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

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Consolidated Balance Sheet

(In millions of colones)
As of December 31, 2011 and 2010

Assets	Note		2011	2010 (Restated)
Property, machinery and equipment:				
Operating assets - cost	4	¢	2,487,342	1,860,519
Accumulated depreciation of operating assets - cost	4		(764,040)	(650,587)
Operating assets - revalued	4		3,338,670	3,217,565
Accumulated depreciation of operating assets - revalued	4		(2,064,382)	(1,915,575)
Other operating assets - cost	5		322,862	274,320
Accumulated depreciation of other operating assets - cost	5		(169,662)	(137,814)
Other operating assets - revalued	5		88,063	81,939
Accumulated depreciation of other operating assets - revalued	5		(56,499)	(53,326)
Other operating assets under finance leases - cost	6		27,550	27,550
Accumulated depreciation of other operating assets under finance leases - cost	6		(922)	(307)
Other operating assets under finance leases - revalued			1,191	-
Accumulated depreciation of other operating assets under finance leases - revalued			(13)	-
Construction work in progress	7		501,919	706,705
Materials in transit for investment	7		175,416	98,740
Inventory for investment	7		143,341	134,604
Total property, machinery and equipment, net			**4,030,836**	**3,644,333**
Long-term assets:				
Long-term investments	8		20,271	10,434
Notes receivable	10		2,538	285
Accounts receivable			4	3
Total long-term assets			**22,813**	**10,722**
Current assets:				
Banks	9		7,952	5,899
Temporary investments	12		140,060	172,879
Valuation of investments			1,323	1,439
Restricted funds	13		7,146	17,317
Receivables for services rendered	10		100,000	84,965
Non-trade receivables	10		165,407	99,416
Allowance for doubtful accounts	10		(37,066)	(36,549)
Institutional receivables			5,803	5,543
Notes receivable			2,879	4,836
Operating inventory	11		90,572	67,381
Allowance for valuation of inventory	11		(7,311)	(5,159)
Materials and equipment held in custody	11		5,178	7,083
Materials in transit for operations			18,581	5,971
Prepaid expenses	14		24,960	23,405
Total current assets			**525,484**	**454,426**
Other assets:				
Non-operating assets - cost	17		51,996	39,397
Accumulated depreciation of non-operating assets - cost	17		(396)	(253)
Non-operating assets - revalued	17		14,280	12,251
Accumulated depreciation of non-operating assets - revalued	17		(5,859)	(5,520)
Service agreements	15		13,916	95,246
Project design and execution	16		78,918	58,954
Technical service centers			252	883
Amortizable items	20		8,155	7,455
Absorption of amortizable items	20		(3,047)	(2,237)
Intangible assets	18		61,734	41,471
Absorption of intangible assets	18		(27,962)	(18,980)
Securities received as guaranty deposits			4,719	4,559
Valuation of financial instruments			5,828	4,793
Guarantee and Savings Fund (restricted fund)	19		150,204	128,961
Transfer to Guarantee and Savings Fund			1,242	1,167
Operating inventory			20,282	7,017
Total other assets			**374,262**	**375,164**
		¢	**4,953,395**	**4,484,645**

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, 2011 and 2010

	Note		2011	2010 *(Restated)*
Liabilities and Equity				
Long-term liabilities:				
Securities payable	*21*	¢	601,546	373,539
Loans payable	*22*		662,329	672,161
Obligations derived from credit	*23*		28,040	-
Security deposits			58,614	61,818
Accounts payable	*24*		44,288	6,845
Total long-term liabilities			**1,394,817**	**1,114,363**
Short-term liabilities:				
Securities payable	*21*		30,500	6,000
Loans payable	*22*		176,574	129,350
Accounts payable	*24*		122,762	98,753
Accrued finance expenses payable			16,070	12,930
Prepaid income			2,425	15,646
Deposits from private individuals or companies			6,553	6,064
Legal provisions	*26*		1,000	1,000
Accrued expenses for employer obligations	*25*		37,525	36,752
Total short-term liabilities			**393,409**	**306,495**
Other liabilities:				
Valuation of financial instruments			20,239	13,387
Accounts payable			2,491	-
Legal provisions	*26*		41,095	33,636
Guarantee and Savings Fund (restricted fund)			150,204	128,961
Other			-	1
Total other liabilities			**214,029**	**175,985**
Equity:				
Paid-in capital			46,090	45,678
Development reserve			1,461,922	1,367,531
Asset revaluation reserve			1,313,157	1,333,312
Result of valuation of financial instruments			(18,583)	(11,843)
Legal reserve			8,696	8,522
Project development reserve			71	71
Forest development reserve			734	651
Restricted earnings from capitalization of stake in subsidiary			62,380	62,380
Retained earnings			72,301	77,329
Minority interest			4,372	4,171
Total equity and minority interest			**2,951,140**	**2,887,802**
		¢	**4,953,395**	**4,484,645**
Memoranda accounts	*28*	¢	**209,538**	**185,868**

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

Alejandro Soto Zúñiga
General Manager

Jesús Orozco Delgado
Head of Financial Planning

Lizbeth Hernández Castillo
Accounting Management Process Coordinator

INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS
(San José, Costa Rica)

Consolidated Statement of Profit or Loss

(In millions of colones)
For the years ended December 31, 2011 and 2010

	Note		2011	2010 *(Restated)*
Operating revenues:				
Electricity services	29	¢	614,680	604,734
Telecom services	29		527,892	489,200
Institutional services	29		2,161	1,434
Total operating revenues			**1,144,733**	**1,095,368**
Operating costs:				
Operation and maintenance	30		234,783	229,224
Operation and maintenance of leased equipment	31		171,763	144,685
Depreciation of operating assets			249,542	235,956
Supplemental services and purchases	32		84,515	93,161
Production management			80,510	73,741
Total operating costs			**821,113**	**776,767**
Gross profit			**323,620**	**318,601**
Operating expenses:				
Administrative	33		89,835	87,553
Marketing	34		189,023	137,228
Preliminary studies			23,093	20,283
Preinvestment studies	35		5,170	4,013
Other operating expenses	36		10,559	2,999
Total operating expenses			**317,680**	**252,076**
Operating profit			**5,940**	**66,525**
Other income:				
Finance income			14,409	14,849
Foreign exchange differences			7,250	126,546
Other income			122,726	81,569
Total other income	37		**144,385**	**222,964**
Other expenses:				
Interest			55,255	43,300
Commissions			2,983	2,254
Foreign exchange differences			9,776	41,906
Other expenses			105,176	76,354
Total other expenses	37		**173,190**	**163,814**
Profit (deficit) before tax and minority interest			**(22,865)**	**125,675**
Tax and minority interest:				
Minority interest			10	(118)
Profit (deficit), net		¢	**(22,855)**	**125,557**

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS
(San José, Costa Rica)

Consolidated Statement of Changes in Equity

For the years ended December 31, 2011 and 2010
(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	Equity, net
Balance at December 31, 2009, previously reported		¢ 45,224	1,460,966	(8,412)	1,147,835	8,069	71	691	62,380	61,929	3,824	2,782,577
Effect of retrospective adjustments for corrections in prior years	27	-	-	-	(6,142)	-	-	-	-	-	-	(6,142)
Balance at December 31, 2009, adjusted		45,224	1,460,966	(8,412)	1,141,693	8,069	71	691	62,380	61,929	3,824	2,776,435
Effect of retrospective adjustments during the year	27	-	(1,148)	-	(13,459)	-	-	-	-	-	-	(14,607)
Donations for the year		458	-	-	-	-	-	-	-	-	-	458
Asset revaluation for the year		-	(7,278)	-	-	-	-	-	-	-	-	(7,278)
Appropriation to legal reserve		-		-	-	459	-	-	-	(459)	-	-
Prior period adjustments		-	(3,736)	-	(2,752)		-	-	-	528	-	(5,960)
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	(40)	-	133	-	93
Profit for the year, net		-	-	-	133,949	-	-	-	-	5,185	-	139,134
Transfer of retained earnings of subsidiary to development reserve		-	-	-	553	-	-	-	-	(553)	-	-
Realization of asset revaluation reserve			(107,547)	-	107,547	-	-	-	-	-	-	-
Realization of asset revaluation reserve in subsidiaries		-	(10,824)	-	-	-	-	-	-	10,824	-	-
Adjustments to asset revaluation reserve in subsidiaries		-	2,958	-	-	-	-	-	-	-	-	2,958
Result of valuation of financial instruments:									-			
Derivative financial instruments		-	-	(4,451)	-	-	-	-	-	-	-	(4,451)
Investments		-	-	1,020	-	-	-	-	-	-	-	1,020
Appropriation to minority interest		(4)	(79)	-	-	(6)	-	-	-	(258)	347	-
Balance at December 31, 2010, adjusted		45,678	1,333,312	(11,843)	1,367,531	8,522	71	651	62,380	77,329	4,171	2,887,802
Balance at December 31, 2010, previously reported		45,678	1,334,460	(11,843)	1,387,132	8,522	71	651	62,380	77,329	4,171	2,908,551
Effect of retrospective adjustments for corrections en prior years	27	-	-	-	(6,142)	-	-	-	-	-	-	(6,142)
Effect in profit for the year, net	27	-	(1,148)	-	(13,459)	-	-	-	-	-	-	(14,607)
Balance at December 31, 2010, adjusted		45,678	1,333,312	(11,843)	1,367,531	8,522	71	651	62,380	77,329	4,171	2,887,802
Donations for the year		412	-	-	-	-	-	-	-	-	-	412
Asset revaluation for the year		-	89,060	-	-	-	-	-	-	-	-	89,060
Appropriation to legal reserve		-	-	-	-	176	-	-	-	(176)	-	-
Prior period adjustments		-	(361)	-	3,832	-	-	-	-	-	-	3,471
Effect of appropriation to and realization of forest development		-	-	-		-	-	83	-	(83)	-	-
Deficit for the period, net		-	-	-	(11,771)	-	-	-	-	(11,094)	-	(22,865)
Realization of asset revaluation reserve		-	(117,761)	-	102,330	-	-	-	-	15,431	-	-
Realization of asset revaluation reserve in subsidiaries		-	9,028	-	-	-	-	-	-	(9,028)	-	-
Result of valuation of financial instruments:												-
Derivative financial instruments		-	-	(6,624)	-	-	-	-	-	-		(6,624)
Investments		-	-	(116)	-	-	-	-	-	-		(116)
Appropriation to minoritary interest		-	(121)	-	-	(2)	-	-	-	(78)	201	-
Balance at December 31, 2011		¢ 46,090	1,313,157	(18,583)	1,461,922	8,696	71	734	62,380	72,301	4,372	2,951,140

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

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD Y SUBSIDIARIAS
(San José, Costa Rica)

Consolidated Statement of Cash Flows

For the years ended December 31, 2011 and 2010
(In millions of colones)

		2011	2010 (Restated)
Sources (uses) of cash:			
Operating activities:			
Profit (deficit), net	¢	(22,855)	125,557
Items not requiring (providing) cash:			
Depreciation		294,676	271,893
Legal provisions		30,063	27,008
Accrued expenses for employer obligations		71,668	67,293
Allowance for doubtful accounts		10,050	4,226
Allowance for valuation of inventory		3,332	3,982
Absorption of amortizable and intangible items		10,515	7,935
Foreign exchange differences		3,664	(85,242)
Valuation of financial instruments		(807)	(4,688)
Prior period adjustments		-	118
Cash provided by operations		423,162	292,525
Cash provided by (used for) changes in:			
Committed temporary investments		557	1,214
Notes and accounts receivable		(91,116)	(15,956)
Operating inventory		(35,076)	(21,154)
Other assets		79,393	(44,253)
Accounts payable		63,943	(15,741)
Security deposits		(3,204)	(4,992)
Other liabilities		(105,472)	(86,538)
Cash provided by operating activities		309,332	230,662
Financing activities:			
Increase in securities payable		258,898	191,941
Amortization of securities payable		(6,548)	(93)
Increase in loans payable		275,079	426,297
Amortization of loans payable		(241,194)	(238,496)
Increase in obligations derived from credit		28,040	-
Net cash provided by financing activities		314,275	379,649
Investing activities:			
Increase in long-term investments		(9,837)	(5,456)
Additions to property, machinery and equipment		(600,713)	(476,727)
Increase in other assets		(53,586)	(41,834)
Net cash used in investing activities		(664,136)	(524,017)
Increase (decrease) in cash and cash equivalents		(40,529)	86,294
Cash and cash equivalents at beginning of the year		193,049	106,755
Cash and cash equivalents at end of the year	¢	152,520	193,049

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

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Note 1. Reporting entity

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

ICE's primary activity is development of the country's energy sources and provision of electricity and telephony services (basic, fixed, and mobile), along with Internet service.

