette dated April 7, 2011, communicates the approval of the increase of 10.1%, 6%, and 5.3% in the average rates for power generation, power distribution, and street lighting, respectively. Such increases are in effect from the date on which they were published.

  This rate increase was in effect from April 1, 2011 to December 31, 2011.

Regulation on Telecom Services

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

(In millions of colones)

Note 30. Operation and maintenance costs

Operation and maintenance costs include costs related to fuel consumption of thermal power plants, as follows:

Fuel consumption		For the year ended December 31, 2012	2011
Thermal power plant:			
Garabito	¢	46,770	36,698
Moín III		3,116	12,997
Moín I		3,568	2,446
Moín II		2,364	18,169
Portable Barranca		-	13,708
Pujol - Pococí		1,579	1,964
Pujol - Orotina		1,167	1,846
Colima		1,155	1,150
San Antonio		232	1,258
Barranca		245	897
Total ICE Group	**¢**	**60,196**	**91,133**

In late 2012, through Decision No. 977-RCR-2012 dated November 2, 2012, ARESEP approved the recognition through rate adjustments of fuel expenses incurred by ICE in the first half of 2012, for a total of ¢19,225. Of that amount, ICE recovered the total of ¢3,765 through a rate adjustment approved by ARESEP for November and December 2012.

The remaining balance of ¢15,460 will be recovered by ICE within a four-quarter period from July 1, 2013. In compliance with the aforementioned Decision, ICE booked the balance pending recovery through rate adjustments as an asset under “Prepaid expenses” (see note 14).

(In millions of colones)

Note 31. Operation and maintenance costs of leased equipment

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

Operation and maintenance costs of leased equipment		For the year ended December 31, 2012	2011
ICE:			
Thermal generation	¢	80,624	93,034
Hydraulic generation		20,647	20,438
Civil and electromechanical		9,783	9,655
Access		8,879	17,948
Wind generation		8,640	1,999
Transport		6,615	14,378
Platforms		5,397	8,353
Substations		6,705	5,404
Transmission lines		3,526	3,078
Subtotal		**150,816**	**174,287**
Elimination of ICE - Institutional services		2,701	2,524
Total ICE Group	**¢**	**148,115**	**171,763**

Costs for the operating leases of the plants mentioned below amounts to ¢93,232, as follows:

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As discussed in note 3(l), ICE Group follows the policy of booking and classifying lease agreements for telecommunications and transmission equipment and power plants as operating leases. As of December 31, 2012, operating lease agreements are as follows:

General features of the agreement				In millions de U.S. dollars											
Service order No.	Lessor	Date of agreement	Approximate expiration date		Amount of agreement	Amount of install-ment	Service order balance at December 31, 2012	Paid in 2012	No. of install-ments	Amount of installment	Purchase option		Expenses in 2012	Frequency	Subject of the agreement
323411	ECI Telecom Consortium	29-Sep-05	28-Feb-14	US $	32	24	8	6	20	2	3	¢	3,361	Quarterly	Fiber optic transport systems and equipment
343012	Huawei Technologies Consortium (1)	10-Feb-09	26-Mar-15		233	132	102	47	20	First phase: US$8; second phase: US$4	23		24,141	Quarterly	3G wireless system
1691	Peñas Blancas Securitization Trust (2)	16-Aug-00	16-Jul-15		119	97	22	9	155	Between US$875 and US$725 (in thousands)	19		4,540	Monthly	Electricity infrastructure
N/A	Cariblanco Securitization Trust (2)	3-Jul-03	31-Dec-19		304	130	174	25	147	2	8		12,837	Monthly	Lease for Cariblanco Hydroelectric Power Plant
N/A	Garabito Thermal Project Trust (2)	5-Nov-07	31-Mar-22		743	162	581	63	142	5	213		32,524	Monthly	Lease for Garabito Thermal Power Plant
342071	Alstom Power Rentals	1-Jul-09	30-Aug-11		51	48	-	1	24	2	-		363	Monthly	Operation and maintenance costs/Lease for Barranca Power Plant
333059	Las Pailas Geothermal Power Plant (3)	7-Mar-07	31-Dec-23		240	15	225	15	24	8	-		8,437	Half-yearly	Lease for Las Pailas Geothermal Power Plant
351643	Administrative Board of Cartago's Electricity Service (JASEC) (4)	14-Apr-10	14-Apr-22		25	1	24	1	20	Between US$1,637 and US$854 (in thousands)	-		575	Half-yearly	Infrastructure for Tejar Step-Down Substation/Easements and expansion tower sites for Río Macho - Transmission Line Project
Subtotal - Operating leases ICE -US$				**US$**	**1,748**	**610**	**1,135**	**166**				**¢**	**86,778**		
N/A	Valle Central Wind Park (5)	26-Dec-12	26-Dec-24		85	-	85	-	-	4	-		-	Half-yearly	Lease of Valle Central Wind Park subscribed by CNFL and Eólico Valle Central, S.A.
Subtotal - Operating leases CNFL -US$				**US$**	**85**	**-**	**85**	**-**	**-**	**4**	**-**		**-**		

General features of the agreement				In millions of colones											
Service order No.	Lessor	Date of agreement	Approximate expiration date		Amount of agreement	Amount of install-ment	Service order balance at December 31, 2012	Paid in 2012	No. of install-ments	Amount of installment	Purchase option		Expenses in 2012	Frequency	Subject of the agreement
350702	Cooperativa de Electrificación Rural Guanacaste	16-Feb-10	6-Sep-21	¢	87,848	17,643	70,204	6,454	138	Between ¢617 and ¢473	Approximately ¢3,541	¢	6,454	Monthly	Infrastructure for electricity transmission Liberia - Papagayo - Nuevo Colón
Subtotal - Operating leases - colones				**¢**	**87,933**	**17,643**	**70,289**	**6,454**				**¢**	**6,454**		
Total - Operating leases - ICE Group												**¢**	**93,232**		

(Continued)

(1) Huawei Technologies Consortium Lease

This agreement corresponds to the lease of a third-generation wireless system. The first phase of the lease includes installation of a mobile wireless network system called third-generation advanced mobile phone system (3G) with an initial capacity of 950,000 lines for voice and data services. The second phase of the lease consists of adding new sites (installation of antennae for the 3G mobile phone system) and upgrading existing sites so as to complete the coverage of the design proposed in the first phase.

(2) Securitization Trusts

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

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization. Currently, the trusts are authorized to issue public debt and have liabilities booked therefor in their financial statements as of December 31, 2012 and 2011.

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

The main clauses of the trust agreements are summarized below:

- The purpose of the agreements is to create trusts to generate and manage the necessary resources for development of the projects, serve as vehicles to create autonomous equity that will be used in a securitization process, and obtain the necessary resources to finance the project.

- Trust assets will be comprised of the following:

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

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

c) The agreed-upon income from the lease of power plants.

d) Any other income obtained by the trusts in the normal course of business.

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

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

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

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

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

- The Peñas Blancas trust is for a term of 20 years and the Cariblanco and Garabito trusts are for terms of 30 years.
- In May 2011, the Presidency of the Republic officially inaugurated the Garabito Thermal Power Plant.

(3) Lease of Las Pailas Geothermal Power Plant

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

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

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

- The lease will be for a term of 12 years with an option to purchase the Las Pailas Geothermal Power Plant, starting from the date of satisfactory receipt of the plant by ICE.
- The lease agreement specifies half-yearly installments of US$10 (in millions) plus a maintenance fee that ranges between US$0.5 and US$1 (in millions).
- The total amount of the lease is US$240 (in millions), including lease installments and maintenance fees.
- At the end of the lease term, the amount of the purchase option will be equivalent to 15% of the total cumulative investment made at the end of the construction phase.
- CABEI will make an investment of up to US$130 (in millions) in construction of the plant.
- CABEI agrees that ICE will carry out construction of the entire plant and its interconnection to the National Interconnected System.

(Continued)

- The total cumulative investment at the end of the construction phase will have been made in U.S. dollars, comprised of the following:

  a) Actual cumulative direct investments made by CABEI for construction of the plant;
  b) 0.75% (one time only) of CABEI's direct investment at the time CABEI makes the first disbursement of the direct investment;
  c) 0.75% of the estimated direct investment that has not yet been used for construction of the plant;
  d) Return calculated at the 6-month LIBOR rate + 2.25% on the partial cumulative investment made during construction of the plant;
  e) Administrative expenses derived from creation and operation of the Project Management Unit to be set up by CABEI in accordance with the agreement.

- ICE agrees to lease the plant and act as the "lessee". CABEI will be the "lessor".

- The term of the lease will start 48 months after the beginning of construction of the plant.

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

(4) Lease of Tejar Step-down Substation - JASEC

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

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

(5) Lease of Valle Central Wind Power Plant

CNFL subscribed an agreement with CABEI dated March 13, 2007 with the sole purpose of organizing the company "Eólico Valle Central, S.A." to develop, execute, and start-up the operations of a wind power plant. The parties agreed to name the project "Proyecto Eólico Valle Central". The project includes, according to the feasibility study, the installation of 850 kW wind turbines with an estimated power output of at least 15.3 MW, based on the installed capacity. The power plant will be developed in Pabellón, Santa Ana, to provide electricity to CNFL's customers.

- Article 2 of section 2.8 of the agreement establishes that Eólico Valle Central, S.A. will lease the project to CNFL for a term of at least 12 years from the date on which the plant is in the conditions required to start commercial operations (December 2012). For such purposes, Eólico Valle Central, S.A. and CNFL entered into an operating lease agreement under the terms and conditions established in article 5 of the agreement subscribed with CABEI.

- Article 2.9 of the lease agreement stipulates that CNFL will be responsible for the operations, management, and maintenance of the project over the term of the lease, as part of the lessee's rights and obligations.

- The date of commencement of the lease is the date on which the plant's handover certificate is signed (December 26, 2012). Clause 5 of the lease agreement establishes the following in respect of lease payments to be made to Eólico Valle Central, S.A.:

  Annual lease payments to be made by CNFL are as follows:

  - Four initial half-yearly installments of US$3,536,000, and
  - Twenty subsequent half-yearly installments of US$3,556,000.

  Payments are due at the end of each half-year period.

(In millions of colones)

Note 32. Supplemental services and purchases

Supplemental services and purchases are as follows:

Supplemental services and purchases		**For the year ended December 31, 2012**	**2011**
ICE Telecom:			
Phone-in	¢	17,953	18,335
Traffic from local operators		8,574	-
Circuit leases		1,100	1,372
Television		1,565	278
Comprehensive solutions		116	121
Total ICE Telecom		**29,308**	**20,106**
ICE Electricity:			
Import:			
Ente Operador Regional (EOR)		5,264	2,162
Mercado Eléctrico de El Salvador		2,920	261
Excelergy S.A de C.V.		1,327	17
Other		312	374
Subtotal import		**9,823**	**2,814**
Independent power generators:			
Unión Fenosa Generadora La Joya		10,291	9,739
Geoenergía de Guanacaste Ltda.		8,718	8,687
Hidroenergía del General (HDG), S.R.L.		7,735	7,523
Planta Eólica Guanacaste, S.A.		7,638	6,589
Hidroeléctrica Doña Julia		3,129	3,200
Plantas Eólicas, S.A.		2,733	2,153
Hidroeléctrica Platanar, S.A.		2,382	2,670
Molinos de Viento del Arenal, S.A.		2,345	2,717
Proyecto Hidroeléctrico Río Volcán, S.A.		2,042	2,007
Hidroeléctrica Zarcas, S.A.		1,971	2,196
Azucarera El Viejo, S.A.		1,969	-
Ingenio Taboga, S.A.		1,912	1,156
Hidroeléctrica Río Lajas, S.A.		1,888	1,306
Proyecto Hidroeléctrico Pedro, S.A.		1,833	2,067
Other		4,670	5,828
Subtotal independent power generators		**61,256**	**57,838**
Export:			
Ente Operador Regional (EOR)		6,290	3,757
Total ICE Electricity		**77,369**	**64,409**
Total ICE Group	**¢**	**106,677**	**84,515**

(Continued)

Independent power producers

ICE executed agreements with several independent power producers for the purchase of electric power pursuant to Law No. 7200 "Law Authorizing the Autonomous or Parallel Generation of Electricity", which declares the purchase of electricity by ICE from private companies that meet the conditions established in that Law to be a matter of public interest.

As of December 31, 2012 and 2011, ICE has subscribed BOT agreements (Built, Operate, and Transfer) with the following independent power producers: Geoenergía de Guanacaste, S.R.L., Unión Fenosa Generadora La Joya, S.A., Hidroenergía del General (HdG), S.R.L., and Planta Eólica Guanacaste, S.A. During the life of the agreements, those independent power producers must build, operate, and provide maintenance to the corresponding plants. The power generated will be sold exclusively to ICE. At the end of the term of those agreements, the ownership, management, and operation of the plants will be automatically transferred to ICE, free of any liens and encumbrances. The corresponding independent power producers or ICE may request the early transfer of the power plants.

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

- The independent power producers will be responsible for the financing, design, purchase of supplies, construction, tests, start-up of operations, and maintenance of the plants. The independent power producers also agree to deliver all the power generated during the term of the agreement subscribed with ICE.
- The independent power producers will generate electric power in accordance with the operating quality and standards established in each agreement and will deliver all the power generated to ICE, except for the power required to feed the auxiliary equipment and operate the plants, in accordance with the agreements.
- The independent power producers assume the risks of damages to, loss, or destruction of equipment and facilities during the term of the agreements due to any reason or cause that is directly attributable to the independent power producer, its contractors, subcontractors, or suppliers, excluding force majeure.

Once the plants launch commercial operations, the independent power producers must obtain and maintain, at their own expense, a minimum of the following insurance policies, based on market availability: occupational hazard and all-risk insurance for physical loss.

(Continued)

ICE may suspend the delivery of energy from the independent power producers and shall be released from payment for such power during the suspension period for the following reasons:

- Alteration of meters;
- Noncompliance in relation to a condition at the point of delivery that is the responsibility of the independent power producer;
- The inability of the independent power producer to supply power in accordance with the stipulated operating parameters;
- Failure to renew performance bonds;
- Failure to renew insurance policies.

The agreements are in effect for terms that range between 15 and 20 years and expire between April 2013 and December 2027.

For independent power producers who have not subscribed BOT agreements, the following three types of agreements are in effect: Class A, applicable to hydroelectric power plants with a power output of less than 5 MW; Class B, applicable to hydroelectric power plants with a power output greater than 5 MW; and Class C, applicable to wind power generation plants.

The general terms of these agreements establish that, during the life of the agreement, ICE will purchase any surplus electric power that the independent power producer may supply once its own energy needs are met, up to the maximum power output agreed. The independent power producer commits to operate the plant so that the power output delivered to ICE at the point of measurement does not exceed the maximum power output agreed. ICE will not make any payments for the power delivered by the independent power producer exceeding of the maximum power output agreed.