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).

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.

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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 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.

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. <u>Basis of preparation</u>

(a) <u>Statement of compliance</u>

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.

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

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

Pursuant to regulations issued by the National Accounting Office of the Ministry of Finance and laws in effect, ICE may use the Accounting Principles Applicable to the Costa Rican Public Sector, set forth in Executive Order No. 34460H 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.

(Continued)

The consolidated financial statements were authorized for issue by management on April 25, 2012.

(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.

(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 are adjusted against profit or loss of the period in which the estimate is reviewed and in any future period affected, or against the equity of ICE Group, based on the account affected.

Note 3. Significant accounting policies and guidelines

The accounting policies set out below, taken from ICE's Accounting Policy Manual, have been applied consistently to all periods presented in these consolidated financial statements and by all ICE Group entities.

(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 as of December 31,	
Subsidiaries:	**Country**	**2010**	**2009**
Compañía Nacional de Fuerza y Luz, S.A. (CNFL)	Costa Rica	98.6%	98.6%
Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA)	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 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) *Foreign currency transactions*

During the period, all ICE’s foreign currency transactions are translated into the functional currency at the exchange rate of the Costa Rican colon with respect to the U.S. dollar in effect as of the immediately preceding year-end. However, as of the current year-end, the balances derived from existing foreign currency transactions are translated into colones using the exchange rate in effect on that date, as defined by Banco Central de Costa Rica [Central Bank of Costa Rica] (BCCR).

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 at the exchange rate in effect as of the date of such determination and valuation are valued and adjusted. Exchange differences resulting from application of this procedure are recognized in profit or loss in the period in which they occur.

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

Changes in accounting policies should be applied to the opening balances of equity accounts, except to the extent that it is impracticable to determine either the effects of the change in each period or the cumulative effect.

Changes in accounting estimates resulting from new information or events should be applied to profit or loss of the period or equity based on the account affected.

Misstatements in prior period balances or transactions should be corrected by adjusting the opening balances of the equity accounts. For purposes of presentation of the consolidated financial statements, prior period adjustments greater than or equal to ¢1,000 are included retrospectively. Adjustments with the same justification, which total amount is greater than or equal to ¢1,000, 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:

(i) Restating opening balances of the development reserve for the oldest prior accounting period.
(ii) 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.

(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.

(Continued)

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.

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.

(Continued)

The systematic allocation of the depreciable amount of the cost of operating 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. 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.

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 the entity's operations should also be revalued.

(Continued)

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 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 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.

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.

(Continued)

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 a significant period of time, 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 based 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.

<u>Materials in transit for investment</u>

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

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

(Continued)

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

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

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'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 the entity’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 the 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 will 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.

(Continued)

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".

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.

Allowance for doubtful accounts

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's Legal Department or the Administrative and Judicial Collections Division.

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

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

Government accounts

Rights or obligations arising from the provision of services to the 911 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.

<u>Materials in transit for operations</u>

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.

<u>Prepaid expenses</u>

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

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.

(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. Finance expenses are not capitalized in this phase.

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.

(Continued)

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 the entity'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 could be out of service for a significant period of time and that are relatively significant with respect to property, machinery, and equipment.

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.

(Continued)

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 the segments and 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) *Revaluation of assets*

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 as "Asset revaluation reserve". When the carrying amount is reduced as a result of revaluation, such decrease will be charged directly to net equity against the asset revaluation reserve, previously recognized for the same asset, to the extent that such decrease does not exceed the balance of the reserve account for the previously recognized asset revaluation.

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 the entity'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, the entity 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.

(Continued)

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:

- 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.

(Continued)

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 financial income 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.

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 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 that liabilities are payable in a short term, regardless of the status of negotiations of waivers or amendments with the creditor.

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

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

Obligations derived from credit

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

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

Obligations derived from credit are partially or fully paid when the financial entity settles any commitments with the supplier on ICE'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 cancelled at the request of the customer, or when ICE cancels the service as a result of non-payment by the customer.

(g) Short-term liabilities

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 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 "Short-term liabilities 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
- Service orders – the liability is recognized and expensed when the contracted services are rendered.

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

Accrued finance expenses payable

"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.

Prepaid income

Obligations arising from advance payments made by customers for services rendered in the normal course of business and for construction services provided to third parties are recognized as "Prepaid income".

This item is booked at the agreed amount for services rendered.

The prepaid income account decreases as the services are rendered.

Deposits from private individuals or companies

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

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

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

Accrued expenses for employer obligations

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

Accrued expenses for employer obligations are recognized at historical cost.

(i) *Statutory Christmas bonus*

Costa Rican legislation requires 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

(i) *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 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.

(Continued)

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.

(ii) *Provision for contingent liabilities*

ICE 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 for ¢500 or more shall be provisioned, except for notices of deficiency from government institutions (including interest and penalties), which shall include the full amount of the notice of deficiency.
- A provision for contingent liabilities is established for the estimated amount of each lawsuit, divided by the expected resolution term (in years) determined by ICE’s 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 will be fully provisioned starting on the date official notification is given by the Tax Authorities, and will include interest and penalties, and principal only if it corresponds to the current period.

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, and principal only if it corresponds to the current period.).

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.

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

(i) Equity

Paid-in capital

Donations and non-refundable contributions from third parties are recognized as "Paid-in capital".

Paid-in capital is valued when received at the face value or market value of the goods or services received.

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.

(Continued)

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, 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.

(Continued)

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.

(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.

(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 may not be held liable for management of the services rendered.

(Continued)

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 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) are booked according to the date of invoice or receipt issued to the customer after the service is rendered (billing cycle).

Income from pre-paid services is booked as income 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:

- 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, 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 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 the 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.

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

Marketing expenses

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

Marketing expenses are booked at historical cost.

Preliminary studies

"Preliminary studies" include expenses incurred in the preliminary phase 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.

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.

(Continued)

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’s normal course of business is recognized as “Other income”.

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

Foreign exchange differences

All transactions required to settle or adjust monetary items (both assets and liabilities) in foreign currency are recognized as 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 historical cost.

(In millions of colones)

Note 4. Operating assets

Operating assets at cost are as follows:

Operating assets - cost		Plants, substations, lines, stations, and other As of December 31,								
		2009	Additions	Retirements and transfers	Adjustments and reclassifications	2010	Additions	Retirements and transfers	Adjustments and reclassifications	2011
ICE Electricity:										
Hydraulic power generation (1)	¢	180,362	1,129	(538)	-	180,953	389,092	(668)	(106)	569,271
Thermal power generation		65,942	12,282	(4,036)	(47)	74,141	2,203	(122)	540	76,762
Substations		80,436	12,057	(3,173)	-	89,320	17,179	(7)	(9)	106,483
Transmission lines		40,306	22,731	-	-	63,037	15,304	-	(44)	78,297
Distribution lines		105,825	19,134	(1,789)	1,718	124,888	7,739	(1,529)	(12)	131,086
Street lighting		2,615	266	-	-	2,881	51	-	-	2,932
Geothermal power generation (2)		110,131	425	-	-	110,556	41,874	-	-	152,430
Wind power generation		7,508	469	(614)	-	7,363	1,007	(972)	-	7,398
Solar power generation		1,670	203	-	-	1,873	-	-	-	1,873
Micro hydro power generation		166	-	-	-	166	-	-	-	166
Communication, control and infrastructure equipment		5,297	376	-	-	5,673	-	-	-	5,673
Subtotal ICE Electricity	**¢**	**600,258**	**69,072**	**(10,150)**	**1,671**	**660,851**	**474,449**	**(3,298)**	**369**	**1,132,371**
ICE Telecom (3):										
Transport	¢	381,827	72,073	(580)	(7)	453,313	38,798	(12,274)	27	479,864
Access		229,867	50,409	(187)	(64)	280,025	75,349	(13,294)	2	342,082
Civil and electromechanical		155,736	12,612	4	23	168,375	11,570	(901)	(35)	179,009
Platforms		19,533	8,363	(16)	-	27,880	35,440	(31)	(181)	63,108
Subtotal ICE Telecom	**¢**	**786,963**	**143,457**	**(779)**	**(48)**	**929,593**	**161,157**	**(26,500)**	**(187)**	**1,064,063**
Subtotal ICE	**¢**	**1,387,221**	**212,529**	**(10,929)**	**1,623**	**1,590,444**	**635,606**	**(29,798)**	**182**	**2,196,434**

(Continued)

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		**2009**	**Additions**	**Retirements and transfers**	**Adjustments and reclassifications**	**2010**	**Additions**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**
CNFL:										
Land	¢	2,993	226	-	-	3,219	-	-	54	3,273
Land improvements		5,523	395	(30)	(168)	5,720	446	-	-	6,166
Buildings		9,827	882	(63)	(72)	10,574	1,349	-	(54)	11,869
Plants		49,499	1,264	(193)	(1,084)	49,486	244	-	-	49,730
Distribution lines		76,149	6,225	(433)	-	81,941	11,196	(413)	-	92,724
Transmission lines		2,011	11	-	-	2,022	-	-	-	2,022
Substations		12,846	264	-	-	13,110	335	-	-	13,445
Service connections		13,423	1,799	(61)	-	15,161	2,016	(78)	-	17,099
Street lighting equipment		3,628	90	(64)	-	3,654	371	(187)	-	3,838
Street lighting		4,166	624	-	-	4,790	916	-	-	5,706
General equipment		17,342	4,571	(481)	(30)	21,402	3,884	(921)	-	24,365
Communication systems		379	33	-	-	412	221	-	-	633
Subtotal CNFL	**¢**	**197,786**	**16,384**	**(1,325)**	**(1,354)**	**211,491**	**20,978**	**(1,599)**	**-**	**230,870**
RACSA:										
Land	¢	203	-	-	-	203	-	-	-	203
Building		720	43	-	-	763	5	-	-	768
Communication equipment		29,909	7,506	(288)	-	37,127	549	(1,555)	-	36,121
General equipment		5,272	3,186	(1,957)	(15)	6,486	71	(93)	(130)	6,334
Submarine Cable - Maya I		4,227	-	-	-	4,227	2,605	-	-	6,832
Submarine Cable - Arcos I		2,443	-	4	-	2,447	2	-	-	2,449
Submarine Cable - Pacific (Costa Rica)		7,331	-	-	-	7,331	-	-	-	7,331
Subtotal RACSA	**¢**	**50,105**	**10,735**	**(2,241)**	**(15)**	**58,584**	**3,232**	**(1,648)**	**(130)**	**60,038**
Total ICE Group	**¢**	**1,635,112**	**239,648**	**(14,495)**	**254**	**1,860,519**	**659,816**	**(33,045)**	**52**	**2,487,342**

(Continued)

(1) Hydraulic power generation

It corresponds mainly to the capitalization in the amount of ¢387,869 of the Pirrís Hydroelectric Project located in Llano Bonito, León Cortés, San José.

The main components of the project's plant are as follows: civil works of dam (¢189,163), tunnel (¢100,221), electromechanical works of engine room (¢36,551), and forced pumping (¢28,224).

(2) Geothermal power generation

The Las Pailas Geothermal Project was inaugurated in October 2011. ICE's works in connection with this project were capitalized to operating assets in the well asset component in the amount of ¢39,793. The Las Pailas Geothermal Project is located on the slopes of the Rincón de la Vieja Volcano in Guanacaste.

(3) ICE Telecom

As of December 31, 2011, ICE Telecom's capitalized operating assets amount to ¢161,157.

In March 2011, ICE issued a notice authorized by SUTEL to dismantle its TDMA technology and migrate customers to other alternative technologies, such as GSM and 3G. In September 2011, a portion of the TDMA equipment in the amount of ¢24,732 was retired. The main retired asset components include base stations from the access asset group and switching from the transport asset group in the amount of ¢13,294 and ¢5,086, respectively.

RACSA

In 2010, RACSA capitalized the amount of ¢7,605 (as of December 31, 2011, the carrying amount is ¢5,955) 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.

(Continued)

As of the date of this report, execution of the product to be marketed with this solution development platform has been delayed with respect to the date established in the executed feasibility technical studies. This has caused a delay in the ability to generate expected future cash flows as they were planned and projected. Additionally, the project included investment in software in the amount of ¢579 (as of December 31, 2011: carrying amount of ¢338), which is presented as part of intangible assets (see note 18), for a total investment of ¢8,184 (as of December 31, 2011: carrying amount of ¢6,293). At the 2011 year-end, there was no capitalization.

(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		**2009**	**Depreciation**	**Retirements and transfers**	**2010**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**
ICE Electricity:									
Hydraulic power generation	¢	46,490	4,868	(78)	51,280	7,189	(373)	-	58,096
Thermal power generation		11,180	2,860	(595)	13,445	3,404	40	7	16,896
Substations		17,163	3,803	(292)	20,674	4,346	(3)	58	25,075
Transmission lines		6,448	1,449	-	7,897	2,745	-	-	10,642
Distribution lines		27,731	8,573	(967)	35,337	9,195	(557)	-	43,975
Street lighting		1,878	69	-	1,947	127	-	-	2,074
Geothermal power generation		29,357	3,414	-	32,771	3,752	-	-	36,523
Wind power generation		1,899	453	(77)	2,275	363	(100)	-	2,538
Solar power generation		331	79	-	410	82	-	-	492
Micro hydro power generation		1	6	-	7	6	-	-	13
Communication, control and infrastructure equipment		1,312	891	-	2,203	926	-	-	3,129
Subtotal ICE Electricity	**¢**	**143,790**	**26,465**	**(2,009)**	**168,246**	**32,135**	**(993)**	**65**	**199,453**
ICE Telecom:									
Transport	¢	158,723	39,542	(310)	197,955	38,952	(11,303)	-	225,604
Access		79,074	29,795	(96)	108,773	38,633	(12,915)	-	134,491
Civil and electromechanical		83,098	12,251	-	95,349	11,460	(880)	-	105,929
Platforms		5,091	5,630	(2)	10,719	7,105	(79)	-	17,745
Subtotal ICE Telecom	**¢**	**325,986**	**87,218**	**(408)**	**412,796**	**96,150**	**(25,177)**	**-**	**483,769**
Subtotal ICE	**¢**	**469,776**	**113,683**	**(2,417)**	**581,042**	**128,285**	**(26,170)**	**65**	**683,222**

(Continued)

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,							
Accumulated depreciation - cost		**2009**	**Depreciation**	**Retirements and transfers**	**2010**	**Depreciation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**
CNFL:									
Land improvements	¢	642	101	-	743	136	-	-	879
Buildings		1,309	250	(10)	1,549	218	-	-	1,767
Plants		5,676	1,158	(36)	6,798	1,293	-	-	8,091
Distribution lines		13,123	2,444	(98)	15,469	3,068	(127)	-	18,410
Transmission lines		209	67	-	276	68	-	-	344
Substations		1,872	426	-	2,298	471	-	-	2,769
Service connections		2,290	471	(18)	2,743	553	(23)	-	3,273
Street lighting equipment		602	121	(63)	660	147	(181)	-	626
Street lighting		521	144	-	665	171	-	-	836
General equipment		7,637	1,904	(347)	9,194	2,202	(772)	1	10,625
Communication systems		54	12	-	66	14	-	-	80
Subtotal CNFL	**¢**	**33,935**	**7,098**	**(572)**	**40,461**	**8,341**	**(1,103)**	**1**	**47,700**
RACSA:									
Building	¢	165	22	-	187	25	-	-	212
Communication equipment		21,098	3,493	(282)	24,309	3,791	(1,123)	-	26,977
General equipment		2,967	521	(1,836)	1,652	576	(81)	-	2,147
Submarine Cable - Maya I		970	201	-	1,171	247	-	-	1,418
Submarine Cable - Arcos I		557	111	-	668	110	-	-	778
Submarine Cable - Pacific (Costa Rica)		608	489	-	1,097	489	-	-	1,586
Subtotal RACSA	**¢**	**26,365**	**4,837**	**(2,118)**	**29,084**	**5,238**	**(1,204)**	**-**	**33,118**
Total ICE Group	**¢**	**530,076**	**125,618**	**(5,107)**	**650,587**	**141,864**	**(28,477)**	**66**	**764,040**

(Continued)

(In millions of colones)

In 2011 and 2010, 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%
Communication and control 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 (in years)**	**Annual rate (%)**
<u>ICE Telecom:</u>		
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 monitors	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%

(In millions of colones)

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

	As of December 31, 2011											
Useful life (in years)	**3**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**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												
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)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

	As of December 31, 2011											
Useful life (in years)	**3**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**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)

(In millions of colones)

	As of December 31, 2011											
Useful life (in years)	**3**	**5**	**6**	**7**	**8**	**10**	**12**	**15**	**20**	**25**	**30**	**40**
Annual rate	**33%**	**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										

(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:							
Land improvements							**x**
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**			

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Revalued operating assets are as follows:

		Plants, substations, lines, stations, and other As of December 31,								
Operating assets - revalued		**2009**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2010**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**
ICE Electricity:										
Hydraulic power generation	¢	1,104,538	(21,930)	(1,235)	-	1,081,373	62,780	(12,296)	(4)	1,131,853
Thermal power generation		84,546	(1,857)	(1,901)	-	80,788	8,043	(317)	66	88,580
Substations		143,037	(1,527)	(925)	-	140,585	11,459	(19)	-	152,025
Transmission lines		82,170	1,788	-	-	83,958	6,331	-	-	90,289
Distribution lines		234,895	(4,932)	(3,491)	3,400	229,872	17,617	(3,341)	(23)	244,125
Street lighting		4,122	(4)	-	-	4,118	332	-	-	4,450
Geothermal power generation		291,552	(8,221)	-	-	283,331	20,191	-	-	303,522
Wind power generation		4,032	(173)	-	-	3,859	576	-	-	4,435
Solar power generation		1,235	(13)	-	-	1,222	157	-	-	1,379
Micro hydro power generation		-	(2)	-	-	(2)	-	-	-	(2)
Communication, control and infrastructure equipment		6,536	51	-	-	6,587	610	-	-	7,197
Subtotal ICE Electricity	**¢**	**1,956,663**	**(36,820)**	**(7,552)**	**3,400**	**1,915,691**	**128,096**	**(15,973)**	**39**	**2,027,853**
ICE Telecom:										
Transport	¢	444,181	-	(5,928)	4,943	443,196	-	(8,750)	-	434,446
Access		210,187	-	(227)	-	209,960	-	(5,457)	-	204,503
Civil and electromechanical		353,357	1,278	-	-	354,635	4,971	(473)	-	359,133
Platforms		7,121	-	-	-	7,121	-	(42)	-	7,079
Subtotal ICE Telecom	**¢**	**1,014,846**	**1,278**	**(6,155)**	**4,943**	**1,014,912**	**4,971**	**(14,722)**	**-**	**1,005,161**
Subtotal ICE	**¢**	**2,971,509**	**(35,542)**	**(13,707)**	**8,343**	**2,930,603**	**133,067**	**(30,695)**	**39**	**3,033,014**

(Continued)

(In millions of colones)

Operating assets - revalued		Plants, substations, lines, stations, and other As of December 31,								
		2009	Revaluation	Retirements and transfers	Adjustments and reclassifications	2010	Revaluation	Retirements and transfers	Adjustments and reclassifications	2011
CNFL:										
Land and land improvements	¢	12,174	1,844	-	-	14,018	816	-	-	14,834
Buildings		6,465	377	-	-	6,842	595	-	-	7,437
Plants		16,357	951	(820)	-	16,488	1,261	-	37	17,786
Distribution lines		69,170	2,113	(9,982)	-	61,301	5,460	-	-	66,761
Transmission lines		106,462	5,388	(1,061)	-	110,789	9,051	(1,413)	-	118,427
Substations		1,231	129	-	-	1,360	163	-	-	1,523
Service connections		17,440	827	-	-	18,267	1,353	-	-	19,620
Street lighting equipment		26,414	281	(179)	-	26,516	2,078	(213)	-	28,381
Street lighting		10,022	478	(155)	-	10,345	915	(245)	-	11,015
General equipment		5,469	856	(276)	-	6,049	-	(503)	-	5,546
Communication systems		196	4	-	-	200	30	-	-	230
Subtotal CNFL	**¢**	**271,400**	**13,248**	**(12,473)**	**-**	**272,175**	**21,722**	**(2,374)**	**37**	**291,560**
RACSA:										
Land		11	-	-	-	11	-	-	-	11
Building		2,287	-	-	-	2,287	-	-	-	2,287
Communication equipment		10,966	-	(147)	-	10,819	-	(630)	-	10,189
General equipment		2,051	-	(381)	-	1,670	-	(61)	-	1,609
Subtotal RACSA	**¢**	**15,315**	**-**	**(528)**	**-**	**14,787**	**-**	**(691)**	**-**	**14,096**
Total ICE Group	**¢**	**3,258,224**	**(22,294)**	**(26,708)**	**8,343**	**3,217,565**	**154,789**	**(33,760)**	**76**	**3,338,670**

(Continued)

(In millions of colones)

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

Operating assets	As of December 31, 2011	2010
ICE Electricity:		
Hydraulic power generation	0.05109	(0.01861)
Thermal power generation	0.05097	(0.01155)
Substations	0.05051	(0.00706)
Transmission lines	0.04911	0.01653
Distribution lines	0.05068	(0.01461)
Street lighting	0.05004	(0.00061)
Geothermal power generation	0.05126	(0.02089)
Wind power generation	0.05097	(0.01558)
Solar power generation	0.05062	(0.00459)
Micro hydro power generation	0.05109	(0.01461)
Communication and control equipment	0.04975	0.00428

ICE Electricity

2011

A slight increase in revaluation rates resulted from the stability in certain economic indicators (mainly inflation and foreign exchange rates) used in the revaluation formula. Accordingly, the following trend is presented: the local (Costa Rica) annual inflation rate for the period was 4.73%, a decline of 1% with respect to the rate reported for 2010 (5.83%); the foreign exchange rate (colon-U.S. dollar) increased by 0.05%, from ¢518.09 to ¢518.33; and the external (USA) annual inflation rate (cost trend) was 5.26%, compared to 3.95% in 2010, thus contributing to positive indexes for 2011.

(In millions of colones)

2010

The decline in revaluation rates in 2010 resulted from variations in certain economic indicators (mainly inflation and foreign exchange rates) that are used in the revaluation formula. The net effect is a downward trend compared to 2009: the local (Costa Rica) annual inflation rate for the period was 5.83%, which is slightly higher than the figure reported for 2009 (4.05%); the foreign exchange rate (colon-U.S. dollar) fell 9.39%, from ¢571.81 to ¢518.09; and the external (USA) annual inflation rate (cost trend) was 3.95%, compared to 4.64% in 2009, thus contributing to negative indexes for 2010.

ICE Telecom

2011/2010

In 2011 and 2010, operating assets were not revalued based on ICE Telecom's technical criteria, except for civil works infrastructure and land, which were revalued by applying a rate of 0.039289 and 0.043353, respectively (2010: -0.01437140792).

Revaluation rates applied by CNFL and RACSA are as follows:

Operating assets	As of December 31, 2011	2010
CNFL:		
Hydraulic	0.049287	0.01870
Distribution	0.048242	0.03965
Transformation	0.053119	(0.05815)
Substations	0.048823	0.02801
Street lighting	0.048764	0.02685
Land	0.047313	0.05828
Land improvements	0.047313	0.05828
Buildings	0.047313	0.05828
General equipment	0.047313	0.05828
Service connections	0.049868	0.00705
Communication systems	0.049810	0.00822
RACSA: (*)		

(*) Assets were not revalued in 2011 and 2010.