(Continued)

(In millions of colones)

Note 33. <u>Administrative expenses</u>

Administrative expenses are as follows:

		For the year ended December 31,	
		2012	**2011**
<u>ICE:</u>			
Salaries	¢	33,355	32,141
Service centers		6,865	9,144
Services		4,861	7,698
Current transfers		1,972	1,030
Depreciation of other operating assets		1,448	1,766
Materials and supplies		671	902
Other		2,318	1,986
Subtotal ICE		**51,490**	**54,667**
Elimination of institutional services		346	327
Subtotal ICE		**51,144**	**54,340**
<u>CNFL:</u>			
Administrative expenses		12,968	12,448
Subtotal CNFL		**12,968**	**12,448**
<u>RACSA:</u>			
Administrative expenses		21,938	23,047
Subtotal RACSA		**21,938**	**23,047**
Total ICE Group	¢	**86,050**	**89,835**

(In millions of colones)

Note 34. Marketing expenses

Marketing expenses are as follows:

		For the year ended December 31, 2012	2011 *(Restated)**
ICE:			
Services	¢	52,879	50,673
Materials and supplies		33,875	12,791
Salaries		46,848	44,466
Service centers		30,125	28,440
Current transfers		10,754	4,494
Depreciation of other operating assets		3,805	4,007
Other		7,771	14,099
Subtotal ICE		**186,057**	**158,970**
Elimination of institutional services		2,091	1,887
Total ICE	¢	**183,966**	**157,083**
CNFL:			
Consumer expenses		21,181	20,044
Subtotal CNFL		**21,181**	**20,044**
Total ICE Group	¢	**205,147**	**177,127**

* See note 27.

Note 35. Preinvestment studies

Costs incurred for preinvestment studies are as follows:

		For the year ended December 31, 2012	2011
ICE:			
Savegre Study	¢	4,366	4,543
Ayil Hydroelectric Project		1,561	221
RC 500		215	-
Pocosol - Arenal		196	142
Mundo Nuevo		4	152
Other		435	112
Total ICE Group	¢	**6,777**	**5,170**

(In millions of colones)

In 2012, the Savegre Study incurred expenses for ¢4,366 (2011: ¢4,543) for engineering and site feasibility studies and ancillary works related to the headrace tunnel and water intakes. Based on the current timeline, the feasibility studies are expected to be completed in 2013.

An agreement was subscribed with the indigenous communities in respect of the Ayil project whereby a term of 3 years is granted to perform project studies related to pioneer roads that require the construction of several bridges. Expenses therefor amount to ¢1,561 (2011: ¢221).

Note 36. Other operating expenses

Other operating expenses are as follows:

		For the year ended December 31,	
		2012	**2011**
Reventazón Hydroelectric Project (1)	¢	5,390	-
Diquis Hydroelectric Project (2)		1,573	-
Pirrís Hydroelectric Project		1,527	8,326
Multiboya Pacífico		1,350	-
Advanced mobile services		395	952
Chuscas Hydroelectric Project		391	208
Improvements to transport network		385	-
Torito Hydroelectric Project		376	116
Cachí Hydroelectric Project		197	-
Toro III Hydroelectric Project		177	-
Balsa Inferior Hydroelectric Project		155	-
Advanced fiber optic connectivity		111	-
Expansion of mobile telephony		103	211
National Multi-Service Access Project		22	359
Tejar Transmission Line		8	170
Garabito Thermal Project		2	43
Other		23	174
Total ICE Group	**¢**	**12,185**	**10,559**

(1) Reventazón Hydroelectric Power Project

In July 2012, a low pressure system caused intense rainfall that affected the basin of the Reventazón River, significantly increasing the river’s water level in the area where the project’s dam is constructed, and affecting the deviation works in the dam site that were either completed or under construction.

Related expenses incurred to repair such damage amount to ¢5,390.

(2) El Diquís Hydroelectric Power Project (PHED)

In 2012, ICE implemented mitigation and social compensation actions as a strategic rapprochement with the groups that could be affected during the construction of the works.

Accordingly, ICE disbursed the amounts of ¢1,209 and ¢364 to execute works related to community roads and infrastructure and for other community commitments, respectively. These works mainly involved improving the community infrastructure of populations located within the project’s area of influence.

(In millions of colones)

Note 37. Other expenses and other income

Other expenses and other income are as follows:

Other income		For the year ended December 31, 2012	2011 *(Restated)**
ICE:			
Construction services (1)		48,758	96,023
Foreign exchange differences (2)	¢	40,762	5,155
Interest and other finance income (3)		23,499	13,587
Other income (4)		21,114	19,810
Subtotal ICE	¢	**134,133**	**134,575**
CNFL:			
Foreign exchange differences		1,732	2,096
Finance income		286	-
Other income (5)		9,804	6,645
Subtotal CNFL	¢	**11,822**	**8,741**
RACSA:			
Foreign exchange differences		304	-
Interest and other finance income		236	215
Other income		718	659
Subtotal RACSA	¢	**1,258**	**874**
CRICRSA:			
Interest and other finance income		1	607
Subtotal CRICRSA	¢	**1**	**607**
Total ICE Group	¢	**147,214**	**144,797**

Other expenses		For the year ended December 31, 2012	2011
ICE:			
Interest and other finance expenses (6)	¢	109,507	55,709
Agreements for civil and electromechanical works (1)		49,268	99,501
Foreign exchange differences (2)		7,492	7,747
Other expenses		2,330	3,385
Subtotal ICE	¢	**168,597**	**166,342**
CNFL:			
Interest and other finance expenses		1,310	1,483
Foriegn exchange differences		911	2,007
Other expenses		2,431	2,206
Subtotal CNFL	¢	**4,652**	**5,696**
RACSA:			
Interest and other finance expenses		1,261	1,037
Foreign exchange differences		-	22
Other expenses		86	83
Subtotal RACSA	¢	**1,347**	**1,142**
CRICRSA:			
Interest and other finance expenses		-	10
Subtotal CRICRSA		**-**	**10**
Total ICE Group	¢	**174,596**	**173,190**

* See note 27.

(1) This item includes invoices for percentage of completion or completed works related to agreements subscribed for engineering, design, construction, or other specialized services for projects under construction, such as the Toro III Hydroelectric Power Project and the Balsa Inferior Hydroelectric Power Project.

(2) As of December 31, 2012, the exchange rate of ¢509.23 (2011: ¢518.33) to US$1.00 was used to value monetary assets and liabilities in foreign currency.

(3) This increase is mainly related to the realization and valuation of derivative instruments, which gave rise to gains of ¢5,257 and a positive effect of ¢5,729, respectively.

(4) ICE booked income in the amount of US$6.5 (in millions), equivalent to ¢3,381, from the opening of the frequency bands derived from the termination of concessions for the use of the 850 MHz Sub-band E radioelectric spectrum awarded to ICE according to an agreement signed by ICE and MINAET.

The 2012 policy indicates that, in relation to assets owned by customers, the assets transferred by customers as donations (property, machinery, equipment, or non-reimbursable cash) for purposes related to electricity and telecom activities are to be booked as “Other income”. In this regard, ICE Group received ¢5,404 (2011: ¢3,206).

(5) In 2012, INS and ICE extinguished a debt related to insurance compensation. CNFL received the amount of ¢5,788 (equivalent to US$11.5 (in millions)) as final compensation for losses and other claims derived from the Tomás Tropical Storm. That amount was booked under “Other income”. In 2011, CNFL received a partial payment in relation thereto for ¢2,199 (equivalent to US$4 (in millions)).

(Continued)

(6) The variation with respect to 2011 in the amount of ¢53,798 is mainly due to the following: i) new loan operations in 2012; ii) loan operations subscribed in late 2011 which effect on profit or loss for 2012 corresponds to the full 12-month period; iii) existence, as of December 31, 2011, of construction work in progress which cost, according to ICE's accounting policies, includes the capitalization of interest and commissions for loan operations related thereto. In 2012, such interest and commissions were capitalized as "Operating assets" and, therefore, interest and commission expenses are recognized in profit or loss for the period, giving rise to an increase; iv) Commissions paid on derivative financial instruments (commissions).

Note 38. Tax regulations

Tax obligations

ICE Group is subject to tax obligations governed by the Income Tax Law (Law No. 7092) and regulations thereto, the Regulations to the Income Tax Law and amendments thereto, the General Sales Tax Law (Law No. 6826) and amendments thereto, the Regulations to the General Sales Tax Law and amendments thereto, the General Customs Law and regulations and amendments thereto, the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8642), and the General Telecommunications Law (Law No. 8642).

Income Tax

As a for-profit entity that obtains income from its activities, ICE is subject to payment of income tax. Article 17 of Executive Order No. 449 to create ICE states that "ICE's financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry."

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

Given that ICE must reinvest the total net profit it obtains, no taxable income is produced and, therefore, it has no income tax liability. However, the Costa Rican Internal Revenue Service normally imposes income tax withholdings that are subsequently applied as a credit to the sales tax liability.

According to the Law on Strengthening and Modernization of Public Telecommunication Companies (Law No. 8660), ICE and its subsidiaries will be subject to payment of income and sales tax, excluding income tax on the delivery of traditional basic telephone services, when they begin to act as operators or providers of telecom and electricity services and products in competitive local markets. The other exemptions granted through Executive Order No. 449 of April 8, 1949 and any other exemptions granted by the legal system will remain in effect (see note 42).

ICE Group's subsidiaries are subject to payment of income tax pursuant to Law No. 7722, which specifically lists State-owned institutions subject to such tax. In accordance with an executive decree published in Official Gazette No. 185 dated September 23, 1999 and Law No.7722, income or benefits generated by entities from services provided and their economic and financial activities are to be included, whether exempt or not, under the provisions of prior laws.

Only the costs, expenses, investment reserves, and development funds that are necessary and relevant to production of that income are deductible.

For the subsidiaries, income tax includes current and deferred tax. Income tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rate in effect at the cut-off date. As of December 31, 2012 and 2011, deferred tax in respect of temporary differences is adjusted in ICE Group's consolidated financial statements due to the alignment of the subsidiaries' accounting policies with those of ICE Group.

General sales tax

ICE also pays general sales tax pursuant to the General Sales Tax Law (Law No. 6826). This is a value-added tax on the sale of merchandise and certain services. For the sale of energy for residential electricity consumption, the tax rate is 5% on amounts consumed in excess of 250 kW per month versus 13% for commercial consumption and the provision of telecom services.

Because it is a value-added tax, ICE pays sales tax on the merchandise and services required to develop its economic activity. Pursuant to article 14 of the General Sales Tax Law, sales tax paid on merchandise and inputs that are used to produce energy and telecom services can be applied as a credit to the sales tax liability for the period.

As of December 31, 2012, two administrative proceedings are open related to notices of deficiency No. 27520000028443 and No. 2752000033081 issued against RACSA by the Large Taxpayer Division of the Finance Ministry in relation to the general sales tax on telecom services for the 2008 and 2009 tax periods, respectively. As of the date of this report, RACSA challenged the notices of deficiency with the Tax Administration. According to the opinion of the Legal Department, there is uncertainty as to whether a favorable ruling will be handed down (see note 41).

Special quasi-fiscal tax paid by telecom operators and providers to FONATEL (General Telecommunications Law No. 8642)

Article 39 of the General Telecommunications Law (Law No. 8642) creates a quasi-fiscal tax to finance the Fondo Nacional de Telecomunicaciones [National Telecommunications Fund] (FONATEL) to ensure compliance with the principles of universal access, universal service, and cooperation. Such quasi-fiscal tax is to be levied on gross income directly earned by operators of public telecom networks and providers of public telecom services who generate the taxable event by performing the aforementioned activities and receiving the specific benefit from State activities.

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

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3% and the definition of the final rate will be based on SUTEL's estimates of the income and costs of the projects to be executed in the following budget year. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period will be used.

Since SUTEL began operations on February 13, 2009, a tax rate was to be set for that year. Accordingly, SUTEL agreed to set the rate for the first quasi-fiscal tax at the floor of the band (1.5 %).

In ICE's opinion, the date on which ICE was notified of Decision No. RT-0024-2009-MINAET-PE (March 3, 2010) granting the authorization as operator and supplier of telecom services, pursuant to Transition Provisions IV and VII of Law No. 8642, gave rise to the taxable event. Such provisions establish that taxpayers should not pay charges, taxes, and contributions until the corresponding authorization is issued.

As of December 31, 2012, ICE is involved in litigation with the Large Taxpayer Division of the Finance Ministry in relation to an early tax assessment derived from an abbreviated review of the special quasi-fiscal tax paid by telecom operators and providers to FONATEL for the 2008 and 2009 budget periods. As of the date of this report and based on the expert opinion of the Legal Department, there is uncertainty as to whether the final ruling will represent a payment obligation for ICE (see note 41).

In 2012 and 2011, the applicable rate was 1.5% and payments therefor amounted to ¢7,168 and ¢6,948, respectively. These expenses are presented under "Production management costs" in the consolidated statement of profit or loss.

Red Tax on Mobile and Conventional Telephony Services to Finance the Costa Rican Red Cross (Law No. 8690)

This tax was created by Law No. 8690. The Red Tax corresponds to 1% of billings for telephone services starting at ¢5,000 in colones, not to exceed ¢500 in colones per telephone line. The tax will be adjusted in January of each year based on the national inflation rate determined by the Costa Rican Central Bank.

Tax in favor of the Firefighter Department of Costa Rica

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

Customs taxes

According to customs legislation, the customs tax obligation consists of customs duties and internal charges, and must be paid in full in order for goods to clear customs. The tariff on imports (known by the Spanish acronym “DAI”) constitutes an ad valorem tax, which is set based on the established customs classification and coding system. Internal charges include the excise tax (rate based on the merchandise), the tax corresponding to Tax Law No. 6946 (1%), general sales tax (13%), and other specific taxes for the Agrarian Development Institute (IDA), the Institute for Municipal Development and Technical Assistance (IFAM), and the Golfito Duty Free Zone, among others. ICE Group must pay customs duties on imports based on the type of merchandise and specific exemptions in order for them to clear customs.

Other obligations

ICE Group is also an income tax withholding agent in accordance with the Income Tax Law. In this role, taxes are withheld from the taxpayer and ICE Group holds joint and several liability. Among its responsibilities as a withholding agent, ICE must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

- Wages, non-salary payments, compensation for personal services, and per diem allowances.
- Remittances or credits paid to non-domiciled individuals or entities for services such as transportation, communications, technical-financial advisory services, personal services, and other services, based on the rates and categories defined in articles 55 and 59 of the Income Tax Law.

CNFL electricity agreement

Article 32 of the electricity agreement that has been governing CNFL's operations since 1941 states that, for the life the agreement, CNFL shall pay all general national and municipal taxes legally in force as of that date. Furthermore, it shall continue paying the Municipality of San José a tax of 5% on gross receipts from electricity services provided in the Central Canton of San José. These expenses are presented under "Marketing expenses" in the consolidated statement of profit or loss.

Note 39. Financial risk management

Risk management framework

ICE Group is exposed to the following risks from financial instruments: credit risk, liquidity risk, and market risk.

ICE's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE's Electricity and Telecom segments. This is the body to which Financial Management delegates responsibility for defining investment policies and procedures.

The Investment Committee approves the Investment Strategy document and the limits for ICE's investment portfolios. It also has the Financial Investment Policy Manual and the procedure for making international investments, which seeks greater and better diversification of temporary investments.

The Institutional Risk Committee was created on August 26, 2011 with the support of General Management. The main purpose of the Committee is to “enforce permanent compliance at the Institutional level with the effective management of financial risks.” This Committee began to operate on October 4, 2011. The General Manager of ICE was appointed as the President of such Committee in December 2011 and is preparing a proposal of the risks applicable to ICE Group.