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Notes to Consolidated Financial Statements

(In millions of colones)

Accumulated depreciation of revalued operating assets is as follows:

Accumulated depreciation - revalued		Plants, substations, lines, stations, and other As of December 31,										
		2009	**Depreciation**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2010**	**Depreciation**	**Revaluation**	**Retirements and transfers**	**Adjustments and reclassifications**	**2011**
ICE Electricity:												
Hydraulic power generation	¢	568,074	28,365	(10,649)	(92)	-	585,698	27,502	30,921	(7,092)	-	637,029
Thermal power generation		47,648	1,715	(677)	(1,553)	-	47,133	1,613	3,158	(120)	1	51,785
Substations		81,591	4,743	(681)	(437)	-	85,216	4,658	5,230	(12)	(13)	95,079
Transmission lines		52,815	3,190	916	-	-	56,921	2,875	2,364	-	-	62,160
Distribution lines		125,929	8,430	(2,216)	(2,050)	1,767	131,860	8,014	8,226	(2,024)	118	146,194
Street lighting		3,903	30	(3)	-	-	3,930	26	276	-	-	4,232
Geothermal power generation		87,097	9,558	(2,419)	-	-	94,236	9,268	6,510	-	-	110,014
Wind power generation		1,077	210	(46)	-	-	1,241	199	178	-	-	1,618
Solar power generation		304	48	(3)	-	-	349	47	38	-	-	434
Micro hydro power generation		-	-	-	-	-	-	-	-	-	-	-
Communication, control and infrastructure equipment		4,513	380	25	-	-	4,918	386	354	-	-	5,658
Subtotal ICE Electricity	**¢**	**972,951**	**56,669**	**(15,753)**	**(4,132)**	**1,767**	**1,011,502**	**54,588**	**57,255**	**(9,248)**	**106**	**1,114,203**
ICE Telecom:												
Transport	¢	317,008	22,357	-	-	-	339,365	21,279	-	(8,162)	-	352,482
Access		141,744	10,302	-	(2,388)	1,391	151,049	9,807	-	(5,416)	-	155,440
Civil and electromechanical		258,953	15,288	756	(166)	-	274,831	14,217	2,422	(496)	-	290,974
Platforms		5,180	402	-	-	-	5,582	386	-	(42)	-	5,926
Subtotal ICE Telecom	**¢**	**722,885**	**48,349**	**756**	**(2,554)**	**1,391**	**770,827**	**45,689**	**2,422**	**(14,116)**	**-**	**804,822**
Subtotal ICE	**¢**	**1,695,836**	**105,018**	**(14,997)**	**(6,686)**	**3,158**	**1,782,329**	**100,277**	**59,677**	**(23,364)**	**106**	**1,919,025**

(Continued)

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Notes to Consolidated Financial Statements

(In millions of colones)

		Plants, substations, lines, stations, and other As of December 31,										
Accumulated depreciation - revalued		**2009**	**Depreciation**	**Revaluation**	**Retirements and transfers**	**Adjustments**	**2010**	**Depreciation**	**Revaluation**	**Retirements and transfers**	**Adjustments**	**2011**
CNFL:												
Land improvements	¢	1,604	(35)	131	-	-	1,700	148	116	-	-	1,964
Buildings		6,443	(93)	392	(461)	-	6,281	294	352	-	36	6,963
Plants		23,138	(3,014)	450	(2,453)	-	18,121	1,731	1,228	-	-	21,080
Distribution		52,279	3,688	2,146	(730)	-	57,383	3,320	3,470	(1,032)	-	63,141
Transmission		367	45	23	-	-	435	55	34	-	-	524
Substations		7,080	606	238	-	-	7,924	616	402	-	-	8,942
Service connections		16,973	887	136	(123)	-	17,873	568	1,027	(157)	-	19,311
Street lighting		5,575	348	180	(150)	-	5,953	276	355	(237)	-	6,347
General equipment		4,296	417	255	(257)	-	4,711	290	-	(466)	-	4,535
Communication systems		57	7	1	-	-	65	8	7	-	-	80
Subtotal CNFL	**¢**	**117,812**	**2,856**	**3,952**	**(4,174)**	**-**	**120,446**	**7,306**	**6,991**	**(1,892)**	**36**	**132,887**
RACSA:												
Building	¢	1,040	48	-	-	-	1,088	91	-	(63)		1,116
Communication equipment		10,244	431	-	(146)	-	10,529	196	-	(631)		10,094
General equipment		1,439	112	-	(368)	-	1,183	77	-	-		1,260
Subtotal RACSA	**¢**	**12,723**	**591**	**-**	**(514)**	**-**	**12,800**	**364**	**-**	**(694)**	**-**	**12,470**
Total ICE Group	**¢**	**1,826,371**	**108,465**	**(11,045)**	**(11,374)**	**3,158**	**1,915,575**	**107,947**	**66,668**	**(25,950)**	**142**	**2,064,382**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Note 5. Other operating assets

Other operating assets – cost are as follows:

Other operating assets - cost		As of December 31,								
		2009	Additions	Adjustments and reclassifications	Retirements and transfers	2010	Additions	Adjustments and reclassifications	Retirements and transfers	2011
Land	¢	1,746	903	-	(46)	2,603	-	-	-	2,603
Access roads		75	8	-	-	83	1,677	-	-	1,760
Buildings		14,599	294	-	(46)	14,847	8,864	(9)	(11)	23,691
Production machinery and equipment		2,170	49	-	(16)	2,203	67	-	(34)	2,236
Construction equipment		24,328	15,071	-	(539)	38,860	11,291	-	(560)	49,591
Transport equipment		66,040	7,690	2	(569)	73,163	6,467	(71)	(607)	78,952
Communication equipment		7,427	4,880	2	(725)	11,584	1,657	11	(710)	12,542
Office furniture and equipment		5,761	1,283	-	(98)	6,946	1,233	-	(232)	7,947
Computer hardware and software		48,366	20,660	2	(4,768)	64,260	9,582	(18)	(7,999)	65,825
Laboratory, research, and sanitation equipment		19,086	5,094	2	(428)	23,754	4,684	9	(743)	27,704
Sports, recreational, and educational furniture and equipme		489	255	-	(10)	734	214	-	(85)	863
Sundry machinery and equipment		8,159	2,908	-	294	11,361	2,959	-	31	14,351
Maintenance machinery and equipment		13,046	8,675	-	(302)	21,419	10,379	1	(411)	31,388
Photography, video, and publication equipment		2,134	376	1	(13)	2,498	1,042	1	(137)	3,404
Livestock		5	1	-	(1)	5	1	-	(1)	5
Total ICE Group	**¢**	**213,431**	**68,147**	**9**	**(7,267)**	**274,320**	**60,117**	**(76)**	**(11,499)**	**322,862**

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

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

Accumulated depreciation other operating assets - cost		**As of December 31,**						
		2009	**Depreciation**	**Retirements and transfers**	**2010**	**Depreciation**	**Retirements and transfers**	**2011**
Buildings	¢	2,690	325	(15)	3,000	376	(2)	3,374
Production machinery and equipment		684	109	(1)	792	110	-	902
Construction equipment		16,104	3,576	(149)	19,531	6,609	(287)	25,853
Transport equipment		31,694	13,657	(692)	44,659	13,042	(733)	56,968
Communication equipment		4,003	1,237	(547)	4,693	1,472	(536)	5,629
Office furniture and equipment		2,368	590	(194)	2,764	652	(187)	3,229
Computer hardware and software		32,734	8,534	(4,446)	36,822	11,154	(7,793)	40,183
Laboratory, research, and sanitation equipment		8,970	2,471	(456)	10,985	2,462	(584)	12,863
Sports, recreational, and educational furniture and equipmei		330	54	(5)	379	55	(43)	391
Sundry machinery and equipment		3,334	1,462	(116)	4,680	1,949	(165)	6,464
Maintenance machinery and equipment		5,915	2,676	(115)	8,476	4,117	(260)	12,333
Photography, video, and publication equipment		695	390	(56)	1,029	476	(35)	1,470
Livestock		5	-	(1)	4	-	(1)	3
Total ICE Group	**¢**	**109,526**	**35,081**	**(6,793)**	**137,814**	**42,474**	**(10,626)**	**169,662**

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 amounts of other operating assets are as follows:

Other operating assets - revalued		As of December 31,						
		2009	Revaluation	Retirements and	2010	Revaluation	Retirements and	2011
Land	¢	6,355	-	(96)	6,259	313	-	6,572
Buildings		41,173	785	(114)	41,844	2,441	(145)	44,140
Production machinery and equipment		1,697	53	-	1,750	85	-	1,835
Construction equipment		9,151	5,639	(5,656)	9,134	1,208	(487)	9,855
Transport equipment		12,573	718	(481)	12,810	1,871	(385)	14,296
Communication equipment		752	(678)	(74)	-	-	-	-
Office furniture and equipment		2,111	85	(232)	1,964	263	(182)	2,045
Computer hardware and software		3	(1)	(2)	-	-	-	-
Laboratory, research, and sanitation equipment		4,994	227	(308)	4,913	794	(470)	5,237
Sports, recreational, and educational furniture and equipment		52	5	(2)	55	26	(1)	80
Sundry machinery and equipment		750	75	(35)	790	267	(27)	1,030
Maintenance machinery and equipment		2,293	29	(46)	2,276	561	(82)	2,755
Photography, video, and publication equipment		133	24	(13)	144	79	(5)	218
Total ICE Group	**¢**	**82,037**	**6,961**	**(7,059)**	**81,939**	**7,908**	**(1,784)**	**88,063**

(In millions of colones)

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

Other operating assets	As of December 31,	
	2011	2010
Land and rights of way	0.039289	-
Buildings	0.043353	0.01437141
Production machinery and equipment	0.042293	0.01385443
Construction equipment	0.044451	0.01390207
Transport equipment	0.044386	0.01556221
Computer hardware and software	-	0.01568098
Communication equipment	-	0.01569329
Office furniture and equipment	0.044486	0.01497667
Laboratory, research, and sanitation equipment	0.044439	0.01553697
Sports, recreational, and educational furniture and equipment	0.043717	0.01412362
Sundry machinery and equipment	0.043868	0.01532706
Maintenance machinery and equipment	0.044486	0.01340150
Photography, video, and publication equipment	0.044417	0.01565040

Notes to Consolidated Financial Statements
(In millions of colones)

Accumulated depreciation of revalued other operating assets are as follows:

Accumulated depreciation other operating assets - revalued		As of December 31,								
		2009	Depreciation	Revaluation	Retirements and transfers	2010	Depreciation	Revaluation	Retirements and transfers	2011
Buildings	¢	21,728	884	339	(32)	22,919	901	1,085	(86)	24,819
Production machinery and equipment		782	98	20	-	900	100	22	-	1,022
Construction equipment		8,648	255	2,671	(2,793)	8,781	181	349	(487)	8,824
Transport equipment		11,478	630	191	(481)	11,818	520	718	(379)	12,677
Communication equipment		736	12	(675)	(73)	-	(9)	-	(1)	(10)
Office furniture and equipment		1,736	125	29	(216)	1,674	98	82	(171)	1,683
Computer hardware and software		4	-	(1)	(2)	1	-	-	-	1
Laboratory, research, and sanitation equipment		4,319	247	62	(301)	4,327	172	238	(459)	4,278
Sports, recreational, and educational furniture and equipment		48	1	3	(2)	50	1	13	(1)	63
Sundry machinery and equipment		588	66	20	(33)	641	64	81	(26)	760
Maintenance machinery and equipment		2,049	79	22	(45)	2,105	80	131	(78)	2,238
Photography, video, and publication equipment		111	8	4	(13)	110	14	24	(4)	144
Total ICE Group	**¢**	**52,227**	**2,405**	**2,685**	**(3,991)**	**53,326**	**2,122**	**2,743**	**(1,692)**	**56,499**

(Continued)

(In millions of colones)

Note 6. Other operating assets under finance leases

Other operating assets under finance leases are as follows:

		As of December 31,	
		2011	**2010**
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		**As of December 31**		
		2010	**Depreciation**	**2011**
Buildings	¢	253	507	760
Office furniture and equipment		54	108	162
Total ICE Group	**¢**	**307**	**615**	**922**

On January 29, 2010, BCR and ICE agreed to create a "Securitization Trust", which involved execution of a trust agreement whereby ICE is named as the trustor and beneficiary and BCR 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, 2011 and 2010. 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 has classified this lease as a finance lease (see note 26). According to our accounting policies, the trust is not part of the entities included in ICE's Group consolidated financial statements.

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 used in note 5. The revalued amount is equivalent to ¢1,191.

(In millions of colones)

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

In 2011 and 2010, movements in construction work in progress and materials in transit and inventory for investment are as follows:

Account		As of December 31, 2009	Additions	Capitalizations	Warehoused	Adjustments	Used in works	Prior period adjustments	As of December 31, 2010	Additions	Capitalizations	Warehoused	Adjustments	Used in works	Prior period adjustments	As of December 31, 2011
ICE:																
Major construction work in progress	¢	327,510	202,003	(24,398)	-	19	-	(9,282)	495,852	193,357	(453,324)	-	(5,024)	-	16	230,877
Other construction work in progress		186,554	193,905	(185,781)	-	(22)	-	-	194,656	218,464	(184,109)	-	(1,275)	-	1,713	229,449
Subtotal construction work in progress		**514,064**	**395,908**	**(210,179)**	**-**	**(3)**	**-**	**(9,282)**	**690,508**	**411,821**	**(637,433)**	**-**	**(6,299)**	**-**	**1,729**	**460,326**
Materials in transit for investment		154,297	48,797	-	(70,859)	339	(34,349)	-	98,225	143,097	-	(51,478)	(15,054)	(92)	-	174,698
Inventory for investment		97,524	1,179	-	134,799	-	(103,410)	-	130,092	13,657	-	117,790	9	(122,703)	-	138,845
Sub total ICE		**765,885**	**445,884**	**(210,179)**	**63,940**	**336**	**(137,759)**	**(9,282)**	**918,825**	**568,575**	**(637,433)**	**66,312**	**(21,344)**	**(122,795)**	**1,729**	**773,869**
CNFL:																
Construction work in progress		3,912	23,880	(11,287)	-	(312)	-	-	16,193	40,817	(17,092)	-	1,135	-	-	41,053
Inventory and materials for investment		4,583	-	(71)	-	-	-	-	4,512	-	-	-	-	(16)	-	4,496
Sub total CNFL		**8,495**	**23,880**	**(11,358)**	**-**	**(312)**	**-**		**20,705**	**40,817**	**(17,092)**	**-**	**1,135**	**(16)**	**-**	**45,549**
RACSA:																
Construction work in progress		333	15,042	(15,371)	-	-	-	-	4	869	(317)	-	(16)	-	-	540
Materials in transit for investment		1,477	287	(1,249)	-	-	-	-	515	203	-	-	-	-	-	718
Sub total RACSA		**1,810**	**15,329**	**(16,620)**	**-**	**-**	**-**		**519**	**1,072**	**(317)**	**-**	**(16)**	**-**	**-**	**1,258**
GRUPO ICE :																
Major construction work in progress		331,755	240,925	(51,056)	-	(293)	-	(9,282)	512,049	235,043	(470,733)	-	(3,905)	-	16	272,470
Other construction work in progress		186,554	193,905	(185,781)	-	(22)	-	-	194,656	218,464	(184,109)	-	(1,275)	-	1,713	229,449
Subtotal construction work in progress		**518,309**	**434,830**	**(236,837)**	**-**	**(315)**	**-**	**(9,282)**	**706,705**	**453,507**	**(654,842)**	**-**	**(5,180)**	**-**	**1,729**	**501,919**
Materials in transit for investment		155,774	49,084	(1,249)	(70,859)	339	(34,349)	-	98,740	143,300	-	(51,478)	(15,054)	(92)	-	175,416
Inventory for investment		102,107	1,179	(71)	134,799	-	(103,410)	-	134,604	13,657	-	117,790	9	(122,719)	-	143,341
Total ICE Group	¢	**776,190**	**485,093**	**(238,157)**	**63,940**	**24**	**(137,759)**	**(9,282)**	**940,049**	**610,464**	**(654,842)**	**66,312**	**(20,225)**	**(122,811)**	**1,729**	**820,676**

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Construction work in progress and other construction work in progress are as follows:

	As of December 31,						
Construction work in progress and other construction work in progress	**2010**	**Additions**	**Capitalizations**	**Capitalized interest**	**Adjustments and reclassifications**	**Reclassifications to inventory**	**2011**
ICE:							
Reventazón Hydroelectric Project (1)	¢ 37,779	69,709	-	1,840	-	-	109,328
Río Macho – Moín Transmission Line Project (2)	31,512	6,897	(5,780)	2,293	-	(33)	34,889
Project for the Expansion of Mobile Telephony (3)	6,040	24,145	(10,823)	425	-	(41)	19,746
PESSO Project (4)	20,952	19,921	(6,748)	132	-	-	34,257
Auxiliary bars	13,992	1,926	-	1,086	16	(8)	17,012
Network Development Project (5)	11,186	10,586	(6,189)	593	-	(211)	15,965
Peñas Blancas - Garita Transmission Line	11,472	2,881	-	627	-	-	14,980
Construction and rehabilitation of civil works	9,622	6,283	(1,383)	6	-	-	14,528
Cachí Hydroelectric Project (6)	1,948	11,675	-	504	-	-	14,127
Advanced connectivity fiber optic (FOCA)	232	17,804	(5,321)	-	(16)	(273)	12,426
National Multi-Service Access Project (7)	51,321	14,282	(52,008)	8	(464)	(850)	12,289
Technical services for distribution projects	5,865	5,148	-	858	-	(15)	11,856
Logical security management system	-	11,066	(139)	5	-	-	10,932
Ongoing quality improvement	6,007	5,411	(1,282)	645	-	(234)	10,547
Data Center	3,123	7,537	(577)	40	-	(4)	10,119
Trunked radio system	2,370	7,922	-	107	-	-	10,399
Expansion and upgrade of electricity transport system	44	10,877	(2,406)	196	-	(2)	8,709
Income sustainability and growth	1,182	6,221	-	-	(2)	(620)	6,781
Pirrís Hydroelectric Project (8)	345,698	33,628	(387,869)	18,345	(9,001)	-	801
Improvements to electricity transport network	253	7,818	(1,946)	20	(8)	(118)	6,019
Infrastructure maintenance and soundproofing	5,995	7,589	(7,857)	3	(97)	(58)	5,575
Las Pailas Geothermal Project (9)	25,048	19,464	(41,289)	463	-	-	3,686
Poás Transmission Line	2,281	2,095	-	57	-	-	4,433
Cariblanco -Trapiche Transmission Line	2,109	1,844	-	270	-	-	4,223
La Caja Transmission Line	3,309	24	-	84	-	-	3,417
Expansion and renovation of platform	2,687	726	-	5	(7)	-	3,411
Improvements to electricity transport network	5,507	3,893	(6,489)	570	21	(265)	3,237
Cóbano Transmission Line	-	2,898	-	14	-	-	2,912
Río Macho Hydroelectric Project	1,220	2,005	(544)	97	-	-	2,778
Management of network elements	3,480	2,384	(2,651)	-	(5)	(605)	2,603
San Antonio I Thermal Project	1,404	1,014	(12)	128	-	-	2,534
Corobicí Hydroelectric Project	2,480	476	(688)	190	(19)	(7)	2,432
Río Macho substation upgrade	200	2,101	-	44	-	-	2,345
Integral corporate client services	1,455	3,391	(2,605)	-	(1)	(38)	2,202
Transformation of power	1,261	842	-	57	-	-	2,160
Arenal Hydroelectric Project	1,262	2,059	(373)	298	17	-	3,263
Universal service	2,222	2,365	(2,587)	-	(15)	(95)	1,890
Moín III Thermal Project	1,073	1,826	(1,204)	169	-	-	1,864
Technological infrastructure	302	1,283	-	137	-	-	1,722
Sandillal Hydroelectric Project	1,091	507	(57)	98	-	-	1,639
Public street lighting	652	611	(51)	66	-	(8)	1,270
Multi-buoy mooring - Pacific	203	963	-	-	-	-	1,166
Guápiles Thermal Project	339	735	-	57	-	-	1,131
Tarbaca Transmission Line	-	1,111	-	16	-	-	1,127
Coronado Transmission Line	-	1,109	-	1	-	-	1,110
Orotina Thermal Project	307	714	-	48	-	-	1,069
Toro - San Miguel deviation	5,823	2,523	-	-	-	-	8,346
Sundry Projects	58,200	34,069	(88,555)	4,067	5,011	(1,721)	11,071
Subtotal ICE	**¢ 690,508**	**382,358**	**(637,433)**	**34,669**	**(4,570)**	**(5,206)**	**460,326**

(Continued)

Notes to Consolidated Financial Statements

(In millions of colones)

Construction work in progress and other construction work in progress		2010	Additions	Capitalizations	Capitalized interest	Adjustments and reclassifications	Reclassifications to inventory	2011
		As of December 31,						
CNFL:								
Balsa Inferior Hydroelectric Project	¢	11,218	25,620	-	-	1,135	-	37,973
Anonos Hydroelectric Project		171	815	-	-	-	-	986
San Buenaventura Wind Power Project		-	548	-	-	-	-	548
Other		4,804	13,835	(17,093)	-	-	-	1,546
Subtotal CNFL		**16,193**	**40,818**	**(17,093)**	**-**	**1,135**	**-**	**41,053**
RACSA:								
UPS units		-	305	-	-	-	-	305
Aerial fiber optic network		4	117	-	-	-	-	121
Other		-	130	-	-	(16)	-	114
Subtotal RACSA		**4**	**552**	**-**	**-**	**(16)**	**-**	**540**
Total ICE Group	**¢**	**706,705**	**423,728**	**(654,526)**	**34,669**	**(3,451)**	**(5,206)**	**501,919**

Following is a summary of the main construction projects 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. Investments made in 2011 were financed with ICE’s resources and funds generated from other financing structures. The total investment for development of this project is estimated at US$1,200 (in millions).

(2) Río Macho – 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 modification and substitution of wiring structures (raising their height) and the wire transport capacity. This project also includes expansion of the Moín Substation.

(3) Project for the Expansion of Mobile Telephony

The increase in the Project for the Expansion of Mobile Telephony is mainly related to the Project to Expand the GSM Network, Project for Mobile Network Management, and procurement of the necessary equipment, licenses, and services to enable interoperability and integration between GSM and 3G technologies.

(4) 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 eTOM 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; a communication instrument). The cost of this project does not exceed US$155.2 (in millions).

(5) Network Development Project

The Network Development Project focuses on improving the quality of the electric power supply to the manufacturing industry, the tourism industry, and customers in general by installing new distribution lines or expanding existing lines throughout the country.

(6) 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.

(7) National Multi-Service Access Project

The National Multi-Service Access Project is comprised of works related to the installation of IMAP equipment and multi-service access nodes, which provide voice, data, and video services on the access network.

This project also includes short-term solutions and improvements to the transport network and to the network access across the country. The main contribution of the project is the modernization, improvement, and expansion of the intercity fiber optic network, transport network, and SIEMENS switching centers.

The decrease of ¢52,008 in 2011 is due to the capitalization of construction work in progress to operating assets.

(8) Pirrís Hydroelectric Power Project

The Pirrís Hydroelectric Power Project is located in Los Santos, Costa Rica. Filling of the reservoir began on January 25, 2011 and the start-up of operations began in September 2011.

(9) Las Pailas Geothermal Power Project

The Las Pailas Geothermal Project is located on the slopes of the Rincón de la Vieja Volcano.

The construction of the plant was completed in October 2011. A lease agreement with a purchase option is effective as of that date for 12 years. Part of the field is operational, and a partial capitalization of the well component was made in December 2011 for ¢39,793.

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Notes to Consolidated Financial Statements

(In millions of colones)

ICE Electricity

As of December 31, 2011, principal construction work in progress by financing source is as follows:

Construction work in progress
As of December 31, 2011

Construction work in progress	Local - capitalizaciones	IDB 796	JBIC	CABEI Pirrís	A bonds	B bonds	CABEI electricity services (2007)	CABEI (additional)	Andean Development Corporation (CAF)	Local banks	CLIPP	Multilateral banks	INS A bonds	International bonds	Local bonds (2009)	Local bonds (2010)	CABEI	Foreign	Other third parties	Other international development organizations	Total
Hydraulic power generation:																					
Río Macho Hydroelectric Project ¢	1,366	-	-	-	-	-	-	-	-	-	3	-	-	-	139	436	-	-	-	-	1,944
Cachí Hydroelectric Project	2,731	-	-	-	-	-	-	-	-	-	-	-	-	-	106	10,456	834	-	-	-	14,127
Pirrís Hydroelectric Project	(269,849)	-	86,887	37,159	-	1,922	15,005	-	18,094	-	-	(553)	-	-	31,264	77,659	-	-	59	3,154	801
Reventazón Hydroelectric Project	20,223	-	-	-	-	-	-	8	45	7,023	-	85	-	80,808	1,130	6	-	-	-	-	109,328
Subtotal	**(245,529)**	**-**	**86,887**	**37,159**	**-**	**1,922**	**15,005**	**8**	**18,139**	**7,023**	**3**	**(468)**	**-**	**80,808**	**32,639**	**88,557**	**834**	**-**	**59**	**3,154**	**126,200**
Substations:																					
Río Macho - Moín Transmission Line	124	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34	-	-	-	-	158
Cariblanco -Trapiche Transmission Line	154	-	-	-	-	-	-	-	-	-	-	-	-	-	-	212	-	-	-	-	366
Poás Transmission Line	14	-	-	-	-	-	-	-	-	52	-	-	-	-	-	107	-	-	-	-	173
Tarbaca Transmission Line	460	1	-	-	-	-	-	-	-	73	-	-	-	-	-	301	-	-	-	-	835
Auxiliary bars	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)
Peñas Blancas - Garita Transmission Line	520	290	-	-	-	-	-	110	3	4	-	-	-	-	26	1,328	-	-	-	-	2,281
La Caja Transmission Line	2,573	300	-	-	-	14	69	-	6	450	-	-	5	-	-	-	-	-	-	-	3,417
Coronado Transmission Line	7	-	-	-	-	-	-	-	-	6	1,096	-	-	-	-	-	-	-	-	-	1,109
Quin 03-07 Transformer Back-up Program	1,619	-	-	-	-	-	28	-	91	171	-	-	-	-	38	213	-	-	-	-	2,160
MV connections	115	-	-	-	-	-	-	-	-	30	-	-	-	-	-	50	-	-	-	-	195
Pirrís Transmission Line	(2,403)	-	(56)	1,704	-	2	(5)	-	-	-	-	-	-	-	160	598	-	-	-	-	-
High Voltage bars	8,738	39	-	-	-	1	1,078	-	1,633	3,144	-	-	-	-	888	1,499	-	-	-	-	17,020
Ingenio El Viejo interconnection	1,001	25	-	-	-	-	1	-	206	254	-	-	-	-	370	230	-	-	-	-	2,087
Miravalles Transmission System expansion No.8	499	-	-	-	-	-	39	-	-	155	-	-	-	-	26	187	-	-	-	-	906
Río Macho Transmission System upgrade	856	-	-	-	-	-	-	-	-	-	702	-	-	-	-	787	-	-	-	-	2,345
Subtotal	**14,268**	**655**	**(56)**	**1,704**	**-**	**17**	**1,210**	**110**	**1,939**	**4,339**	**1,798**	**-**	**5**	**-**	**1,508**	**5,546**	**-**	**-**	**-**	**-**	**33,043**
Transmission lines:																					
Río Macho - Moín	16,525	2,745	-	-	401	1,258	2,015	1,450	1,302	2,076	-	-	-	-	4	6,952	-	-	3	-	34,731
Cariblanco - Trapiche	1,261	-	-	-	-	16	220	24	201	-	-	-	-	-	305	1,830	-	-	-	-	3,857
Parrita	49	-	-	-	-	-	-	-	3	-	-	-	-	-	-	59	-	-	-	-	111
Poás	1,821	824	-	-	1	32	9	1	-	-	-	-	-	-	8	1,564	-	-	-	-	4,260
Tarbaca Transmission Line	116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176	-	-	-	-	292
Peñas Blancas - Garita Transmission Line	4,981	(496)	-	-	49	10	523	2,803	1,806	-	-	-	-	-	17	3,004	-	-	-	-	12,697
Córbano Transmission Line	2,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	471	-	-	-	-	2,912
SIEPAC transmission lines	747	-	-	-	(27)	(99)	23	-	39	-	-	-	-	-	-	-	-	-	-	-	683
Fiber optic installation	16	-	-	-	-	-	43	-	-	-	-	-	-	-	-	-	-	-	-	-	59
Toro - San Miguel deviation	8,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,346
Subtotal	**36,303**	**3,073**	**-**	**-**	**424**	**1,217**	**2,833**	**4,278**	**3,351**	**2,076**	**-**	**-**	**-**	**-**	**334**	**14,056**	**-**	**-**	**3**	**-**	**67,948**
Geothermal power generation:																					
Miravalles underground works	15	-	-	-	-	(15)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Las Pailas Geothermal Project	(2 637)	-	-	-	-	47	1 065	-	27	-	-	-	-	-	1 422	3 762	-	-	-	-	3 686
Subtotal	**(2,622)**	**-**	**-**	**-**	**-**	**32**	**1,065**	**-**	**27**	**-**	**-**	**-**	**-**	**-**	**1,422**	**3,762**	**-**	**-**	**-**	**-**	**3,686**
Total ICE ¢	**(197,580)**	**3,728**	**86,831**	**38,863**	**424**	**3,188**	**20,113**	**4,396**	**23,456**	**13,438**	**1,801**	**(468)**	**5**	**80,808**	**35,903**	**111,921**	**834**	**-**	**62**	**3,154**	**230,877**