The Institutional Policy for Financial Risk and Financial Hedging Management entered into force on April 12, 2011. The purpose of the policy is to “standardize the management of Institutional financial risks by minimizing the exposure to system or market risks in respect of financial operations, through effective management of financial risks using market opportunities and available financial instruments, in accordance with the Financial Risk Hedging Strategy.” Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and ICE’s activities.

ICE follows the policy of mitigating exposures to the extent possible by leveraging market opportunities, purchasing hedges that are aligned with its strategic objectives.

Each year, Financial Management develops a financial risk map for ICE Group together with other ICE departments and management of the subsidiaries. ICE Group’s subsidiaries have designed and implemented a set of risk policies with the purpose of minimizing potential adverse effects on their financial performance.

Credit risk:

Credit risk represents the potential loss due to failure of a customer or counterparty to comply with the contractual terms of operations, mainly cash, cash equivalents, receivables, and investments.

In order to mitigate this risk, the risk ratings assigned to investments by brokerage firms are monitored and tracked. Also, investment limits have been established for the portfolio by market (local and international), sector (public, other public sector, and private), instrument, issuer, and issue. ICE does not receive collateral guarantees for this risk.

In the case of CNFL, credit risk is the risk of default on principal and/or interest payments related to Series A standardized bonds as a result of internal and external factors that negatively affect the realization of cash flows, operating results, and revenue outlooks. A shortage of liquidity is expected to have a negative effect on the exposure to credit risk.

Receivables

Accounts receivable are managed directly by the Electricity and Telecom segments. The procedure followed by each segment for recovering receivables is summarized below:

- In the Telecom segment, issue of the bill and collections procedure via messaging to remind the customer of the outstanding payment.
- Immediate suspension of electricity and telephone services after the bill's due date. The average collection periods for the Telecom and Electricity segments are 29 days and 31 days, respectively. Collection periods are determined by each segment (Collections Management Policy).
- Online collection process through contracts with external collection agents and banks, or internal collection through ICE's cashier windows.
- Payments that cannot be collected by one of the above methods are sent to administrative collections. For such purposes, ICE uses companies dedicated to collections or coordinating payment arrangements with customers to mitigate arrears.
- As a last resort, any residual past due accounts are processed by ICE's Legal Division and collection is pursued by legal action.

The allowances for doubtful accounts are detailed in note 3 (d) (vi) "Current assets".

Investments

In the case of credit or counterparty risk, the ratings given to ICE's investments are monitored and tracked based on the Investment Strategy and risk profile determined by the Investment Committee.

Financial risks are identified for all financial operations related to financial instruments, such as: short-, medium-, and long-term financing and all aspects of treasury management, including lines of credit, bank letters of credit, buying and selling of currency, investments, issue of securities, raw material purchases, etc.

Derivative financial instruments are traded with first tier banks with which confidentiality agreements and other documentation to trade derivatives have been subscribed. Since ICE is beginning to trade financial hedges, a decision was made by Investment Strategy to specifically trade derivatives for existing liabilities.

Investment guidelines are approved by the Board of Directors and the Financial Investment Policy Manual is approved by General Management. That manual contains all regulations concerning issuers, instruments, and permitted sectors, as well as rules to be observed in respect of brokerage firms and custodians.

Liquidity risk:

Liquidity risk refers to potential losses as a result of an early or forced sale of assets at unusual discounts that prevent ICE from meeting its obligations, or because a position cannot be sold, bought, or hedged by purchasing an equal but opposite position.

Actions have been taken in the Electricity and Telecom segments to obtain greater assurance with respect to projected payment of liabilities and more precise projections of income in order to control treasury cash flows. Such measures in the projection of liabilities and expenses, as well as in the income of both segments, permit monitoring and tracking cash flows or liquidity risk exposure, as well as an improved management of treasury operations related to the buying and selling of currency and access to short- and medium-term lines of credit, among others.

Financial Management prepares the medium- and long-term cash flow projections that are provided to banks and other external entities at their request.

Treasury Management involves making payments and managing debt and preparation of an annual cash flow projection with budget information. It also involves preparing a schedule of daily cash inflows and outflows to permit planning of resources needed for large expenditures. In addition to the budget, the Liquidity Management Process uses information generated by ICE's payment system and the divisions that manage large contracts.

Projections are made for external entities and Treasury management. External entities generally request 5- or 10-year projections. In the case of Treasury management, cash flows are prepared monthly and cash inflows and outflows are scheduled daily. Those projections are mainly used by banks and regulators and, at the internal level, by the Liquidity Management Process.

Liquidity is guaranteed by optimizing the payment cycle, first using no-cost sources and short-term lines of credit (if necessary). Terms of payment for providers are approximately 45 days from the event generating the payment and submittal of the invoice. Payments are made once weekly and all payments are made by bank transfer, in accordance with ICE's policy. Payment authorizations are processed through ICE's Payment System.

(Continued)

Lines of credit are used to meet working capital needs, open letters of credit, or issue performance bonds. Limits are the amounts offered by the bank. Amounts greater than US$20 (in millions) must be approved by the Board of Directors, while amounts equal to or less than US$20 (in millions) are approved by the Procurement Board. Shortfalls are determined based on the schedule of cash inflows and outflows along with the required terms so as to obtain quotes and borrow funds from the lowest cost bank. Line of credit transactions are formalized with a promissory note. This method is used to cover mismatches between the date of receipt of income and the date of payment of obligations and other liabilities, typical of cash flow management.

Market risk:

Market risk is the risk that changes in market prices, e.g. foreign exchange rates, interest rates, or share prices, will affect ICE’s income or the value of the financial instruments it holds. The objective of risk management is to manage and control exposures to keep this risk within reasonable parameters while simultaneously optimizing return.

ICE acquires derivative financial instruments to manage part of its existing market risks. All hedging operations are valued according to the value provided by the issuer of the instrument. Hedge accounting is used for qualifying instruments to mitigate volatility in the market prices of the financial instruments that have an effect on profit or loss.

The following risks have been identified in financial operations: variations in local and foreign interest rates and exchange rates, affecting cash flows, the value of instruments, etc. Ten (10) derivative financial instruments have been acquired to hedge those risks, as follows: 3 to hedge interest rate risk, namely swaps; 1 to hedge against the yen/U.S. dollar fluctuations, known as a Cross Currency Swap; and 6 to hedge against the U.S. dollar/colon fluctuations, called Non-Deliverable Currency Swap.

(Continued)

(In millions of colones)

The general features of positions exposed to market risk that are being hedged with derivatives are presented in the following table:

Detail	***Tranche B***	***Tranche A***	***HSBC***	***YEN***	***U.S. dollar/Colon - 1 year***	***U.S. dollar/Colon - 3 years***	***U.S. dollar/Colon - 7 years***	***U.S. dollar/Colon - 1 year***	***U.S. dollar/Colon - 1 year***	***U.S. dollar/Colon - 1 year***
Identification of the exposure:	IDB-1931 B/OC-CR	IDB-1931 A/OC-CR	Project to Expand Submarine Communication Cable Capacity	JIBC-CR-P3	CABEI -1599	CABEI -1599	CABEI -1599	CITIBANK	Series A placement - ICE 13	INS Security No. 1
Principal amount	$ 165,000,000	$ 156,750,000	$ 12,000,000	¥ 6,583,673,410	$ 30,000,000	$ 40,000,000	$ 40,000,000	$ 10,000,000	$ 20,000,000	$ 20,000,000
Amount hedge	$ 165,000,000	$ 156,750,000	$ 12,000,000	$ 72,348,059	¢ 15,259,800,000	¢ 20,132,000,000	¢ 20,132,000,000	¢ 5,005,000,000	¢ 10,140,000,000	¢ 10,020,400,000
Exchange rate	N/A	N/A	N/A	$ 91	¢ 508.66	¢ 503.30	¢ 503.30	¢ 500.50	¢ 507.00	¢ 501.02
Contract date	8-May-08	27-Jan-09	4-Nov-10	18-Jun-12	23-Mar-12	29-Mar-11	29-Mar-11	17-Dec-12	5-Jun-12	19-Jul-12
Hedge inception date or first payment	15-Aug-08	14-Jan-10	8-Feb-11	22-Oct-12	25-Apr-12	28-Jul-11	2-May-11	19-Dec-13	30-Nov-12	20-Oct-12
Hedge maturity date	15-Feb-18	14-Jul-23	8-Nov-15	20-Apr-26	25-Apr-13	28-Jan-14	2-Nov-17	19-Dec-13	30-May-13	20-Jan-13
Term	10 years	15 years	5 years	14 years	1 year	3 years	7 years	1 year	1 year	1 year
Base rate	6M LIBOR	6M LIBOR	3M LIBOR	-	6M LIBOR	6M LIBOR	6M LIBOR	0.51%	0.38%	3M LIBOR
Spread over/under base rate	3.00%	3.63%	4.95%	2.20%	-	2.85 pb	2.95 pb	-	-	-
Fixed rate	4.37%	3.23%	5.90%	2.91%	10.07%	Base rate	Base rate	10.30%	10.55%	10.09%
Total fixed rate	7.37%	6.86%	5.90%	5.11%	10.07%	Base rate + 2.85 pb	Base rate + 2.95 pb	10.30%	10.55%	10.09%
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Risk hedged	Interest rate	Interest rate	Interest rate	Yen/U.S. dollar exchange rate	U.S. dollar/Colon exchange rate	U.S. dollar/Colon exchange rate	U.S. dollar/Colon exchange rate	U.S. dollar/Colon exchange rate	U.S. dollar/Colon exchange rate	U.S. dollar/Colon exchange rate
Instrument	Currency Swap	Currency Swap	Swap	Cross Currency Swap	Non-deliverable Currency Swap	Non-deliverable Currency Swap	Non-deliverable Currency Swap	Non-deliverable Currency Swap	Non-deliverable Currency Swap	Non-deliverable Currency Swap

(Continued)

(In millions of colones)

Capital management

Article 17 of Chapter IV "Equity and Earnings" of the Law to Create the Costa Rican Power and Telephone Company (Law No. 449) dated April 8, 1949 states that "ICE's financial policy will be to reinvest its net profit from the sale of electric power and from any other sources in financing and executing national electrification plans and promoting the electric power industry."

The Government shall not receive any portion of that profit since ICE is not to be considered a productive source of revenue for the Costa Rican Internal Revenue Service. Instead, it is to use all means at its disposal to increase the production of electric energy as a basic industry of Costa Rica.

The policy is to maintain a strong capital base so as to maintain general market confidence and secure the future growth of ICE Group. Returns on investments are monitored by Upper Management.

Capital management aims at ensuring that capital and financial investments have the highest returns by adequately balancing the debt level and the capital invested, reducing risk.

ICE Group's capital management strategy has remained unchanged during the year. ICE Group is not subject to external capital requirements.

ICE Group's adjusted debt/equity ratio at the consolidated balance sheet date is as follows:

Debt/equity ratio		**As of December 31,**	
		2012	**2011** ***(Restated)****
ICE Group			
Total liabilities	¢	2,211,393	1,996,221
(-) Cash and cash equivalents		(145,813)	(152,522)
Debt, net		2,065,580	1,843,699
Total equity		2,901,297	2,834,175
Less:			
Amount accumulated in equity in connection with hedges		(17,481)	(18,583)
Adjusted equity		2,918,778	2,852,758
ICE Group		**0.708**	**0.647**

* See note 27.

(Continued)

(In millions of colones)

Exposure to credit risk

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

Carrying amount of financial assets		As of December 31, 2012	2011 *(Restated)**
ICE Group			
Banks	¢	8,262	7,952
Temporary invesments		138,671	140,060
Valuation of investments		906	1,323
Long-term investments		36,626	20,271
Restricted funds		10,053	7,146
Notes and accounts receivable		210,459	274,370
Total ICE Group	**¢**	**404,977**	**451,122**

* See note 27.

The maximum exposure to credit risk in respect of notes and accounts receivable at the date of the consolidated balance sheet by geographic region is as follows:

Geographic region		As of December 31, 2012	2011 *(Restated)**
Costa Rica	¢	199,859	266,929
Other countries		10,600	7,441
Total by geographic region	**¢**	**210,459**	**274,370**

* See note 27.

(Continued)

(In millions of colones)

The maximum exposure to credit risk in respect of notes and accounts receivable at the date of the consolidated balance sheet by type of counterparty is as follows:

Type of counterparty		**As of December 31,** 2012	**2011 *(Restated)****
Individuals	¢	122,080	98,919
Toro III Hydroelectric Project		3,214	55,941
Wind Power Project - Central Valley		1,788	-
High, medium, and low voltage customers		23,315	65,583
Telephone administrations		10,234	7,185
Distribution companies		9,845	11,523
Government		13,208	10,708
Due from subsidiaries		-	5,042
Sale of terminals		243	1,045
National Insurance Institute (INS) compensation - Cote Plant		2,036	4,146
Operators and service providers		9,807	4,652
Street lighting system		473	884
Other		14,216	8,742
Total by type of counterparty	**¢**	**210,459**	**274,370**

* See note 27.