(Continued)

(In millions of colones)

Note 8. Long-term investments

Long-term investments are as follows:

		As of December 31,	
		2011	**2010**
ICE:			
Investments in stock at cost:			
Empresa Propietaria de la Red, S.A.	¢	2,872	2,871
Rural electrification cooperatives		43	43
		2,915	**2,914**
Long-term financial investments:			
Government (External debt bonds)		5,878	576
Central Bank of Costa Rica (BCCR) (Bond)		1,748	-
Banco Popular y de Desarrollo Comunal		1,500	1,800
Banco de Costa Rica		1,000	-
JASEC		581	580
Banco Hipotecario de la Vivienda (BANHVI) (Bond)		500	500
Scotiabank (Certificate)		259	259
Grupo Mutual Alajuela-La Vivienda de Ahorro y Préstamo		315	-
HSBC		-	138
Otros		-	821
		11,781	**4,674**
Subtotal ICE	¢	**14,696**	**7,588**
CNFL:			
Eólico Valle Central, S.A.		5,322	2,594
Empresa Propietaria de la Red, S.A.		253	252
Subtotal CNFL	¢	**5,575**	**2,846**
Total ICE Group		**20,271**	**10,434**

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.

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

In 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	BPDC	1/21/2011	6/23/2012	512		500	512	Fixed	10.50%	9.22%
BPDC bond	CRBPDC0B6509	AA (cri)	Colones	BPDC	1/21/2011	6/23/2012	512		1,000	1,022	Fixed	10.50%	9.32%
BANHVI bond	CRBANVIB0037	AA (cri)	Colones	BANHVI	4/15/2010	4/7/2015	1,792		500	504	Variable	10.50%	10.32%
MADAP bond	CRMADAPB2277	SCR AA +	Colones	MADAP	1/13/2011	12/9/2015	1,766		318	318	Variable	9.40%	9.63%
BCR bond	CRBCR00B2760	AA (cri)+	Colones	BCR	4/28/2011	6/14/2013	766		1,000	1,074	Fixed	10.12%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	1/12/2011	3/27/2013	795		1,000	1,061	Fixed	9.84%	8.14%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	1/14/2011	3/27/2013	795		1,000	1,062	Fixed	9.84%	8.11%
Central Bank bond	CRG0000B45G2	Country risk	Colones	Government	1/14/2011	3/27/2013	795		300	318	Fixed	9.84%	8.16%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	3/23/2011	3/19/2014	1,076		1,000	996	Fixed	8.28%	8.41%
Central Bank bond	CRG0000B62G7	Country risk	Colones	Government	3/23/2011	3/19/2014	1,076		1,000	995	Fixed	8.28%	8.46%
Central Bank bond	CRG0000B55G1	Country risk	Colones	Government	1/12/2011	6/28/2017	2,326		1,000	1,023	Fixed	9.89%	9.45%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	3/4/2011	11/19/2014	1,335		286	281	Fixed	7.47%	8.70%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3371	Country risk	Colones	Government	3/4/2011	11/19/2014	1,335		500	491	Fixed	7.47%	8.70%
Monetary Stabilization Bond - fixed rate	CRBCCR0B3496	Country risk	Colones	Government	4/6/2011	7/3/2013	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	5/21/2010	5/21/2012	724	US$	500	500	Fixed	3.15%	3.09%
JASEC - Private issue bond	CRJASECB0036	***	U.S. dollars	JASEC	12/13/2010	12/10/2012	717	US$	1,120	1,120	Fixed	5.25%	5.25%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	5/11/2009	3/20/2014	1,749	US$	613	628	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	3/9/2010	3/20/2014	1,451	US$	498	557	Fixed	6.55%	4.18%
Costa Rican external debt bond	USP3699PAA59	***	U.S. dollars	Government	1/12/2011	8/1/2020	3,439	US$	20	28	Fixed	10.00%	5.12%
Total investments								**US$**	**2,751**	**2,833**			

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

(Continued)

(In millions of colones)

In 2010, the main features of long-term financial investments are as follows:

Instrument	ISIN	Risk rating	Currency	Issuer	Purchase date	Maturity	Term		Face value	Value traded	Rate	Coupon	Net return
TCD (global certificate)	00BPDC0C69T8	-	Colones	Banco Popular y de Desarrollo Comunal	19/04/2010	19/04/2011	360	¢	700	700	Fixed	9.62%	9.49%
TCD (global certificate)	00BPDC0C90T4	-	Colones	Banco Popular y de Desarrollo Comunal	12/05/2010	12/05/2011	365		600	600	Fixed	10.50%	10.34%
TCD (global certificate)	00BPDC0C48U0	-	Colones	Banco Popular y de Desarrollo Comunal	21/06/2010	21/06/2011	360		500	500	Fixed	10.75%	10.64%
CNFL bond	CRCFLUZB0199	AAA(cri)	Colones	CNFL	28/06/2010	05/07/2011	367		421	443	Variable	9.66%	9.09%
HSBC bond	CRBHSBCB0027	AAA(cri)	Colones	HSBC	13/05/2010	15/10/2011	512		139	138	Variable	8.51%	9.48%
BANHVI bond	CRBANVIB0037	AA(cri)+	Colones	BANHVI	15/04/2010	07/04/2015	1792		500	504	Fixed	10.50%	10.32%
CNFL bond	CRCFLUZB0207	AAA(cri)	Colones	CNFL	04/10/2010	30/09/2017	2516		400	400	Fixed	10.53%	10.51%
Total investments								¢	**3,260**				

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	21/05/2010	21/05/2012	724	¢	259	259	Fixed	3.15%	3.09%
JASEC - Private issue bond	CRJASECB0036	***	U.S. dollars	JASEC	13/12/2010	10/12/2012	717		580	580	Fixed	6.18%	5.25%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	11/05/2009	20/03/2014	1749		318	326	Fixed	6.55%	6.13%
Costa Rican external debt bond	USP3699PEM51	***	U.S. dollars	Government	09/03/2010	20/03/2014	1451		258	288	Fixed	6.55%	4.18%
Total investments								¢	**1,415**				

(Continued)

(In millions of colones)

Note 9. Banks

Banks are as follows:

Banks		As of December 31, 2011	2010
ICE Group			
Public entities	¢	7,029	4,554
Private entities		923	1,345
Total ICE Group	**¢**	**7,952**	**5,899**

Note 10. Notes and accounts receivable

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

		As of December 31, 2011		As of December 31, 2010	
		Long-term	Short-term	Long-term	Short-term
ICE:					
Private individuals or companies	¢	-	2,621	-	2,263
Electricity cooperatives and municipal electricity distribution companies (1)		183	81	243	2,428
Payment arrangements		-	94	-	76
Employees		-	15	-	15
Loan to autonomous entities		2,347	-	36	-
Subtotal ICE	**¢**	**2,530**	**2,811**	**279**	**4,782**
CNFL:					
Payment arrangements		-	40	-	15
In legal collections		-	24	-	24
Officers		8	4	6	4
Moín III Thermal Power Plant - Interest		-	-	-	11
Subtotal CNFL	**¢**	**8**	**68**	**6**	**54**
Total ICE Group	**¢**	**2,538**	**2,879**	**285**	**4,836**

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(In millions of colones)

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

Receivables for services rendered		As of December 31, 2011	2010
ICE:			
Private individuals or companies	¢	44,717	34,605
Telephone administrations		5,977	4,686
Electricity cooperatives and municipal electricity distribution companies		8,551	8,703
Sale of terminals		4,750	6,506
Public agencies		3,738	3,238
Operators and service providers		4,651	887
Fixed services for private individuals or companies		972	972
Street lighting system		-	434
Subtotal ICE	¢	**73,356**	**60,031**
CNFL:			
Electricity services - consumers		18,529	16,945
Electricity services - Government		537	536
Electricity services		484	830
Subtotal CNFL	¢	**19,550**	**18,311**
RACSA:			
Customers	¢	2,676	3,052
Other		1,566	1,733
Foreign lines		1,463	1,067
In legal collections		1,274	708
Government		114	60
Payment arrangements		1	3
Subtotal RACSA	¢	**7,094**	**6,623**
Total ICE Group	¢	**100,000**	**84,965**

Notes to Consolidated Financial Statements
(In millions of colones)

Non-trade receivables		**As of December 31,**	
		2011	**2010**
ICE:			
Private individuals or companies	¢	55,966	43,440
Toro III (1)		55,941	-
In administrative and legal collections		35,931	42,288
Other		2,317	515
Government taxes		3,936	3,469
Employees		174	293
Subtotal ICE	**¢**	**154,265**	**90,005**
CNFL:			
National Insurance Institute (INS) compensation - Cote Power Plant		4,146	4,144
Agreements, paid services, and other		1,292	1,181
Sales tax credit		1,562	1,195
Sundry accounts receivable		879	466
Damage to electrical installations		884	755
Other services rendered		656	220
Income tax withholding (2%)		635	131
Trade transactions receivable		393	-
Savings and loan fund		200	200
Sundry government services		109	555
Estimated sales tax		78	48
Officers		18	13
Bad checks		8	8
Subtotal CNFL	**¢**	**10,860**	**8,916**
RACSA:			
Estimated income tax		174	287
Other accounts receivable		88	158
Interest receivable		19	22
Advance payments to suppliers		1	28
Subtotal RACSA	**¢**	**282**	**495**
Total ICE Group	**¢**	**165,407**	**99,416**

(1) 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.

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

Movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts		As of December 31, 2009	Used	Recoveries	Expense	As of December 31, 2010	Used	Recoveries	Expense	As of December 31, 2011
ICE:										
Receivables for services rendered and non-trade receivables	¢	31,531	(2,194)	811	3,718	33,866	(10,558)	1,261	8,764	33,333
Subtotal ICE		**31,531**	**(2,194)**	**811**	**3,718**	**33,866**	**(10,558)**	**1,261**	**8,764**	**33,333**
CNFL:										
Receivables for services rendered and non-trade receivables		1,872	(657)	-	445	1,660	(172)	-	808	2,296
Subtotal CNFL		**1,872**	**(657)**	**-**	**445**	**1,660**	**(172)**	**-**	**808**	**2,296**
RACSA:										
Receivables for services rendered and non-trade receivables		960	-	-	63	1,034	(64)	-	478	1,448
Subtotal RACSA		**960**	**-**	**-**	**63**	**1,023**	**(64)**	**-**	**478**	**1,437**
Total ICE Group	**¢**	**34,363**	**(2,851)**	**811**	**4,226**	**36,549**	**(10,794)**	**1,261**	**10,050**	**37,066**

Note 11. Operating inventory

Operating inventory by location is as follows:

Operating inventory		As of December 31, 2011	2010
ICE			
San José	¢	61,841	67,633
Alajuela		8,719	6,930
Guanacaste		6,083	5,243
Limón		25,136	17,967
Puntarenas		28,271	18,172
Cartago		9,307	4,837
Subtotal ICE		**139,357**	**120,782**
Reclassification to inventory for investment and other assets		(54,353)	(57,962)
Total ICE		**85,004**	**62,820**
CNFL			
San José		5,376	4,387
RACSA			
San José		192	174
Total ICE Group	**¢**	**90,572**	**67,381**

(Continued)

(In millions of colones)

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

Allowance for valuation of inventory

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

		As of December 31,							
		2009	Used	Investment accounts	Expense	2010	Used	Expense	2011
ICE									
Allowance for valuation of inventory	¢	2,181	(1,205)	191	3,952	5,119	(1,140)	3,257	7,236
Subtotal ICE		**2,181**	**(1,205)**	**191**	**3,952**	**5,119**	**(1,140)**	**3,257**	**7,236**
CNFL									
Allowance for valuation of inventory		38	(28)	-	30	40	(40)	75	75
Subtotal CNFL		**38**	**(28)**	**-**	**30**	**40**	**(40)**	**75**	**75**
Total ICE Group	**¢**	**2,219**	**(1,233)**	**191**	**3,982**	**5,159**	**(1,180)**	**3,332**	**7,311**

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

Materials and equipment held in custody		As of December 31, 2011	2010
ICE			
Terminals and other devices	¢	4,427	6,442
Spare parts not in warehouse custody		540	402
Subscriber identification cards		205	233
Telephones for the disabled		6	6
Total	**¢**	**5,178**	**7,083**

(In millions of colones)

Note 12. Temporary investments

Temporary investments are as follows:

					As of December 31, 2011			
		Issuer	**Type of financial instrument**		**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**	Central Bank of Costa Rica (BCCR)	Electronic term deposit		162	162	3.04%	Dec 2011 to Jan 2012
Total ICE Electricity					**10,964**			
ICE Telecom								
Uncommitted:								
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
No comprometidas:								
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 Set 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
		Central Bank of Costa Rica (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 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
		Banco Popular y de Desarrollo Comunal	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%	Set 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
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit		3,041	3,041	6.90% - 8.57%	Jun 2011 to May 2012
		Central Bank of Costa Rica (BCCR)	Electronic term deposit		9,376	9,376	3.04%	Dec 2011 to Jan 2012
		Banco CMB (Costa Rica) S.A.	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 de San José (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		1,762	3	2.00%	Aug 2011 to Mar 2012
		Banco de San José (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	Term certificate of deposit		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**	**-**	**-**	**-**

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

		Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
				As of December 31, 2010			
ICE Electricity							
Committed:							
Available-for-sale	U.S. dollars	Banco Internacional de Costa Rica	Overnight deposit	¢ 1,074	-	0.20%	Dec 2010 to Jan 2011
Uncommitted:							
Available-for-sale	Colones	Government	Zero-coupon Central Bank global bond	1,999	1,000	5.92%-6.00%	Dec 2010 to Jan 2011
		Banco Crédito Agrícola de Cartago	Term certificate of deposit	1,000	1,000	6.03%	Dec 2010 to Jan 2011
		Banco Nacional de Costa Rica	Investment funds	12,971	-	4.34%	Dec 2010 to Jan 2011
		Banco de Costa Rica	Investment funds	13,643	-	4.65%	Dec 2010 to Jan 2011
		National Insurance Institute (INS)	Investment funds	279	-	5.35%	Dec 2010 to Jan 2011
		Repurchase operations	Repurchase operations	5,109	4,848	7.10%-7.29%	Dec 2010 to Jan 2011
	U.S. dollars	Banco de Costa Rica	Investment funds	57	-	0.32%	Dec 2010 to Jan 2011
		Banco Internacional de Costa Rica	Overnight deposit	8,275	-	0.20%	Dec 2010 to Jan 2011
Held-to-maturity	Colones	Banco CMB	Term certificate of deposit	2,000	2,000	5.75%-6.00%	Dec 2010 to Feb 2011
		HSBC	Term certificate of deposit	1,000	1,000	5.85%	Dec 2010 to Jan 2011
		Banco Nacional de Costa Rica	Short-term investment	7,332	7,332	6.00%	Dec 2010 to Jan 2011
		Banco de Costa Rica	Term certificate of deposit	1,900	1,900	4.00%	Dec 2010 to Jan 2011
	U.S. dollars	Banco Internacional de Costa Rica	Term certificate of deposit	5,181	1,140	3.25%	Aug 2010 to Feb 2011
Total ICE Electricity				**¢ 61,820**			

		Issuer	Type of financial instrument	Balance	Face value	Rate of return	Term in months
				As of December 31, 2010			
ICE Telecom							
Committed:							
Held-to-maturity	U.S. dollars	Banco Internacional de Costa Rica	Term certificate of deposit	¢ 1,140	1,140	3.25%	Aug 2010 to Feb 2011
Uncommitted:							
Available-for-sale	Colones	Government	Fixed-rate Central Bank bond	499	500	8.92%	Apr 2010 to Feb 2011
		Government	Zero-coupon Central Bank global bond	10,381	11,651	7.39%-8.13%	Sep 2010 to Apr 2011
		Scotiabank	Commercial paper	493	500	8.64%	May 2010 to Mar 2011
		Banco Crédito Agrícola de Cartago	Term certificate of deposit	3,545	3,545	7.05%-8.50%	Jul 2010 to Jan 2011
		Banco Nacional de Costa Rica	Investment funds	11,413	11,413	4.34%	Dec 2010 to Jan 2011
			Term certificate of deposit	6,800	6,800	8.08%-9.20%	Aug 2010 to Feb 2011
		Central Bank of Costa Rica (BCCR)	Monetary Stabilization Bond	13,931	14,205	7.42%-8.58%	Sep 2010 to Jul 2011
		Banco de Costa Rica	Investment funds	6,970	6,970	4.59%	Dec 2010 to Jan 2011
			Commercial paper	990	990	8.00%	Aug 2010 to Feb 2011
			Term certificate of deposit	1,000	1,000	9.69%	Dec 2010 to Jan 2011
		National Insurance Institute (INS)	Investment funds	1,876	-	5.35%	Dec 2010 to Jan 2011
		Banco Popular y de Desarrollo Comunal	Investment funds	4,404	-	4.73%-5.31%	Dec 2010 to Jan 2011
			Commercial paper	985	985	8.03%-8.45%	Apr 2010 to Feb 2011
			Short-term bonds	700	700	9.62%-9.94%	Jul 2010 to Jun 2011
			Term certificate of deposit	2,000	2,000	9.09%-10.10%	Aug 2010 to Jun 2011
		Banco Internacional de Costa Rica	Short-term bonds	750	750	7.88%	Jul 2010 to Jan 2011
		Repurchase operations	Repurchase operations	6,763	6,920	6.32%-7.10%	Dec 2010 to Jan 2011
		BAC San José	Term certificate of deposit	1,073	1,073	8.00%	Jul 2010 to Jan 2011
		Government	External debt bond (Costa Rica)	270	270	1.18%	Mar 2010 to Mar 2011
	U.S. dollars	Banco de Costa Rica	Investment funds	2,190	-	4.59%	Dec 2010 to Jan 2011
		Banco Internacional de Costa Rica	Overnight deposit	10,098	-	0.20%	Jul 2010 to Jan 2011
Held-to-maturity	Colones	Banco CMB (Citibank)	Term certificate of deposit	2,972	2,972	6.00%-9.25%	Dec 2010 to Feb 2011
		Banco Nacional de Costa Rica	Short-term investment	5,753	5,753	6.00%	Dec 2010 to Jan 2011
		BANHVI	Term certificate of deposit	1,500	1,500	8.00%	Jul 2010 to Jan 2011
		Central Bank of Costa Rica (BCCR)	Term certificate of deposit	394	394	3.15%	Dec 2010 to Jan 2011
		Banco de Costa Rica	Term certificate of deposit	1,700	1,700	4.00%-6.63%	Dec 2010 to Jan 2011
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit	1,000	1,000	8.25%	Dec 2010 to Jan 2011
		Banco Internacional de Costa Rica	Term certificate of deposit	4,766	4,766	3.25%-4.00%	Jul 2010 to Jan 2011
	U.S. dollars	Scotiabank	Term certificate of deposit	3,282	3,282	1.35%-1.69%	May 2010 to Feb 2011
Total ICE Telecom				**¢ 109,638**			
Subtotal ICE				**¢ 171,458**			

Notes to Consolidated Financial Statements

(In millions of colones)

		Emisor	Tipo de instrumento financiero		31 de diciembre de 2010 Saldo	Valor Facial	Tasa rendimiento	Vigencia en meses
RACSA								
	Colones	Gobierno CR	Central Bank bond	¢	103	100	9.58%	Feb 2010 to Mar 2012
		Banco Nacional CR	Term certificate of deposit		200	200	8.05%	Jan 2010 to Jan 2011
		Banco Crédito AC	Term certificate of deposit		100	100	7.72%	Set 2010 to Jun 2011
		Banco Crédito AC	Term certificate of deposit		421	421	8.93%	Mar 2010 to Mar 2011
		Banco Crédito AC	Term certificate of deposit		65	65	8.10%	Apr 2010 to Mar 2011
	US Dólares	Gobierno CR	External debt bond		78	78	5.00%	May 2009 to Feb 2012
		Gobierno CR	External debt bond		26	26	1.01%	Apr 2010 to Mar 2011
		Gobierno CR	Central Bank bond		70	70	2.25%	Feb 2010 to Jul 2011
		Banco Crédito AC	Term certificate of deposit		87	89	1.14%	May 2010 to May 2011
		ICE	Standard Bond		50	73	1.11%	Nov 2010 to Jan 2011
		ICE	Corporate Bond		208	266	1.10%	Nov 2010 to Jan 2011
Sub total RACSA				¢	**1,408**			
CRICRSA								
	Colones	BN Sociedad de Fondos de Inversión, S.A.	Investment funds	¢	13	-	-	-
Total CRICRSA				¢	**13**	-	-	-
Total Grupo ICE				¢	**172,879**	-	-	-

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.

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 at market prices is included in equity under “Result of valuation of financial instruments”.

As of December 31, 2011, ICE recognized a net unrealized gain in the amount of ¢1,323 (2010: ¢1,439) 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.

(Continued)

(In millions of colones)

Note 13. Restricted funds

Restricted funds allocated to specific purposes are as follows:

Restricted funds		As of December 31, 2011	2010
ICE			
Guarantees received from third parties:			
In U.S. dollars, account No. 192916-0	¢	786	446
In U.S. dollars, account No. 164475-0		437	574
In colones, account No. 58166-6		203	140
In colones, account No. 192915-1		71	189
Subtotal ICE	**¢**	**1,497**	**1,349**
CNFL			
Specific purpose funds			
BCR Platinum (¢) - Cash for payments of ICE services		3,499	2,804
BNCR Gold - Cash for amortization of short-term debt		2,146	2,936
BCR Platinum - Bonds		4	10,228
Subtotal CNFL	¢	**5,649**	**15,968**
Total ICE Group	**¢**	**7,146**	**17,317**

Note 14. Prepaid expenses

Prepaid expenses are as follows:

Prepaid expenses		As of December 31, 2011	2010
ICE			
Use agreement	¢	18,994	20,418
U-500 insurance policy, net		2,252	1,889
Stationery		719	-
All-risk insurance policy - construction		180	527
Sundry policies		25	50
Subtotal ICE		**22,170**	**22,884**
CNFL			
U-500 insurance policy, net		173	142
Sundry policies		144	106
Subtotal CNFL		**317**	**248**
RACSA			
Telephone Directory		2,337	-
U-500 insurance policy, net		76	57
Other		47	164
Vacation		9	47
National Insurance Institute (INS) - vehicles		4	5
Subtotal RACSA		**2,473**	**273**
Total ICE Group	**¢**	**24,960**	**23,405**

(Continued)

(In millions of colones)

U-500 insurance policy			
		As of December 31,	
		2011	2010
ICE			
Amount of premium	¢	9,197	7,526
Amortization of premium		6,945	5,637
Subtotal ICE	**¢**	**2,252**	**1,889**
CNFL			
Amount of premium	¢	840	700
Amortization of premium		667	558
Subtotal CNFL	**¢**	**173**	**142**
RACSA			
Amount of premium	¢	365	271
Amortization of premium		289	214
Subtotal RACSA	**¢**	**76**	**57**
Total ICE Group	**¢**	**2,501**	**2,088**

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.