(In millions of colones)

Risk ratings for ICE Group reported as of December 31, 2012 are as follows:

Issuer	Entry No./ISIN	Instrument	Risk rating
ICE			
Banco BAC San José, S.A.	CRBSJ00B1608	BSJ bond	scr AAA
Banco BANSOL Banco de Soluciones	0NR0ICE00274	Term certificate of deposit	scr-2
Central Bank of Costa Rica	0NR0ICE00289	Term certificate of deposit (electronic)	F1(cri)+
Central Bank of Costa Rica	CRBCCR0B3264	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3314	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3322	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3330	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3371	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B3496	Fixed-rate Monetary Stabilization Bond	BB
Central Bank of Costa Rica	CRBCCR0B3512	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3538	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B3827	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0B4080	Repurchase operation	BB
Central Bank of Costa Rica	CRBCCR0C3917	Zero-coupon Monetary Stabilization Bond	BB
CABEI	CRBCIE0C0165	Commercial paper	F1(cri)+
Banco CITIBANK (CMB COSTA RICA)	0NR0ICE00285	Term certificate of deposit	F1(cri)+
Banco Crédito Agrícola de Cartago	00BCAC0C37G0	Term certificate of deposit (global bond)	F1(cri)+
Banco Crédito Agrícola de Cartago	00BCAC0C49F7	Term certificate of deposit (global bond)	F1(cri)+
Banco Crédito Agrícola de Cartago	00BCAC0C72G7	Repurchase operation	F1(cri)+
Banco Crédito Agrícola de Cartago	00BCAC0C88F5	Term certificate of deposit (global bond)	F1(cri)+
Banco de Costa Rica	00BCR00CGF60	Term certificate of deposit (global bond)	F1(cri)+
Banco de Costa Rica	00BCR00CGN94	Repurchase operation	F1(cri)+
Banco de Costa Rica	00BCR00CGP19	Repurchase operation	F1(cri)+
Banco de Costa Rica	00BCR00CGU20	Repurchase operation	F1(cri)+
Banco de Costa Rica	00BCR00CGU61	Repurchase operation	F1(cri)+
Banco de Costa Rica	00BCR00CGV11	Repurchase operation	F1(cri)+
Banco de Costa Rica	00BCR00CGV37	Term certificate of deposit (global bond)	F1(cri)+
Banco de Costa Rica	0NR0ICE00284	Term certificate of deposit	F1(cri)+
Banco de Costa Rica	0NR0ICE00290	Term certificate of deposit	F1(cri)+
Banco de Costa Rica	0NR0ICE00291	Term certificate of deposit	F1(cri)+
Banco de Costa Rica	CRBCR00B2760	BCR bond	AA(cri)+
Banco de Costa Rica	CRBCR00B3081	Commercial paper	F1(cri)+
Banco de Costa Rica	CRBCR00C3049	Commercial paper	F1(cri)+
Banco de Costa Rica	CRBCR00C3106	Commercial paper	F1(cri)+
Banco Hipotecario de la Vivienda (BANHVI)	0NR0ICE00207	Term certificate of deposit	F1(cri)+
Banco Hipotecario de la Vivienda (BANHVI)	CRBANVIB0037	BANHVI bond	F1(cri)+
BICSA - Miami branch	0NR0ICE00046	Overnight deposit	AA-
BICSA - Miami branch	0NR0ICE00051	Overnight deposit	AA-
BICSA - Miami branch	0NR0ICE00052	Overnight deposit (CLIPP)	AA-
BICSA - Miami branch	0NR0ICE00247	Term certificate of deposit	AA-
BICSA - Miami branch	0NR0ICE00280	Overnight deposit	AA-
Banco Lafise	00BLAFIC93A1	Term certificate of deposit (global bond)	scr2
Banco Lafise	0NR0ICE00263	Term certificate of deposit	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C24J0	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C34J9	Repurchase operation	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C38J0	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C43JO	Repurchase operation	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C52J1	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C72J9	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C76I2	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	00BNCR0C76J0	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica		Repurchase operation	F1(cri)+

(Continued)

(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Banco Nacional de Costa Rica	00BNCR0C81H4	Term certificate of deposit (global bond)	F1(cri)+
Banco Nacional de Costa Rica	0NR0ICE00282	Short-term instrument	F1(cri)+
Banco Nacional de Costa Rica	0NR0ICE00283	Short-term instrument	F1(cri)+
Banco Nacional de Costa Rica	0NR0ICE00286	Short-term instrument	F1(cri)+
Banco Nacional de Costa Rica	0NR0ICE00287	Short-term instrument	F1(cri)+
Banco Nacional de Costa Rica	0NR0ICE00288	Short-term instrument	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0CK036	Repurchase operation	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0CM255	Repurchase operation	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0CM537	Repurchase operation	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	CRBPDC0B6566	Repurchase operation	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	CRBPDC0B6608	Repurchase operation	F1(cri)+
Banco Popular y de Desarrollo Comunal (BPDC)	CRBPDC0B6749	BPDC bond	AA(cri)
Banco Promérica	CRBPROMB1169	Promérica bond	scr AA +
Banco Scotiabank de Costa Rica, S.A.	0NR0ICE00279	Term certificate of deposit	F1(cri)+
CNFL	CRCFLUZB0207	CNFL bond	AAA(cri)
Cariblanco Securitization Trust	CRFPTG0B0013	Repurchase operation	scr AA+
Cariblanco Securitization Trust	CRFTCB0B0020	Cariblanco Securitization Trust	AAA(cri)
Cariblanco Securitization Trust	CRFTCB0B0038	Repurchase operation	scr AA+
Florida ICE & Farm Co., S.A. (FIFCO)	CRFIFCOB0972	FIFCO bond	scr AAA
Government	CRG0000B12G2	Repurchase operation	BB
Government	CRG0000B35G3	Repurchase operation	BB
Government	CRG0000B37G9	Repurchase operation	BB
Government	CRG0000B41G1	Repurchase operation	BB
Government	CRG0000B45G2	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B48G6	Repurchase operation	BB
Government	CRG0000B51G0	Repurchase operation	BB
Government	CRG0000B54G4	Repurchase operation	BB
Government	CRG0000B55G1	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B56G9	Repurchase operation	BB
Government	CRG0000B62G7	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B63G5	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B64G3	Repurchase operation	BB
Government	CRG0000B70G0	Repurchase operation	BB
Government	CRG0000B72G6	Repurchase operation	BB
Government	CRG0000B73G4	Repurchase operation	BB
Government	CRG0000B80G9	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B81G7	Repurchase operation	BB
Government	CRG0000B82G5	Repurchase operation	BB
Government	CRG0000B86G6	Central bank bond	BB
Government	CRG0000B89G0	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000B90G8	Repurchase operation	BB
Government	CRG0000B93G2	Repurchase operation	BB
Government		Central bank bond	BB
Government	CRG0000C77G3	Repurchase operation	BB
Government		Zero-coupon Central Bank global bond	BB
Government	CRG0000C79G9	Zero-coupon Central Bank global bond	BB
Government	CRG0000C85G6	Zero-coupon Central Bank global bond	BB
Government	USP3699PAA59	Repurchase operation	BB
Government		External debt bond - Costa Rica	BB
Government	USP3699PEM51	External debt bond - Costa Rica	BB

(Continued)

(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Government		External debt bond - Costa Rica	BB
Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo (MADAP)	CRMADAPB2277	MADAP bond	scr AA+
Industria National de Cemento (INC)	CRINC00B0126	INC (HOLCIM) bond	AAA(cri)
Mutual Cartago de Ahorro y Préstamo (MUCAP)	00MUCAPC3425	Mortgage Participation Certificate	F1(cri)+
Mutual Cartago de Ahorro y Préstamo (MUCAP)	00MUCAPC3664	Mortgage Participation Certificate	F1(cri)+
Mutual Cartago de Ahorro y Préstamo (MUCAP)	CRMUCAPB1383	Mortgage Participation Certificate	F1(cri)+
Costa Rican Oil Refinery (RECOPE)	CRRECOPB0012	RECOPE standardized bonds	AAA(cri)
SAFI Banco de Costa Rica	BCRLIcFI	BCR Corto Plazo Colones -No diversificado [BCR short-term in colones]; non-diversified	scr AAF2+
SAFI Banco de Costa Rica	BCRMX¢FI	BCR MIXTO Corto Plazo Colones -No diversificado [BCR Short-term mixed in colones]; non-diversified	scr AAF3
SAFI Banco de Costa Rica	FI-000000022	BCR Liquidez Dólares -No diversificado [BCR short-term mixed in colones]; non-diversified	scr AAF2+
SAFI Banco de Costa Rica	FI-000000022	F.I BCR Liquidez Dólares [BCR liquidity in U.S. dollars]	scr AAF2+
SAFI Banco Nacional de Costa Rica	BNASUPERcFI	BN Superfondo Colones -No diversificado ["BN Superfondo" in colones]; non-diversified	scr AAF2+
SAFI Banco Nacional de Costa Rica	FI-000000001	BN Dinerfondo Colones -No Diversificado ["BN Dinerfondo" in colones]; non-diversified	scr AAF2+
SAFI Banco Popular y de Desarrollo Comunal	FI-000000006	Popular Mercado de Dinero Colones -No diversificado [Popular money market in colones]; non-diversified	scr AAF2
SAFI National Insurance Institute	BANCREDILASC¢FI	INS Liquidez Publico Colones -No diversificado [INS Public liquidity in colones]; non-diversified	scr AAF2
SAFI SCOTIABANK	ITFCPPUcFI	Scotia Público Colones -No diversificado [Scotia Public in colones]; non-diversified	scr AAF3
Ministry of Finance	CRG0000B0582	Repurchase operation	BB
Ministry of Finance	CRG0000B51G0	Repurchase operation	BB
Ministry of Finance	CRG0000B54G4	Repurchase operation	BB
Ministry of Finance	CRG0000B73G4	Repurchase operation	BB
Ministry of Finance	CRG0000B81G7	Repurchase operation	BB
Ministry of Finance	CRG0000B93G2	Repurchase operation	BB
FGA	0NR0ICE00281	Repurchase operation	AAA(cri)
Garabito Thermal Plant Trust	CRFPTG0B0013	Repurchase operation	AAA(cri)
Garabito Thermal Plant Trust	CRFPTG0B0021	Repurchase operation	AAA(cri)
Garabito Thermal Plant Trust	CRFPTG0B0039	Repurchase operation	AAA(cri)
Peñas Blancas Securitization Trust	CRFTPB0B0097	Repurchase operation	scr AAA
CNFL			
Banco Nacional de Costa Rica		Term certificate of deposit	N/A
Central Bank of Costa Rica		Monetary Stabilization Bond	BB
Government		Central bank bond	BB
Government		Central bank bond	BB
Government		Central bank bond	BB
Government		Central bank bond	BB
Government		Central bank bond	BB
Government		Central bank bond	BB
Banco de Costa Rica (in U.S. dollars)		Investment fund	N/A
Government		Central bank bond	BB
Banco de Costa Rica (in U.S. dollars)		Term certificate of deposit (in U.S. dollars)	N/A
RACSA			
Banco de Costa Rica		Term certificate of deposit	F1(cri)+
Banco de Costa Rica		Term certificate of deposit	F1(cri)+
CRICSA			
BN Sociedad de Fondos de Inversión, S.A.		Investment fund	scr AAF2+

(In millions of colones)

Exposure to liquidity risk

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

Liabilities		Carrying amount	Expected cash flows	12 months or less	1 to 2 years	2 to 5 years	More than 5 years
Long-term liabilities							
Securities payable	¢	**817,572**	817,572	645	31,242	112,730	672,955
Loans payable		**663,142**	663,142	-	202,896	291,015	169,231
Accounts payable		**44,896**	44,896	-	22,689	22,207	-
Total long-term liabilities		**1,525,610**	**1,525,610**	**645**	**256,827**	**425,952**	**842,186**
Current liabilities							
Securities payable		**33,826**	33,826	33,826	-	-	-
Loans payable		**121,825**	121,825	121,825	-	-	-
Accounts payable		**145,406**	145,406	145,406	-	-	-
Total long-term liabilities		**301,057**	**301,057**	**301,057**	**-**	**-**	**-**
Total ICE Group	¢	**1,826,667**	**1,826,667**	**301,702**	**256,827**	**425,952**	**842,186**

(Continued)

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

In millions of colones		**Carrying amount**	**Expected cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Cross Currency Swap								
Liabilities	¢	(1,828)	13,360	952	917	1,727	4,352	5,413
Swap								
Liabilities		(57)	52	10	9	15	18	0
Forward Staring Swap								
Liabilities		(8,637)	7,638	1,009	1,112	1,971	3,286	260
Plain Vanilla Swap								
Liabilities		(9,257)	9,042	1,568	1,542	2,556	3,302	75
Cross Currency Swap - 1 year								
Liabilities		(413)	720	720	-	-	-	-
Cross Currency Swap - 3 years								
Liabilities		(1,287)	3,288	1,243	1,034	1,010	-	-
Cross Currency Swap - 7 years								
Liabilities		(695)	9,371	1,247	1,029	1,989	5,106	-
Cross Currency Swap - 1 year								
Assets		28	470	-	470	-	-	-
Cross Currency Swap - 1 year (Barclays)								
Assets		254	508	508	-	-	-	-
Cross Currency Swap - 1 year (quarterly)								
Liabilities		(206)	707	236	241	230	-	-

(Continued)

A detail of lines of credit acquired with financial institutions and used for working capital during the year ended December 31, 2012 is presented below:

General features of lines of credit					Disbursement conditions				
Bank	**Purpose**	**Currency**	**Interest rate**	**Amount approved**	**Date disbursed**	**Maturity date**	**Settlement date**	**Renewal date**	**Amount disbursed (in millions of US dollars, as indicated)**
Citibank	Working capital and opening and refining of letters of credit	US$	1M LIBOR + 2.25%= 2.60645%	50	27-Dec-11	27-Jan-12	-	27-Jan-12	20
		US$	3M LIBOR + 2.40%= 3.01360%		28-Jan-12	26-Apr-12	-	26-Apr-12	20
		US$	2M LIBOR +2.40%= 2.74675%		26-Apr-12	25-Jun-12	-	25-Jun-12	20
		US$	1M LIBOR + 2.40%= 2.64525%		25-Jun-12	29-Jun-12	29-Jun-12	-	20
		US$	1M LIBOR + 2.50% = 2.78675%		05-Jul-12	20-Jul-12	20-Jul-12	-	20
Scotiabank	Opening and refining of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate = 7.75% (colones)	50	09-Dec-11	09-Jan-12	09-Jan-12	-	5,000
		Colones	Base deposit rate + 1.75%= 9.75% (colones)		10-Jan-12	09-May-12	09-May-12	-	5,000
		Colones	Base deposit rate + 1.50%= 11.25% (colones)		10-May-12	29-Jun-12	29-Jun-12	-	5,000
		US$	1M LIBOR + 1.48%= 1.75%		08-Dec-11	09-Jan-12	-	9-Jan-12	10
		US$	4M LIBOR + 1.8915%= 2.55%		10-Jan-12	09-May-12	-	9-May-12	10
		US$	2M LIBOR + 3.15428%= 3.50%		09-May-12	29-Jun-12	29-Jun-12	-	10
		US$	6M LIBOR + 2.5676%= 3.30%		18-Apr-12	18-Oct-12	18-Oct-12	-	3
		US$	1M LIBOR + 2.4742%= 2.72%		05-Jul-12	20-Jul-12	20-Jul-12	-	6
		US$	1M LIBOR + 2.4742%= 2.72%		05-Jul-12	20-Jul-12	20-Jul-12	-	7
		Colones	Base deposit rate + 0.25%= 10.00%		05-Jul-12	20-Jul-12	20-Jul-12	-	3,300
		US$	1M LIBOR + 1.95480%= 2.20%		01-Aug-12	03-Sep-12	-	3-Sep-12	15
		US$	1M LIBOR + 1.7695%= 2.00%		03-Set-12	03-Oct-12	03-Oct-12	-	15
		US$	2M LIBOR + 1.79%= 2.14%		07-Aug-12	08-Oct-12	08-Oct-12	-	5
		US$	2M LIBOR + 1.77525%= 2.11%		13-Aug-12	27-Sep-12	27-Set-12	-	5
		Colones	9.35% fixed		14-Dec-12	14-Mar-13	-	-	7,500
		US$	3M LIBOR + 1.48%= 1.789%		19-Dec-12	19-Mar-13	-	-	20
BNP PARIBAS	Opening and refining of letters of credit and working capital	US$	6M LIBOR + 2.45%= 3.2081%	30	14-Feb-12	14-Aug-12	14-Aug-12	-	10
BLADEX	Opening and refining of letters of credit and working capital	US$	6M LIBOR + 2.65%= 3.2866%	65	9-Nov-11	07-May-12	07-May-12	-	6
		US$	2M LIBOR + 2.25%= 2.59575%		08-May-12	06-Jul-12	06-Jul-12	-	6
		US$	1M LIBOR + 2.50%= 2.7741%		12-Aug-11	09-Jan-12	09-Jan-12	-	10
		US$	4M LIBOR + 2.65%= 3.31%		10-Jan-12	09-May-12	09-May-12	-	15
		US$	2M LIBOR + 2.25%= 2.59575%		10-May-12	29-Jun-12	29/06/2012	-	15
		US$	4M LIBOR + 2.65%= 3.31%		10-Jan-12	09-May-12	09-May-12	-	15
		US$	2M LIBOR + 2.25%= 2.59575%		10-May-12	09-Jul-12	09-Jul-12	-	15
		US$	6M LIBOR + 2.45%= 3.2081%		14-Feb-12	14-Aug-12	14-Aug-12	-	20
		US$	6M LIBOR + 2.45%= 3.2081%		27-Feb-12	24-Aug-12	24-Aug-12	-	9
		US$	1M LIBOR + 1.50%= 1.7305%		04-Set-12	04-Oct-12	04-Oct-12	-	15

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

General features of lines of credit					Disbursement conditions				
Bank	**Purpose**	**Currency**	**Interest rate**	**Amount approved**	**Date disbursed**	**Maturity date**	**Settlement date**	**Renewal date**	**Amount disbursed (in millions of US dollars, as indicated)**
Banco de San José (BAC)	Opening and refining of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate + 0.75%= 8.25% (colones)	10	07-Dec-11	09-Jan-12	-	10/01/2012	3,300
		Colones	Base deposit rate + 1.70%= 9.70% (colones)		10-Jan-12	09-May-12	09-May-12	-	3,300
		Colones	11.25% fixed (colones)		10-May-12	29-Jun-12	29-Jun-12	-	3,300
Honk Kong Shanghai Bank Corp (HSBC)	Working capital and issue of performance bonds	US$	3.00% fixed	60	29-Nov-11	25-May-12	-	25/05/2012	24
		US$	3.35% fixed		25-May-12	25-Jun-12	25-Jun-12	-	24
		US$	3.15% fixed		27-Dec-11	23-Mar-12	23-Mar-12	-	5
		US$	2.70% fixed		23-Mar-12	22-May-12	22-May-12	-	5
		US$	3.35% fixed		23-May-12	25-Jun-12	25-Jun-12	-	5
		US$	3.25% fixed		08-May-12	08-Jun-12	08-Jun-12	-	4
		US$	2.65% fixed		05-Jul-12	20-Jul-12	20-Jul-12	-	9
Global Bank	Working capital	US$	1M LIBOR + 1.50%= 1.7741%	20	12-Jul-11	09-Jan-12	09-Jan-12	-	10
		US$	3M LIBOR + 2.50%= 3.0825%		10-Jan-12	09-Apr-12	09-Apr-12	-	10
		US$	2M LIBOR + 2.75%= 3.09605%		19-Apr-12	18-Jun-12	18-Jun-12	-	10
		US$	1M LIBOR + 2.50%= 2.74575%		05-Jul-12	20-Jul-12	20-Jul-12	-	10
Mercantil Commercebank	Working capital and opening and refining of letters of credit	US$	5M LIBOR + 1.20%= 1.81611%	30	21-Nov-11	19-Apr-12	19-Apr-12	-	10
		US$	6M LIBOR + 1.25%= 1.9689%		28-Nov-11	25-May-12	25-May-12	-	20
		US$	1M LIBOR + 1.30%= 1.53875%		29-May-12	28-Jun-12	28-Jun-12	-	20
		US$	3M LIBOR + 1.25%= 1.71565%		24-Apr-12	29-Jun-12	29-Jun-12	-	10
		US$	2M LIBOR + 1.77525%= 2.11%		13-Aug-12	10-Dec-12	26-Sep-12	-	30
		US$	3M LIBOR + 1.50%= 1.8090%		19-Dec-12	19-Mar-13	-	-	13
Banco Aliado (Panama)	Working capital and opening and refining of letters of credit	US$	4M LIBOR + 2.50%= 3.16%	10	10-Jan-12	09-May-12	09-May-12	-	5
		US$	3.16% fixed		10-May-12	29-Jun-12	29-Jun-12	-	5
		US$	6M LIBOR + 2.45%= 3.2081%		14-Feb-12	29-Jun-12	29-Jun-12	-	5
		US$	1M LIBOR + 1.75%= 1.99575%		05-Jul-12	20-Jul-12	20-Jul-12	-	10
		US$	1M LIBOR + 1.75%= 1.9875%		23-Aug-12	24-Sep-12	24-Sep-12	-	10

(Continued)

A detail of lines of credit acquired with financial institutions and used for working capital during the year ended December 31, 2011 is presented below:

Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed (in millions of US dollars, as indicated)
Citibank	Working capital and opening and refinancing of letters of credit	US$	1M LIBOR + 2.25%= 2.60645%	50	27-Dec-11	27-Jan-12	-	-	20
Scotiabank	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate 7.25% (colones)	50	10-Jun-11	9-Dec-11	9-Dec-11	9-Dec-11	5,000
		Colones	Base deposit rate 7.75% (colones)		9-Dec-11	9-Jan-12	-	-	5,000
		US$	1M LIBOR + 1.48%= 1.75%		8-Dec-11	9-Jan-12	-	-	10
BNP Paribas	Opening and refinancing of letters of credit and working capital	US$	3M LIBOR + 1.25%= 1.495575%	30	15-Jul-11	14-Oct-11	14-Oct-11	-	15
		US$	3M LIBOR + 1.30%= 1.55125%		20-Jul-11	20-Oct-11	20-Oct-11	-	15
		US$	1M LIBOR + 2.75%= 2.9977%		9-Nov-11	9-Dec-11	9-Dec-11	-	30
BLADEX	Opening and refinancing of letters of credit and working capital	US$	3M LIBOR + 1.30%= 1.57478%	65	12-Aug-11	10-Nov-11	10-Nov-11	-	27
		US$	3M LIBOR + 1.50%= 1.82278%		31-Aug-11	29-Nov-11	29-Nov-11	-	20
		US$	6M LIBOR + 2.65%= 3.2866%		9-Nov-11	7-May-12	-	-	6
		US$	1M LIBOR + 2.50%= 2.7741%		8-Dec-11	9-Jan-12	-	-	10
Banco de San José (BAC)	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate 8.25% (colones)	10	7-Dec-11	9-Jan-12	-	-	3,300
HSBC	Working capital and issue of performance bonds	US$	1.65% fixed	60	28-Dec-10	31-Mar-11	31-Mar-11	-	-
		US$	1.5% fixed		1-Apr-11	30-Sep-11	30-Sep-11	-	10
		US$	1.5% fixed		16-Jun-11	16-Aug-11	16-Aug-11	-	20
		US$	1.9% fixed		19-Oct-11	18-Nov-11	18-Nov-11	-	27
		US$	1.9% fixed		24-Oct-11	23-Nov-11	23-Nov-11	-	13
		US$	3% fixed		29-Nov-11	25-May-12	-	-	24
		US$	3.15% fixed		27-Dec-11	23-Mar-12	-	-	5

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed (in millions of US dollars, as indicated)
Global Bank	Working capital	US$	1M LIBOR + 1.00%= 1.24%	20	13-Oct-11	10-Nov-11	10-Nov-11	-	5
		US$	1M LIBOR + 1.50%= 1.7477%		9-Nov-11	9-Dec-11	9-Dec-11	-	10
		US$	1.7741%		7-Dec-11	9-Jan-12	-	-	10
Mercantil Commercebank	Working capital and opening and refinancing of letters of credit	US$	3M LIBOR + 1.15%= 1.42478%	30	12-Aug-11	10-Nov-11	10-Nov-11	-	10
		US$	5M LIBOR + 1.20%= 1.81611%		21-Nov-11	19-Apr-12	-	-	10
		US$	6M LIBOR + 1.25%= 1.9689%		28-Nov-11	25-May-12	-	-	20
Banco Aliado (Panama)	Working capital and opening and financing of letters of credit	US$	1M LIBOR + 1.50%= 1.74289%	10	13-Oct-11	14-Nov-11	14-Nov-11	-	7
		US$	1M LIBOR + 1.50%= 1.7477%		9-Nov-11	9-Dec-11	9-Dec-11	-	3

(Continued)

(In millions of colones)

Market risk

Exposure to currency risk

ICE Group's exposure to foreign currency risk is as follows:

	Balances in foreign currency As of December 31,							
	U.S. dollars		Yens		EUROS		CHF	GBP
	2012	2011	2012	2011	2012	2011	2011	2011
Assets								
ICE								
Materials in transit for investment	178	202	220	561	94	77	1	-
Long-term investments	2	3	-	-	-	-	-	-
Notes receivable	19	8	-	-	-	-	-	-
Banks and temporary investments	299	124	-	-	-	-	-	-
Restricted funds	2	2	-	-	-	-	-	-
Receivables for services rendered	6	48	-	-	-	-	-	-
Non-trade receivables	22	5	-	-	-	-	-	-
Securities received as guaranty deposits	1	1	-	-	-	-	-	-
Materials in transit for operations	2	30	-	-	-	-	-	-
Valuation of derivative financial instruments	4	11	-	-	-	-	-	-
Total ICE	**535**	**434**	**220**	**561**	**94**	**77**	**1**	**-**
CNFL								
Banks and temporary investments	18	18	-	-	-	-	-	-
Notes and accounts receivable	8	8	-	-	-	-	-	-
Guarantees for environmental commitments	2	1	-	-	-	-	-	-
Total CNFL	**27**	**27**	**-**	**-**	**-**	**-**	**-**	**-**
RACSA								
Banks and temporary investments	1	8	-	-	-	-	-	-
Accounts receivable	2	3	-	-	-	-	-	-
Total RACSA	**2**	**11**	**-**	**-**	**-**	**-**	**-**	**-**
Total ICE Group	**565**	**472**	**220**	**561**	**94**	**77**	**1**	**-**
Liabilities								
ICE								
Securities payable	1,204	776	-	-	-	1	-	-
Long- and short-term loans payable	1,103	1,188	13,820	14,324	-	-	-	-
Obligations derived from credit	8	54	-	-	-	-	-	-
Guaranty deposits	1	-	-	-	-	72	-	-
Accounts payable	73	125	74	353	86	-	1	-
Accrued finance expenses	43	26	-	-	-	-	-	-
Deposits from individuals and private companies	2	2	-	-	-	-	-	-
Provisions	5	6	-	-	-	-	-	-
Valuation of derivative financial instruments	43	39	-	-	-	-	-	-
Total ICE	**2,482**	**2,216**	**13,894**	**14,677**	**86**	**73**	**1**	**-**
Excess of liabilities over assets	**1,947**	**1,782**	**13,674**	**14,116**	**(8)**	**(4)**	**-**	**-**
CNFL								
Long- and short-term loans payable	76	81	-	-	-	-	-	-
Total CNFL	**76**	**81**	**-**	**-**	**-**	**-**	**-**	**-**
Excess of liabilities over assets	**49**	**54**	**-**	**-**	**-**	**-**	**-**	**-**
RACSA								
Long- and short-term loans payable	35	28	-	-	-	-	-	-
Guaranty deposits	1	1	-	-	-	-	-	-
Accounts payable	3	16	-	-	-	-	-	1
Total RACSA	**38**	**45**	**-**	**-**	**-**	**-**	**-**	**1**
Excess of liabilities over assets	**36**	**34**	**-**	**-**	**-**	**-**	**-**	**1**
Total ICE Group	**2,596**	**2,342**	**13,894**	**14,677**	**86**	**73**	**1**	**-**
Excess of liabilities over assets - ICE Group	**2,031**	**1,870**	**13,674**	**14,116**	**(8)**	**(4)**	**-**	**1**

(Continued)

(In millions of colones)

As of December 31, 2012, the sell rate of ¢509.23 (2011: ¢518.33) to US$1.00 was used to adjust items in U.S. dollars.

The main exchange rates used as of December 31, 2012 and 2011 are as follows:

	Exchange rate with U.S. dollar As of December 31,	
Currency	**2012**	**2011**
Swedish krona	6.50	6.89
Pound sterling	1.61	1.55
Swiss franc	0.91	1.07
Euro	1.32	1.30
Colon	509.23	518.33
Japanese yen	86.06	76.91

In the case of currency operations, ICE Group adheres to the provisions of Law No. 7558, "Internal Regulations of the Central Bank of Costa Rica", of November 27, 1995. Article 89 of that law states that "Non-banking public sector institutions shall execute their currency buy and sell transactions through the Central Bank of Costa Rica or State-owned commercial banks…".

(In millions of colones)

Sensitivity analysis

Strengthening of the Costa Rican colon against the aforementioned currencies as of December 31, 2012 would have caused the following variations in equity and results:

		Effect in profit or loss: Income (Expense) As of December 31, 2012	2011
ICE			
Yen/Colon (strengthening of 10%)	¢	(8,091)	(9,513)
Euro/Colon (strengthening of 10%)		(563)	(374)
SEK/Colon (strengthening of 10%)			
USD/Colon (strengthening of 10%)		99,215	92,354
Net effect ICE		90,561	82,467
CNFL			
USD/Colon (strengthening of 10%)		2,448	2,783
Net effect CNFL		2,448	2,783
RACSA			
USD/Colon (strengthening of 10%)		1,833	1,780
Net effect RACSA		1,833	1,780
Net effect ICE GROUP	¢	94,841	87,030

This analysis is based on a variation in the foreign exchange rate that ICE Group considers to be reasonably probable at the end of the reporting period. For such purposes, the benchmarks used are the exchange rates mentioned above. This analysis assumes that all other variables, particularly interest rates, remain constant.

Exposure to interest rate risk

ICE Group maintains significant assets and liabilities, mainly represented by temporary investments, long-term investments, and securities and loans payable obtained to finance its commercial operations, which are subject to interest rate variations.

(In millions of colones)

A detail of interest rates for financial assets and liabilities is presented in the following notes:

	Note
Securities payable	21
Temporary investments	12
Loans payable	22
Long-term investments	8
Notes receivable	10

Sensitivity analysis

In managing interest rate risk, ICE Group aims to reduce the impact of short-term fluctuations on its earnings. With respect to temporary investments, long-term investments, and securities and loans payable, permanent changes in interest rates would have an impact on earnings.

During the year ended December 31, 2012, it is estimated that an overall increase of one percentage point in interest rates would have had the following effects:

		Effect in profit or loss: Income (Expense) As of December 31,	
		2012	**2011**
ICE			
Temporary investments (strengthening of 1%)	¢	1,153	1,359
Long-term financial investments (strengthening of 1%)		169	122
Long-term notes receivable (strengthening of 1%)		72	25
Long-term securities payable (strengthening of 1%)		(8,132)	(6,052)
Short-term securities payable (strengthening of 1%)		(1)	-
Long-term notes payable (strengthening of 1%)		(6,923)	(7,076)
Short-term notes payable (strengthening of 1%)		(243)	(737)
Net effect ICE		**(13,905)**	**(12,359)**
CNFL			
Temporary investments (strengthening of 1%)		25	25
Securities payable (strengthening of 1%)		(416)	(300)
Long-term notes payable (strengthening of 1%)		(672)	(395)
Net effect CNFL		**(1,063)**	**(670)**
RACSA			
Temporary investments (strengthening of 1%)		4	17
Long-term notes payable (strengthening of 1%)		(10)	(181)
Net effect RACSA		**(6)**	**(164)**
Net effect ICE Group	¢	**(14,974)**	**(13,193)**

(Continued)

(In millions of colones)

Note 40. ICE Group's operating segments

A segment is a distinguishable component of ICE Group that is engaged in providing related products and services (business segment), which is subject to risks and rewards that are different from those of other segments. Business segments are determined based on ICE Group's internal organizational and informational structure.

Profit or loss, assets, and liabilities of the segment include items directly attributable to a segment, as well as those that may be reasonably attributable.

The segments identified by ICE Group are: ICE Telecom, which includes RACSA and CRICRSA and the ICE Electricity, which includes the electricity segment and CNFL.

Information on those segments is presented below:

ICE Electricity

Consolidated Balance Sheet		As of December 31, 2012	2011 *(Restated)**
Property, machinery, and equipment	¢	3,204,480	2,899,072
Long-term investments and receivables		352,396	320,810
Current assets		249,778	312,718
Other assets		263,529	250,164
Total assets		**4,070,183**	**3,782,764**
Long-term liabilities		1,450,455	1,262,184
Short-term liabilities		352,440	341,994
Other liabilities		132,936	124,028
Total liabilities		1,935,831	1,728,206
Equity		2,134,352	2,054,558
Total liabilities and equity	¢	**4,070,183**	**3,782,764**

* See note 27.

(In millions of colones)

ICE Electricity

Consolidated Statement of Profit or Loss		**For the year ended December 31, 2012**	**2011 *(Restated)****
Operating profit	¢	846,693	815,283
Operating costs and expenses		798,177	783,324
Operating profit (expenses)		**48,516**	**31,959**
Other income		86,800	123,114
Other foreign exchange income		37,130	5,034
Finance expenses		(100,127)	(51,722)
Other expenses		(54,919)	(105,656)
Other foreign exchange expenses		(6,152)	(9,347)
Profit (deficit), net	**¢**	**11,248**	**(6,618)**

* See note 27.

ICE Telecom

Consolidated Balance Sheet		**As of December 31, 2012**	**2011 *(Restated)****
Property, machinery, and equipment	¢	1,022,882	1,013,552
Long-term investments and receivables		97,640	84,099
Current assets		292,424	305,870
Other assets		147,229	129,648
Total assets		**1,560,175**	**1,533,169**
Long-term liabilities		210,015	192,681
Short-term liabilities		114,321	126,497
Other liabilities		106,091	90,000
Total liabilities		430,427	409,178
Equity		1,129,748	1,123,991
Total liabilities and equity	**¢**	**1,560,175**	**1,533,169**

* See note 27.

(In millions of colones)

ICE Telecom

Consolidated Statement of Profit or Loss		**For the year ended December 31, 2012**	**2011 (Restated)***
Operating profit	¢	542,461	533,746
Operating costs and expenses		548,403	516,353
Operating profit (expenses)		**(5,942)**	**17,393**
Other income		28,471	17,652
Other foreign exchange income		5,668	2,217
Finance expenses		(13,028)	(7,142)
Other expenses		(3,763)	(370)
Other foreign exchange expenses		(2,317)	(495)
Profit (deficit), net	¢	**9,089**	**29,255**

* See note 27.

Transactions eliminated between segments

Consolidated Balance Sheet		**As of December 31, 2012**	**2011 (Restated)***
Property, machinery, and equipment	¢	(14,644)	(11,507)
Long-term investments and receivables		(404,630)	(382,096)
Current assets		(93,276)	(86,327)
Other assets		(5,119)	(5,608)
Total assets		**(517,669)**	**(485,538)**
Long-term liabilities		(68,947)	(60,732)
Short-term liabilities		(87,501)	(80,429)
Other liabilities		1,582	-
Total liabilities		(154,866)	(141,161)
Equity		(362,803)	(344,377)
Total liabilities and equity	¢	**(517,669)**	**(485,538)**

* See note 27.

(Continued)

(In millions of colones)

Transactions eliminated between segments

Consolidated Statement of Profit or Loss		For the year ended December 2012	2011 *(Restated)**
Operating profit	¢	(204,205)	(204,296)
Operating costs and expenses		(206,401)	(204,629)
Operating profit (expenses)		**2,196**	**333**
Other income		(10,855)	(3,219)
Finance expenses		(1,077)	(625)
Other expenses		(4,567)	(850)
Other foreign exchange expenses		(66)	(66)
Profit before minority interest		**(2,949)**	**(1,345)**
Minority interest (1.4%)		(72)	10
Profit (deficit), net	¢	**(3,021)**	**(1,335)**

* See note 27.

The nature of elimination entries generated in the consolidated balance sheet is as follows:

- ICE's long-term investment corresponding to subsidiaries in the amount of ¢353,765.
- Accounts receivable for services rendered to RACSA and accounts due to ICE for telephone and infocommunication services in the amount of ¢113.
- Interest due from RACSA and accounts due to ICE related to interest on the financing for the V-SAT platform in the amount of ¢9.
- Account due to RACSA for lease of space in ICE's buildings for ¢101.
- Long-term loans and mortgages payable (RACSA) and long-term notes receivable to eliminate the financing agreement for the V-SAT platform subscribed between ICE and RACSA in the amount of ¢387.
- Long-term loans and mortgages payable (RACSA) and long-term notes receivable to eliminate the liability restructuring agreement in the amount of ¢14,842.
- Account payable and receivable ICE-CNFL-ICE for telephone services in the amount of ¢371.
- Notes receivable ICE-CNFL for a financing agreement secured by ICE in the amount of ¢1,973.
- Account payable and receivable ICE-CNFL for electricity services, leasing of lamp posts and ducts, and other services in the amount of ¢2,022.
- Accounts payable and receivable ICE-RACSA for mutual services in the amount of ¢263.
- Account payable and receivable ICE-RACSA for lease of office space to ICE for ¢7.
- Effect of power sales by ICE to CNFL in the amount of ¢20,341.

(Continued)

- Donation of Back Haul use (RACSA), intangible assets (ICE), and capital contributions (RACSA) in the amount of ¢3,063, and amortization payment in the amount of ¢219.
- RACSA’s security deposits for ¢8.
- Notes receivable and payable ICE-CNFL and finance expenses payable and interest receivable ICE-CNFL related to the Moín III loan in the amounts of ¢938 and ¢20.

The nature of elimination entries generated in the consolidated statement of profit or loss are as follows:

- Income and expenses for billings of power to CNFL in the amount of ¢189,136.
- Income and expenses for the lease of lamp posts and ducts to ICE Telecom by CNFL in the amount of ¢1,297.
- Income and expenses for billings of telephone services to CNFL in the amount of ¢194.
- Income and expenses for power meter services CNFL-ICE in the amount of ¢5,499.
- Income and expenses for telephone services, leases, operation, and maintenance of backhaul, and VSAT warehousing in the amount of ¢1,571.
- Administrative income and expenses for leases of buildings, power, and cleaning services ICE-RACSA in the amount of ¢173.
- Operating income and expenses for commercial billings RACSA-ICE in the amount of ¢26.
- Finance interest for V-SAT agreement in the amount of ¢270.
- ICE’s purchase of bonds placed in the market by CNFL in the amount of ¢400.
- Release of RACSA’s debt with ICE in the amount of ¢3,435.
- Sale of the rights to the fourth expansion of the submarine cable link (Maya 1) in the amount of ¢3,259.

(Continued)

(In millions of colones)

Note 41. Contingent assets and liabilities

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	2011
Contingent assets - lawsuits filed by ICE:						
Expropriation	Electricity	Expropriation in the amount of ¢1,703 to acquire land necessary for the Diquís Hydroelectric Power Project. A final ruling is pending.	¢	-	-	-
Expropriation	Electricity	Expropriation in the amount of ¢800 to acquire land necessary for the Reventazón Hydroelectric Power Project. A final ruling is pending.		-	-	-
Legal collections	Electricity	Legal collections for outstanding invoices. The defendant has been notified.		717	-	-
Expropriation	Electricity	Expropriation in the amount of ¢716 to acquire land necessary for the future Coyol de Alajuela substation. The ruling is appealed and a final decision is pending.		-	-	-
Legal collections	Electricity	The Legal Collections area handles executive processes in order to recover unpaid amounts for electricity services. ICE has 4,499 proceedings as of December 31, 2012. ICE's Legal Department estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various matters related to the unpaid amounts, statute of limitations, and lack of documentation.		2,500	-	-
Ordinary administrative	Electricity	ICE claims payment of outstanding fines and the plaintiff claims breach of contract. ICE and the plaintiff claimed payment of costs in the execution of the judgement in the amounts of ¢974 and ¢1,942, respectively.		974	-	-
Arbitration	Telecom	Claim of damages for noncompliance with Public Tender No. 6378. The defendant files a plea claiming lack of competence that was taken to the First Chamber.		8,993	-	-
Precautionary measures (in accordance with article 26 of the Administrative Appeals Procedural Code)	Telecom	Request for precautionary measures in order to maintain the pre-judgement attachments of the ICE-VERIZON arbitration case No. 0225-2012/AR-AD HOC. A ruling confirming the attachments is issued by the Court of Appeals.		5,147	-	-
Ordinary administrative	Telecom	Bypass fraud. Service of the complaint is pending.		2,992	-	-
Ordinary administrative	Telecom	Bypass fraud. Service of the complaint is pending.		1,225	-	-
Ordinary administrative	Telecom	Bypass fraud. Service of the complaint is pending.		1,054	-	-
Ordinary administrative	Telecom	Bypass fraud. Service of the complaint is pending.		947	-	-
Ordinary administrative	Telecom	Bypass fraud. Service of the complaint is pending.		878	-	-
Ordinary administrative	Telecom	Claim for damages resulting from sentences and agreements issued by SEC (Securities Exchange Commission) and the U.S. Department of Justice. This process is also a result of the forum non conveniens resolution in USA.		9,000	-	-
Civil	Telecom	ICE requests compensation from the parent company, its subsidiaries, and other for damages resulting from noncompliance with the Florida RICO Act and other. This proceeding has been suspended since the Alcatel - Lucent S.A. proceedings are pending resolution.		500	-	-
Ordinary administrative	Telecom	Judicial proceedings filed by ICE to annul ARESEP's administrative ruling, which orders ICE to disburse the co-defendant the amount of ¢305 and pay the State a fine of ¢1,830. A preliminary hearing was scheduled for March 2013.		500	-	-
Legal collections	Telecom	The Legal Collections Area handles executive proceedings in order to recover unpaid amounts for telephone services. ICE has 12,157 proceedings as of December 31, 2012. ICE's Legal Department estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various matters related to unpaid amounts, statute of limitations, and lack of documentation.		1,536	-	-
Expropriation	Telecom	As of December 31, 2012, there are 502 judicial for a total of ¢8,963 proceedings for forced expropriation, in order to take possession and gain legal title to the property required for the different projects being developed. Those proceedings are related to appraisals made by ICE appraisers that were not formalized through the administrative venue, either due to legal issues or rejection of the appraisal.		-	-	-
		Total contingent assets- ICE	**¢**	**36,963**	**-**	**-**

(Continued)

(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012	2011
					Provision (see note 26)	
Contingent liabilities - lawsuits filed against ICE:						
Ordinary	Corporate	Claim for damages resulting from the return of steal pipes.	¢	270	-	-
Ordinary	Electricity	Claim filed against ICE requesting the adjustment of the purchase price of power. The claim was answered.		1,931	-	-
Ordinary	Electricity	Claim for reimbursement of collected fines. The claim was answered.		606	-	-
Ordinary	Electricity	Lawsuit seeking the recognition of a number of items for machinery rental. The lawsuit was answered.		1,589	-	-
Ordinary	Electricity	Lawsuit filed to lift the disqualification handed down and pay damages for lack of authorization of a tender process. The lawsuit is being answered.		7,158	-	-
Arbitration	Electricity	The plaintiff seeks reimbursement from ICE for penalties resulting from noncompliance with the delivery of potential energy plus damages. A ruling is pending from the Court based on expert testimony.		518	-	-
Arbitration	Electricity	The plaintiff alleges that, due to reasons attributable to ICE, start up of the plant's commercial operation was delayed. The claim is in the amount of US$1.8 million (plus interest, damages, costs, and other proven expenses). A motion for nullity filed by the plaintiff with the First Chamber is pending.		933	-	-
Ordinary administrative	Electricity	Lawsuit seeking the declaration of nullity of the Decree of the Public and National Interest of PHED, expropriation, and damages. The lawsuit was answered and amended complaints filed. Proceedings suspended due to an appeal claiming violation of constitutional rights against the Indigenous Law and its decree since the Court considers that it may influence the process. The judicial recognition was performed on November 15, 2012.		103,638	-	-
Ordinary	Electricity	A request is being made for collection of damages from ICE and other for preventing the plaintiff from developing a productive activity due to alleged contamination. The ruling was dismissed. The plaintiff filed an appeal and ICE claimed tort.		5,854	-	2,191
Ordinary administrative	Electricity	The main claim seeks annulment of several administrative actions of ICE and order ICE to submit the additional costs issue to arbitration. The alternative claim seeks recognition of damages to the plaintiff in the amount of US$7.9 million. An oral trial is pending.		4,026	-	-
Ad Hoc Arbitration	Electricity	Lawsuit seeking civil liability of ICE in respect of an alleged purchase-sale agreement and payment for the agreed price, compensation for damages and civil liability due to noncompliance, and Symons concrete forms. The arbitration award issued on December 7, 2012 dismissed the main claims of the plaintiff and accepted the alternative claims. ICE is ordered to recognize the value of the Doka concrete forms.		500	250	-
Ordinary administrative	Electricity	Execution of judgement. ICE claims payment of outstanding fines and the defendant claims breach of contract. The First Chamber upheld the ruling issued in the second instance in favor of ICE. ICE and the defendant claimed payment of attorney's fees and costs in the execution of the judgement in the amounts of ¢974 and ¢1,942, respectively.		1,942	1,942	1,942
Ordinary	Electricity	Claim of damages and loss of property value due to installation of high-voltage towers. A ruling issued by the Administrative Litigation Court annulled the ruling issued in the first instance. Subsequently, the Administrative Litigation Court issued a new ruling dismissing in every respect the claim of the plaintiffs and the plaintiffs are ordered to pay attorney's fees and court costs. The judge upholds the lack of legal right. The plaintiffs file an appeal. ICE cliams tort to the Administrative Litigation Court.		1,794	-	525
		Subtotal - Carried forward	**¢**	**130,760**	**2,192**	**4,658**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	2011
		Brought forward	¢	130,760	2,192	4,658
Ordinary	Electricity	The plaintiff is suing ICE for the effects of a rate adjustment in the Electricity segment. The date of the trial is pending.		1,326	1,326	1,326
Ordinary administrative	Electricity	Challenge of three official letters issued by the Procurement Department in respect of proceedings related to administrative sanctions. Ruling handed down in favor of ICE. The plaintiff filed an appeal for nullification with a higher court.		801	-	-
Ordinary administrative	Electricity	Final ruling from the Court issued in first instance in favor of the plaintiff. A claim seeks recognition of price adjustment.		716	358	-
Ordinary	Electricity	The plaintiff seeks recognition of damages caused by ICE as a result of failure to subscribe a power puchase-sale agreement (private generation). Ruling handed down by a higher court against ICE. A full ruling is pending.		500	500	250
Ordinary	Electricity	Annulment of administrative actions and payment of demonstrable damages in execution of a judgement for removing an excavator in the Miravalles Project. The appeal for nullification with a higher court filed by the plaintiff was dismissed. The execution of judgement by the plaintiff is pending.		500	500	500
Execution of judgement	Electricity	Execution of the judgement of the Criminal Court. Principal and attorney's fees and court costs were paid in November 2011. A motion for appeal and an appeal for nullification with a higher court were filed against the approval of payment of the corresponding interest.		520	-	260
Ordinary	Electricity	Claim for indemnity for a failed parallel generation project (Los Gemelos). The appeal filed by ICE was accepted. The plaintiffs filed an appeal for nullification with a higher court. The Court accepted the appeal and a hearing was scheduled. A ruling from the First Chamber is pending.		509	-	518
Ordinary	Telecom	Claim for damages due to rescission of the agreement.		2,495	-	-
Ordinary administrative	Telecom	A security officer who worked for a hired company suffers an occupational accident at the premises of ICE. The security officer seeks compensation for damages. The claim was answered.		1,600	-	-
Ordinary	Property Administration Office	The plaintiff requests that ICE be found guilty of unlawfully taking possession of real estate owned by the plaintiff in Tamarindo. ICE was ordered to indemnify the plaintiff in the amount of ¢89. The amount was paid and, accordingly, excluded from the provision.		578	-	578
Ordinary administrative	Electricity	The public or private property of the subsoil in Costa Rica, related to the excavation of a tunnel, is under discussion. There is a favorable ruling with respect to the allegations. However, ICE filed an appeal for nullification with a higher court in relation to environmental legislation issues.		500	-	-
Injunction with precautionary measures	Electricity	Claim for alleged disruptive actions in property owned by the plaintiff.		500	-	-
Injunction with precautionary measures	Electricity	The precautionary measures were upheld by the court through a ruling handed down in September 2011. ICE answered the hearing on joinder of claims. This was dimissed by the court through a ruling issued in March 2012.		500	-	-
		Subtotal - Carried forward	**¢**	**141,804**	**4,875**	**8,090**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	2011
		Brought forward	¢	141,804	4,875	8,090
Ordinary	Electricity	Expropriation of land necessary to construct the reservoir for the Arenal Hydroelectric Power Project. The defendant made the land available for his/her own use by taking advantage of an error in the filing of the expropriation encumbrance with the Property Registry. ICE had made the corresponding payment. The amount cannot be estimated.		500		500
Administrative-Sanctions	Electricity - Telecom	In 2005, ICE was issued notices of deficiency for the periods from September 1999 through December 2000 corresponding to tax withholdings at the source (on profits, wages, and foreign remittances), plus interest and penalties, and general sales tax. Likewise, ICE was issued notices of deficiency in 2006 corresponding to tax withholdings at the source (on profits, wages, and foreign remittances) for the periods from January 2001 through December 2003, plus interest and penalties, and general sales tax, plus interest and penalties. The total tax determined for those notices of deficiency (1999-2000 and 2001-2003 periods) is ¢12,034. The balance of the provision as of December 31, 2011 and 2010 is ¢535 for the Electricity segment. The balance of interest for the 1999-2000 and 2001-2003 periods is ¢14,018 and penalties amount to ¢2,374. In 2012, an adjustment to the provision (litigation) is determined for the 1999-2000 and 2001-2003 periods due to penalties resulting from the notices of deficiency issued by the Tax Authorities. Principal and interest were paid in December 2007 and the penalties for the 2001-2003 period were paid in July 2010. However, since no official notice from the Finance Ministry was issued with respect to the penalties corresponding to the 1999-2000 period, the amount provisioned remained unchanged to the date of this report. A review determined that the provision of principal plus interest was made for an additional notice of deficiency. Accordingly, the amount of the provision was excluded.		14,018	-	535
Administrative-Sanctions	Electricity - Telecom	On September 17, 2009, ICE was issued a notice of deficiency related to general sales tax for December 2007, which as of today's date is being disputed. Through a ruling issued by the Administrative Tax Court, the amount of principal is reduced to ¢262 (original amount of ¢883). Accordingly, the fine is reduced to ¢65 (original fine of ¢221). The amount provisioned as of the 2012 closing date corresponds to the estimated interest and fines.		1,690	728	753
Ordinary	Telecom	The plaintiff requests compensation from ICE due to the termination of an agreement in the administrative venue. A trial is to be scheduled.		12,941	-	-
Ordinary administrative	Telecom	The plaintiff requests compensation from a contractor of ICE for alleged losses as a result of breach of contract by ICE and the contractor.The contract in question is the Phone Book Contract. A preliminary hearing was conducted and an oral trial is pending.		33,297	-	-
		Subtotal - Carried forward	¢	204,251	5,604	9,878

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	2011
		Brought forward	¢	204,251	5,604	9,878
Ordinary	Telecom	Unfair term in a tender. The Administrative Litigation Court upholds the lack of legal right, but partially upholds the claim of the plaintiffs. The majority of the administrative actions of ICE and other are upheld. ICE is ordered to reimburse US$379,175.25. The ruling is appealed and tort is claimed.		5,433	-	-
Ordinary administrative	Telecom	Claim for alleged disruptive actions in property owned by the plaintiff.		4,222	-	-
Ordinary	Telecom	Annulment of administrative actions and payment of damages for having disqualified the company due to breach of contract. The claim was upheld and ICE was ordered to pay for damages, attorney's fees, and court costs. The plaintiff submitted a breakdown of costs. ICE objected to the amount determined. The expert's report was appealed. The judge's ruling is pending.		564	564	250
Ordinary	Telecom	Ordinary proceedings are held in the Administrative Litigation Court for annulment of administrative actions whereby ICE assessed three fines for breach of contract. In 2010, ICE's Legal Department informed that the amount should be excluded from the provision. Such exclusion was not made until 2012.		266	-	266
Administrative determinative	Telecom	Through Official Letter No. 0150-0398-2010, GG-ICE files a formal consultation with the Costa Rican Tax Administration (DGT), in accordance with article 119 of the Tax Code of Standards and Procedures (CNPT), on whether the parafiscal contribution of article 39 of Law No. 8642 should be applied by ICE with respect to the 2008-2009 periods. Official Letter No. DGT-416-2010 dated May 25, 2010 dismissed the consultation under article 119 of the CNPT and qualified it as mere consultation, stating that for the 2008-2009 periods there is a taxable event that causes ICE to pay a parafiscal contribution for those periods. ICE files a petition to revoke the ruling with a subsidiary appeal with the Administrative Tax Court and requests annulment of Official Letter No. DGT-416-2010 issued by DGT. The petition is dismissed; accordingly, the Large Taxpayer Division of the Tax Administration issues the administrative action of payment through Official Letter No. PREV-DGCN-014-13 at 10 o'clock on March 12, 2013, "Collection of special parafiscal contribution of operators and suppliers of telecommunications to Fonatel, 2008-2009 periods". This was notified to ICE on March 18, 2013.		7,984	-	-
Administrative determinative	Telecom	Start of the administrative proceedings of the notice of deficiency for the adjustment of the reserve tax on the radio-frequency spectrum for the 2012 budget period. ICE challenges the administrative actions through Official Letter No. 094-197-2012 dated October 31, 2012, requesting to nullify notice of deficiency No. SRCST-TC-108-2012 and suspend the current administrative proceedings until a ruling is issued by the Board of Directors of ARESEP with respect to the concomitant appeal and annulment filed by ICE against agreement No. 002-018-2012, "Collection of reserve tax on the radio-frequency spectrum for the 2012 budget period".		1,099	-	-
		Total contingent liabilites - ICE	¢	**223,820**	**6,168**	**10,394**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	2011
Contingent assets - Lawsuits filed by CNFL:						
	Electricity	Lawsuit against an insurance provider to recover amounts invested to correct damages caused by a landslide that were not covered by the insurance policy. The insurance agency deposited 78% of the amount claimed with the Court, which was booked as an account receivable. A favorable judgment was handed down by the Court in the second instance. The claim against INS amounts to ¢4,485 (US$ 8 million).	¢	1,134	-	-
		In March 2012, INS deposited a partial amount of ¢2,054 (US$4 million).				
		Total contingent assets - CNFL	**¢**	**1,134**	**-**	**-**
Contingent liabilities - Lawsuits filed against CNFL:						
Ordinary	Electricity	Lawsuit filed against CNFL by the minority shareholders as a result of a donation authorized by Congress of land to Fundación Consejo de la Tierra Los Hermanos, S.A. As of December 31, 2010, no judgment had been issued and no costs assessed.	¢	1,386	-	-
Ordinary	Electricity	CNFL deposited funds as payment of indemnity for flooding of a property near Lake Cote in connection with a hydroelectric power project. The plaintiff (Rufea, S.A.) is disputing the amount deposited.		200	200	-
		In June 2012, the amount of ¢230 was paid. A provision of ¢199 was established for attorney's fees, court costs, and interest.				
Ordinary	Electricity	The plaintiff (Vega Fonseca Wendy) files a lawsuit against CNFL and CONAVI alleging that the lighting of the Florencio del Castillo Highway did not meet the respective regulations; consequently, her husband died in a car accident.		445	-	-
Ordinary	Electricity	Refusal by CNFL to recognize a claim in relation to execution of the contract for the construction, design, and start-up of operations of a hydroelectric power plant. (Consorcio Hydrocote S.A.)		1,528	144	
Ordinary	Electricity	Counterclaim filed against CNFL for the requested collection from a third party of fines related to the underground electrification project in San José and for the delays in the review and approval of engineering plans. No judgment has been issued and no costs assessed.		4,801	-	-
Ordinary	Electricity	Counterclaim filed against CNFL for the requested collection from a third party of 15 claims filed during the underground electrification project in San José. No judgment has been issued and no costs assessed.		5,090	-	-
Ordinary	Electricity	The plaintiff (Ghella Spa Costa Rica) is requesting an extension to the execution term, nullity of certain actions taken by CNFL, reversal of withholdings for fines, and reimbursement of those amounts plus statutory interest. No judgment has been issued and no costs assessed.		359	-	-
Ordinary	Electricity	The purpose of this lawsuit is to nullify the limits established in Addendum No. 01 to the contract for the design, construction, fitting, and start-up of a hydroelectric power project and the annexes thereto for recognition of price adjustments. Accordingly, CNFL must pay the plaintiff (Ghella Spa Costa Rica) based on those price adjustments.		18,332	-	-
Ordinary	Electricity	The plaintiff (Grupo Corporativo Saret) filed for precautionary measures against CNFL as a result of execution of the performance bond and collection of fines. A formal complaint was also filed to collect indemnity for consequential damages, lost profits, and lost opportunity.		13,878	-	-
Ordinary	Electricity	Lawsuit filed on the grounds of civil tort liability for damages (Ortiz Mongragón César)		275	133	-
		Total contingent liabilities - CNFL	**¢**	**46,294**	**477**	**-**

(Continued)

(In millions of colones)

Proceeding	Segment	Nature and current status		Estimated amount of the suit	As of December 31, 2012 Provision (see note 26)	As of December 31, 2011 Provision (see note 26)
Contingent liabilities - Lawsuits filed against RACSA (1):						
Ordinary contentious	Telecom	Ordinary, administrative, and civil proceedings of the Finance Ministry seeking payment for alleged damages caused by RACSA. The plaintiff filed an appeal for annulment with a higher court.	¢	3,287	-	-
Ordinary contentious	Telecom	Several minor ordinary, administrative, and labor proceedings, which are in different stages.		77	-	-
Finance Ministry	Telecom	DGT seeks the collection of sales tax in connection with Internet services provided in 2008. Precautionary measures and a claim were filed.		2,422	-	-
Finance Ministry	Telecom	Fines were imposed as a result of the previous proceedings (2008). An appeal was filed with the Administrative Tax Court.		605	-	-
Finance Ministry	Telecom	Collection of sales tax in connection with Internet services provided in the 2009-2010 periods. An appeal was filed with the Administrative Tax Court.		4,764	-	-
Finance Ministry	Telecom	Fines were imposed as a result of the previous proceedings (2009 and 2010). An appeal was filed with the Administrative Tax Court.		1,191	-	-
SUTEL	Telecom	Reserve tax on the radio-frequency spectrum (2012). A petition to revoke Ruling RCS-129-2012 with a subsidiary appeal was filed.		113	-	-
FONATEL	Telecom	Administrative claim. Appeal dismissed by the Administrative Tax Court.		Not determined	-	-
SUTEL	Telecom	Reserve tax on the radio-frequency spectrum (2013). A petition to revoke Ruling RCS-318-2012 with a subsidiary appeal was filed.		Not determined	-	-
		Total contingent liabilities - RACSA	**¢**	**12,459**	**-**	**-**

(1) See note 45 FONATEL Tax.

(Continued)

Note 42. General Telecommunications Law

General Telecommunications Law No. 8642 was published in the Official Gazette on June 30, 2008. The purpose of that law is to define the scope and mechanisms for regulation of the telecom sector, including the use and operation of networks and the provision of telecom services, as well as to:

- Guaranty the right of the people to acquire telecom services under the terms of this law.
- Ensure application of the principles of universal access and cooperation in telecom services.
- Strengthen the mechanisms for universal access and cooperation in the telecom sector, ensuring access to those who require it.
- Protect the rights of users of telecom services, ensuring efficiency, equality, continuity, quality, greater and better coverage, greater and better information, more and better alternatives for service delivery, and private and confidential communications, in accordance with the Political Constitution of the Republic of Costa Rica.
- Promote effective competition in the telecom market as a means to increase the availability of services, improve their quality, and ensure affordable prices.
- Promote the development and use of telecom services within the framework of a knowledge and information society and to support sectors such as health, citizen security, education, culture, commerce, and e-government.
- Ensure the efficient and effective allocation, use, operation, management, and monitoring of the radio-frequency spectrum and other limited resources.
- Stimulate investment in the telecom sector using a legal framework that provides mechanisms that guarantee transparency, non-discrimination, equity, and legal stability and that does not promote levying taxes.
- Ensure that Costa Rica obtains the maximum benefits from technological advancements and changes.
- Achieve a level of development in telecommunications that is similar to the level in developed countries.

Additionally, the aforementioned law states that concessions will be granted for the use and operation of frequencies in the radio spectrum required to operate and use telecom networks. Those concessions will entitle the concession holder to operate and use the network. When the concession relates to public telecom networks, the concession holder is entitled to provide all types of telecom services available to the public. The concession will be awarded for a specific coverage area (regional or national) in order to guarantee the efficient use of the radio spectrum.

This law establishes that the radio spectrum is a public good and the planning, management, and control of its use must be in line with the provisions of the Political Constitution of the Republic of Costa Rica, international treaties, the General Telecommunications Law, the National Telecom Development Plan, the National Frequency Distribution Plan, and other regulations.

The procedures prescribed in the law may not be used to grant concessions or authorizations related to the operation of public telecom networks associated solely with delivery of traditional basic telephone services, which require the specific legislative concession described in paragraph 14 of article 121 of the Political Constitution of the Republic of Costa Rica. The winning bidders in the concession process were Claro CR Telecomunicaciones, which paid US$75 (in millions) for one concession, and Azules y Platas (Telefónica), which paid US$95 (in millions) for another concession.

The law also creates FONATEL as a tool for managing resources earmarked for financing compliance with of the objectives of universal access, universal service, and cooperation established in the law as well as the goals and priorities defined in the National Telecom Development Plan. SUTEL is responsible for managing FONATEL’s resources.

Other important aspects of this law include:

- Operators of public networks and providers of public telecom services shall guaranty the secrecy of communications, the right to privacy, and protection of the personal information of subscribers and end users by implementing the necessary systems and technical and administrative measures.

- Rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations.

- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of limited resources, and greater benefits for users. Interconnection prices shall be aligned with costs, as prescribed in paragraph 13) of article 6 of this law, and are to be freely negotiated among operators using the procedures established by SUTEL.

- A SUTEL tax is imposed on telecom services, which is a single annual regulatory charge determined in conformity with article 59 of Law No. 7593 dated August 9, 1996. This tax will provide the resources necessary for effective management.

- In 2012, Directive 3675-SUTEL of September 7, 2012 communicates the agreement reached by the Board of SUTEL in extraordinary meeting No. 043-2012 held on July 12, 2012 and included in Decision No. 001-043-2012 whereby Extraordinary Budget No.04-2012 is approved in order to include in SUGEF's total budget the specific regulatory surplus for 2011 and the decrease in the regulatory charge paid by regulated entities from September 2012 to December 2012. The above is in accordance with the comments of the CGR in respect of such Extraordinary Budget: *"[. . .] considering that the reimbursement sought by the regulatory entity in favor of public entities is in line with the budgetary technique and consistent with the at-cost-service principle applicable to the regulation charge, on the understanding that a difference is identified in respect of actually incurred expenses in the prior year in favor of the payers of the regulatory operation costs."* Accordingly, the total of ¢3,115 was paid corresponding to the period from January 2012 to August 2012. Also, in 2011 Directive 1686-SUTEL of July 21, 2011 communicates the agreement reached by the Board of SUTEL in extraordinary meeting No. 050-2011 held on July 4, 2011 and included in Decision No. 001-050-2011 whereby SUTEL agrees to temporarily suspend the collection of the tax from July 2011. During that period, the tax and the 2011 budget are to be analyzed and reviewed. Accordingly, payments made by ICE Group therefor solely correspond to the period from January 2011 to June 2011 for a total of ¢1,896.

- A reserve tax is imposed on the radio-frequency spectrum. That tax is to be paid annually by network operators and telecom service providers with the purpose of planning, managing, and monitoring the use of the radio-frequency spectrum rather than for complying with the objectives of the tax policy. It is collected to finance SUTEL's activities pursuant to articles 7 and 8 of this law.

- Payers of the tax include network operators or telecom service providers to which bands of radio frequencies have been assigned, irrespective of whether those bands are being used. The amount to be paid for this tax is calculated directly by SUTEL considering a number of engineering and economic parameters established in the law. This tax is defined by the taxpayer in an affidavit issued for periods of one calendar year and the term for filing and paying this tax is 2 months and 15 days after the corresponding tax year-end.

Tax litigation is in process related to notice of deficiency No. SRCST-TC-108-2012 for an adjustment to the reserve tax on the radio-frequency spectrum for the 2012 budget period, which was imposed pursuant to Decree No. 36922-MINAET. This notice of deficiency was notified to ICE on October 4, 2012 and is a result of an abbreviated review performed by the Large Taxpayer Division of the Finance Ministry. ICE objected, timely and in due form, to the improper tax collection performed by SUTEL and the Tax Administration, through the corresponding legal recourse. Currently, a decision is pending in respect of the claim filed with the Tax Administration. ICE paid the amount corresponding to the tax for the 2012 period on March 15, 2013. According to the opinion of the Legal Department, there is a high probability of a favorable outcome; therefore, no provision should be booked as of December 31, 2012 (see note 41).

Note 43. Law on Strengthening and Modernization of Public Telecommunication Companies

Law on Strengthening and Modernization of Public Telecommunication Companies No. 8660 was published in the Official Gazette on August 13, 2008. That law creates the telecom sector and SUTEL, which will be the agency charged with regulating, enforcing, overseeing, and monitoring the legal system governing telecommunications. Additionally, this law prescribes the duties and authority of the Ministry of Science, Technology, and Telecommunications, which Minister will be responsible for directing the sector.

The main objectives of that law are to:

- Strengthen, modernize, and endow ICE, along with its subsidiaries and attached agencies, with legislation enabling it to adapt to all changes in the rules governing the generation and delivery of electricity services, as well as telecommunications, info-communications, information goods and services, and new related services.

- Complement Executive Order No. 499 of April 8, 1949, “Regulations to Create the Costa Rican Power and Telephone Company” and the amendments thereto, to endow ICE with the legal, financial, and administrative conditions necessary to continue providing and marketing electricity and telecom goods and services both within the country and abroad.

- Create the telecom sector and its lead agencies, as well as establish the duties and authority of the sector’s Lead Minister, who together with the President of the Republic, will prepare the National Telecom Development Plan.

- Expand the mechanisms and procedures for government procurement used by ICE and its subsidiaries, and make them more nimble.

- Ensure and reassert the administrative and financial autonomy of ICE and its subsidiaries.

- Ensure accountability and the evaluation of performance by ICE and its subsidiaries.

The law authorizes ICE to form strategic partnerships and to sell advisory services, consulting services, training, and any other related product or service. It may engage in customary business practices, develop promotions, including the supply of terminal equipment (free or otherwise), discounts, sponsorships, and service packages, among others.

The law also empowers ICE to sign all types of trust agreements both within the country and abroad.

The law further states that when ICE and its subsidiaries act as operators or providers in competitive local markets for telecom or electricity goods and services, they shall be subject to payment of income tax and sales tax. Traditional basic telephone services are exempt from payment of income tax.

Neither the Costa Rican government nor its institutions may impose financial limitations or restrictions on the investments or borrowings of ICE and its subsidiaries that are unrelated or contrary to this law. They are also prohibited from requesting or requiring transfers or the purchase of bonds. In general, ICE and its subsidiaries may not be required to hold current account deposits or invest in government securities.

ICE is empowered to autonomously negotiate, contract, and execute medium- and long-term domestic and foreign loans up to a maximum debt ceiling of 45% with respect to its total assets. Debt will be calculated based considering the total consolidated value of the total assets of ICE and its subsidiaries as of December 31 of the prior year. Should ICE need to increase its debt ceiling to a higher percentage, it must submit the additional financing requirements for authorization by the Executive Branch of the Government of Costa Rica.

It may also issue all types of securities in local or foreign currency at the interest rate, amortization rate, and for the amount determined by the Board of Directors in accordance with applicable law. Those securities shall have the guaranty indicated by ICE and its subsidiaries in the issue agreement. For such purposes, their current and future income or assets may be securitized through financial agreements such as leases or trusts, or they may encumber their assets and income.

ICE and its subsidiaries shall have a Corporate Procurement Board responsible for carrying out the corresponding government procurement procedures, including awards and challenges.

Note 44. Water Law

Water Law No. 276 was published in the Official Gazette on August 28, 1942. That law establishes the regulatory framework for differentiating public and private water, normal and special uses of public water, and other matters of general interest.

In order for public or private companies to use public water, the corresponding authorization is required from MINAET. It is the responsibility of that ministry to regulate and rule on the ownership, use, utilization, governance, and monitoring of water of the public domain.

Pursuant to this legislation, the duration of concessions shall be determined on a case-by-case basis depending on the circumstances. The maximum duration of water concessions is 30 (thirty) years.

Concessions for the use of public water shall be understood to include land in the public domain necessary for constructing dams, canals, and irrigation channels. With respect to land owned by the State, municipal governments, towns, and individuals, easements will be imposed and the corresponding appropriations made on a case-by-case basis in compliance with all legal requirements.

Water rights granted for one use may not be invoked for another use without the corresponding authorization, which shall be granted as if it were a new concession.

Concessions for the use of public water to develop hydraulic and hydroelectric power for public and private services shall be governed by the provisions of Water Law No. 276, as well as Law on National Electricity Service No. 258 of August 18, 1941, which mainly stipulates that the State shall exercise dominion and shall use, utilize, govern, or monitor, as appropriate, all water and hydraulic and electric power of the public domain, as defined above.

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Furthermore, as established in Law No. 258, concessions and rights for the use of water and water-derived power, as well as the development, transmission, transformation, and distribution of electric power from any source of energy, that are covered by such law may only be obtained on a conditional basis and for a limited period of time, not to exceed 25 (twenty-five) years.

Note 45. <u>Subsequent events</u>

FONATEL tax

On February 5, 2013, the Large Taxpayer Division of the Finance Ministry notified administrative actions No. SRCST-257-10-001-2013 and No. SRCST-10-002-2013 communicating the tax assessment corresponding to the FONATEL tax to be paid in 2008 and 2009 by telecom operators and suppliers in the amount of ¢2,759 and ¢5,225, respectively (solely principal). On February 12, 2013, ICE rejects such administrative actions and requests that they be declared null and void for both periods. On March 18, 2013, the Large Taxpayer Division notified the administrative action for the jeopardy assessment corresponding to the aforementioned amounts and periods, granting a term of 30 business days for filing a motion for reconsideration and petition for nullity before the Tax Court. Management of ICE Group elected to continue with the process in order to exhaust administrative and other remedies.

Loans payable

- **ECI Telecom No. 3:** A disbursement was made in February 2013 in the amount of US$12.4 (in millions), equivalent to ¢6,356, for a 5-year term, and bearing interest at 4.95% per annum; corresponding to the installation of the equipment purchased from ECI Telecom.
- **CABEI No. 2076:** A disbursement was made in March 2013 in the amount of US$4.9 (in millions), equivalent to ¢2,546, for a 16-year term, and bearing interest at 6.4% per annum; corresponding to the expansion of the Cachí Hydroelectric Power Project.
- **Bladex:** Disbursements were made in February 2013 in the amounts of US$18 (in millions), equivalent to ¢9,166, for a 180-day term, and bearing interest at the 6-month LIBOR rate + 1.55%; and for US$25 (in millions), equivalent to ¢12,730, maturing on May 29, 2013. A disbursement was made in March 2013 in the amount of US$13 (in millions), equivalent to ¢6,619, for a 91-day term, bearing interest at the 3-month LIBOR rate + 1.48%. A disbursement was made in April 2013 in the amount of US$9 (in millions), equivalent to ¢4,583, for a 30-day term, bearing interest at the 1-month LIBOR rate + 1.30%. These loans are allocated to finance working capital of ICE's Electricity segment.
- **HUAWEI:** A disbursement was made in March 2013 in the amount of US$7.2 (in millions), equivalent to ¢3,677; corresponding to the second phase of the SMA-3G network installation. This loan is payable in 11 half-yearly installments and matures in January 2018.

- **CISCO No. 10:** A disbursement was made in April 2013 through a Service Order in the amount of US$200 thousand, equivalent to ¢102, for a term of 6 years and 3 months, bearing interest at the fixed rate of 3%; corresponding to financing for the Project for the Extension and Modernization of the IP Network.
- **CITIBANK Line of credit:** A disbursement was made in April 2013 in the amount of US$3 and US$12 (in millions), for a 30-day term, bearing interest at the 1-month LIBOR rate + 1.35%; corresponding to working capital.
- **Mercantil Commercebank:** A disbursement was made in February 2013 in the amount of US$17 (in millions), equivalent to ¢8,656, maturing in August 13, 2013. Subsequently, a disbursement was made in April 2013 in the amount of US$13 (in millions), for a 30-day term, bearing interest at 1.5397%; corresponding to working capital financing.

Toro III Hydroelectric Power Project

The Toro III Hydroelectric Power Plant, financed and developed through a trust with Banco de Costa Rica, began commercial operations on February 1, 2013, contributing 46 MW to the National Electricity System.

Variable Fuel Cost (CVC) Methodology

ARESEP's approval of the CVC methodology for the extraordinary adjustments to electricity pricing derived from variations in the cost of fuels used to generate thermal power for local consumption was published in Official Gazette No. 74 of April 17, 2012.

This methodology applies an automatic adjustment to the variable cost of fuels used in the generation of thermal power for local consumption. In general, the technical opinion of the regulatory entity is that an extraordinary pricing adjustment mechanism (automatic adjustment) is justified. In this case, ICE Group meets the three technical regulatory criteria that are required to be entitled to a pricing setting scheme with automatic adjustments. Such criteria are as follows: 1) represents a significant amount in the generating company's cost structure, approximately one fourth of the operating expenses of ICE's Generation System; 2) depends on unpredictable variables (rainfall, international prices of oil, etc.); and 3) cannot be controlled within ICE's decision-making scope.

The purpose of automatic formulas is to prevent damage to the financial position of the provider of a regulated activity, such as ICE Group, due to abrupt and unexpected changes in the prices of the main production inputs.

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On December 24, 2012, the Regulatory Committee published the rates in effect as of January 1, 2013 for the Power Generation and Distribution System using the CVC methodology, which were included in Decision No. 1031-RCR-2012 published in Official Gazette No. 248, Alcance No. 211, Sections D and E. Accordingly, the CVC methodology entered into force from January 1, 2013 and will permit ICE Group to systematically recover through the approved rates the excess costs incurred in respect of the fuels used for thermal power generation. Also, Energy Management notified of the pricing adjustment using the CVC methodology, as established in Decision RIE-039-2013 published in Official Gazette No. 64 of April 3, 2013, which included real fuel expenses corresponding to November and December 2012 and January 2013.

According to management of ICE Group, this methodology would allow for a faster recovery of the difference between the estimated and actual prices of fuels for thermal power generation because such methodology involves a quarterly review in order to perform the necessary adjustments to the rate schedules to be applied in the following quarter.

The application of this new methodology also applies to CNFL.

Increase in ICE's provision for severance benefits

According to the minutes of Board of Directors' Meeting No. 6012 held on November 21, 2012, an increase of 1% was approved in the provision for severance benefits. Accordingly, ICE's new contribution is equivalent to 3.50% of total salaries (as opposed to 2.50%). This increase is in effect from January 2013. As a result, such minutes authorize management to gradually increase such percentage up to a maximum of 4.56% of total salaries, in order to comply with the obligations established in the Personnel Regulations in effect.

Number portability

SUTEL defined April 18, 2013 as the date for subscribing the agreements between mobile telephony operators and the Number Portability Reference Entity (ERPN).

ICE announced that it was unable to comply with the terms established in the aforementioned agreements for the implementation of number portability because it is a legal entity of public law and, as such, its employees have no authority to bind management to assume obligations that would be impossible to comply with, under penalty of personally answering for their actions.

On April 18, 2013, at the request of the President of the SUTEL Board, space for negotiation was opened in the Technical Committee for Number Portability with the participation of all mobile telephony operators, including the ERPN, in order to propose a schedule that ICE would be able to comply with and that would permit subscribing the agreement with the Reference Entity. As of the date of this report, negotiations are still in process.

In the event that no agreement is reached, SUTEL may initiate ordinary administrative proceedings against ICE and impose a fine. Such proceedings must comply with the guarantees of due process provided for in the General Public Administration Law (GPAL), whereby ICE may fully exercise its right of defense.

As of the date of this report, ICE has not been notified of any obligations resulting from the above. If a fine is imposed as a result of a final administrative action, ICE may appeal such action in the Administrative Litigation venue.