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). Under the trust agreement, the term of the lease of the thermal power plant is 142 months (11 years and 10 months) starting in 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.

(In millions of colones)

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

ICE:

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2011	2010
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.	¢	2,386,326	2,356,004
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		61,155	63,357
0201INC4621	Covers direct physical damage, recovery value of fixed assets, assault, automatic coverage for new goods, errors and omissions, loading 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, construction 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.		5,295	5,295
0101CGM7800 (55000)	Covers inland, maritime, and air transport of materials acquired by ICE through temporary import and/or export permits issued worlwide, as follows: A: All risk; C: Named risk; D: War, and E: Strike.	All materials imported by ICE.		880	880
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		166	205
01ACG264	Covers accidental death, total and permanent disability due to accident, medical expenses due to accident.	Officers of ICE's Institutional Protection and Security Office.		11	-
0201VAG77	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), and daily hospitalization costs.	ICE's officers traveling abroad.		26	26
01ACG24500	Covers accidental death, permanent disability, and medical expenses.	Individuals other than ICE's employees traveling in vehicles owned by ICE.		20	20

(Continued)

(In millions of colones)

Type of policy	Type of coverage	Insured assets	Amount insured as of December 31, 2011	Amount insured as of December 31, 2010
G-8483	Construction works all-risk insurance. Covers loss, destruction, or damages to the insured property during the life of the policy for any cause, provided that such property is located within the territory boundaries, including property stored off-site and in transit in Costa Rica; and all sums which the insured may become legally liable for in the event of death, bodily injury, or illness of third parties and/or loss or damage to third party property during the life of the policy arising from or in connection with the construction works, at any site.	Pirrís dam site	-	50,301
G-8996	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, debris removal, overtime, night work, and express shipping.	Las Pailas Geothermal Project	-	58,448
G-9001	Construction works all-risk basic liability insurance. Covers direct damage as a result of earthquake, volcanism, seaquake, tempest, cyclone, rising floodwaters, flood, and landslide.	Garabito Thermal Project	-	19,283
G-9189	Terrorism coverage solely for material losses, excluding business interruptions.	Garabito Thermal Project	-	19,326
G-9189	Covers all sums which the insured may become legally liable for in the event of death, bodily injury, or illness of third parties and/or loss or damages to third party property during the life of the policy arising from and in connection with the construction works, at any site.	Garabito Thermal Project	-	13,237

(Continued)

(In millions of colones)

CNFL:

Type of policy	Type of coverage	Insured assets		Amount insured as of December 31, 2011	2010
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 buildings, hydroelectric power plants and substations. Amount insured in U.S. dollars.	¢	213,032	175,079
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		4,917	3,716
11955	Maritime Cargo Insurance	Imports		2,025	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)		165	113
FCP-0000041-00	Fidelity Guarantee Insurance			50	50
EQC-3868	Contractor's Equipment Insurance	Forklifts and tractors	¢	40	40

(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, 2011	2010
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.	¢	100,678	74,711
AUM-0502-04 - 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	201
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	6
OCI0001137-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		26	1
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)

Other assets

Note 15. Service agreements

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

Service agreements		As of December 31, 2011	2010
ICE:			
Toro III Hydroelectric Project	¢	12,755	55,819
Balsa Inferior Hydroelectric Project		-	1,010
Las Pailas Geothermal Project		-	30,008
Empresa Propietaria de la Red, S.A.		184	450
Cariblanco Power Plant rehabilitation		62	940
Telecommunications projects		-	873
Garabito Thermal Project		-	5,195
Global System for Mobile Communication		-	790
Other		916	161
Total ICE Group	**¢**	**13,916**	**95,246**

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 works are expected to be completed by the first half of 2013. The amount of ¢12,755 (2010: ¢55,819) corresponds to the balance pending reimbursement by the trust for construction costs and technical services provided by ICE.

(In millions of colones)

Las Pailas Geothermal Power Project:

In 2007, the Central American Bank for Economic Integration (CABEI) and ICE subscribed a lease agreement with purchase option for the Las Pailas Geothermal Power Plant, located on the slopes of the Rincón de la Vieja Volcano with a power output of 35 MW. Under the agreement, CABEI commits to develop and finance construction of the plant and subsequently lease the plant to ICE with an option to buy. The total of ¢30,008 in 2010 corresponds to construction costs and the technical services provided by ICE, which will be reimbursed to ICE by CABEI in 2011 (see note 31).

Garabito Thermal Power Project

In June 2007, ICE and BCR created a trust known as the "Securitization Trust for the Garabito Thermal Power Project" in order to independently generate and manage the necessary financial resources for construction of the Garabito Thermal Power Plant in Puntarenas. The trust, as the owner, will lease the thermal plant to ICE with the option to buy when it is ready to go into operation. ICE will be responsible for the thermal plant's construction and subsequent maintenance (see note 31).

The plant officially started operations in May 2011.

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, 2011	2010
El Diquís Hydroelectric Project	¢	60,954	40,597
Borinquen Geothermal Project		11,497	10,799
Transmission lines		5,270	5,201
Las Pailas Geothermal Project		397	183
Cachí Hydroelectric Project		-	1,797
Other		800	377
Total ICE Group	**¢**	**78,918**	**58,954**

(Continued)

El Diquís Hydroelectric Power Project (PHED):

PHED is located in the Southern Region of Costa Rica, will have an installed capacity of 650 MW and an annual power output 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, 2011, 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 ¢60,954 (2010: ¢40,597) that were required to complete the Environmental Feasibility Studies and the final Environmental Impact Study. PHED's Environmental Impact Study is being completed 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). Approximately 13% of the area of PHED's reservoir will require the use of 97 and 818 hectares (approximately 239.7 and 2,021.3 acres) of those indigenous lands. 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.

Additionally, PHED is a defendant in two legal actions related to an appeal claiming violation of constitutional rights and an administrative appeal for cultural damages, violation of general indigenous regulations, and violation and nullity of the Decree of the Public and National Interest of PHED, filed by Asociación de Desarrollo Integral del Territorio Indígena de Térraba [Association for the Indigenous Development of Térraba] (ADIT) in June 2008 and May 2011, respectively. The Constitutional Chamber handed down a ruling "dismissing the appeal claiming violation of constitutional rights in respect of article 1 and article 4 of Executive Decree No. 34312. By majority vote, paragraph 8 of Executive Decree No. 34312 is interpreted consistently with the Constitution, provided that the consultative processes ("consultative process with indigenous peoples") established in article 4 of such Decree be performed within an unextendible period of 6 months from the date the ruling is notified." As of the date of this report, a ruling has not been handed down. The plaintiff in the administrative appeal 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.

(Continued)

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.

Borinquén Geothermal Power Project:

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

As of December 31, 2011, costs incurred 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 not directly related to the generation of income from electricity and telecom services and the corresponding accumulated revaluation and accumulated depreciation are as follows:

Cost		As of December 31, 2009	Additions	Retirements and transfers	As of December 31, 2010	Additions	Retirements and transfers	As of December 31, 2011
ICE:								
Land	¢	13,653	4,675	1	18,329	3,433	(34)	21,728
Buildings		340	31	56	427	3,863	-	4,290
Land and rights of way		11,678	3,214	-	14,892	4,528	(254)	19,166
Artwork and collector's items		82	-	-	82	-	-	82
Substations		-	-	1,959	1,959	1,077	-	3,036
Subtotal ICE		**25,753**	**7,920**	**2,016**	**35,689**	**12,901**	**(287)**	**48,302**
CNFL:								
Land		866	168	-	1,034	217	(314)	937
Buildings		211	-	72	283	-	-	283
Hydroelectric plants		-	-	674	674	-	-	674
General equipment		892	-	7	899	-	-	899
Other assets		146	-	-	146	-	-	146
Subtotal CNFL		**2,115**	**168**	**753**	**3,036**	**217**	**(314)**	**2,939**
RACSA:								
Forestal Solimar, S.A.- Forestry Project		50	-	50	-	-	-	-
Reforestación Industrial Los Nacientes, S.A.- Forestry Project		43	-	43	-	-	-	-
Surco Tico, S.A.- Forestry Project		619	93	40	672	83	-	755
Allowance for valuation of projects		(133)	-	(133)	-	-	-	-
Subtotal RACSA		**579**	**93**	**-**	**672**	**83**	**-**	**755**
Total ICE Group	¢	**28,447**	**8,181**	**2,769**	**39,397**	**13,201**	**(601)**	**51,996**

Accumulated depreciation		As of December 31, 2009	Additions	Retirements and transfers	As of December 31, 2010	Additions	Retirements and transfers	As of December 31, 2011
ICE								
Buildings	¢	22	10	-	32	51	-	83
Substations		-	58	-	58	62	-	120
Subtotal ICE		**22**	**68**	**-**	**90**	**113**	**-**	**203**
CNFL:								
Land and land improvements		-	20	-	20	6	-	26
Buildings		35	-	11	46	6	-	52
Hydroelectric plants		-	-	84	84	16	-	100
General equipment		1	-	1	2	-	-	2
Other assets		10	-	1	11	2	-	13
Subtotal CNFL		**46**	**20**	**97**	**163**	**30**	**-**	**193**
Total ICE Group	¢	**68**	**88**	**97**	**253**	**143**	**-**	**396**

(Continued)

Notes to Consolidated Financial Statements

(In millions of colones)

Revaluation		**As of December 31, 2009**	**Revaluation**	**Retirements and transfers**	**As of December 31, 2010**	**Revaluation**	**Retirements and transfers**	**As of December 31, 2011**
ICE:								
Land	¢	1,570	-	71	1,641	784	-	2,425
Buildings		-	8	129	137	24	-	161
Land and rights of way		48	-	-	48	586	-	634
Substations		-	(13)	-	(13)	99	-	86
Subtotal ICE		**1,618**	**(5)**	**200**	**1,813**	**1,493**	**-**	**3,306**
CNFL:								
Land		897	323	1,547	2,767	197	(32)	2,932
Buildings		190	-	484	674	45	-	719
Hydroelectric plants		-	-	6,865	6,865	313	-	7,178
General equipment		1	-	-	1	-	-	1
Other assets		116	-	15	131	13	-	144
Subtotal CNFL		**1,204**	**323**	**8,911**	**10,438**	**568**	**(32)**	**10,974**
Total ICE Group	¢	**2,822**	**318**	**9,111**	**12,251**	**2,061**	**(32)**	**14,280**

Accumulated depreciation - revaluation		**As of December 31, 2009**	**Revaluation**	**Retirements and transfers**	**As of December 31, 2010**	**Revaluation**	**Retirements and transfers**	**As of December 31, 2011**
ICE:								
Buildings	¢	-	-	87	87	7	-	94
Substations		-	-	-	-	3	-	3
Subtotal ICE		**-**	**-**	**87**	**87**	10	**-**	**97**
CNFL:								
Land		-	181	-	181	15	-	196
Buildings		65	-	438	503	39	-	542
Hydroelectric plants		-	-	4,711	4,711	271	-	4,982
General equipment		1	-	-	1	-	-	1
Other assets		32	-	5	37	5	-	42
Subtotal CNFL		**98**	**181**	**5,154**	**5,433**	**330**	**-**	**5,763**
Total ICE Group	¢	**98**	**181**	**5,241**	**5,520**	**340**	**-**	**5,859**

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

The purchased land located in Palmar Norte, Osa, Puntarenas for a total of ¢1,709 will be used for significant works related to the El Diquís Hydroelectric Power Project. Land was also purchased to be used in the La Verbena and Cóbano Transmission Lines, among others.

(Continued)

(In millions of colones)

Note 18. Intangible assets

Intangible assets with a finite useful life are as follows:

Intangible assets		As of December 2011	2010
Licenses, systems, and applications			
Opening balance	¢	41,471	25,692
Additions		58,551	21,454
Transfers		(8,740)	981
Expenses		(6,869)	(6,599)
Adjustments		(22,679)	(57)
Subtotal ICE		**61,734**	**41,471**

Amortization of intangible assets		2011	2010
Licenses, systems, and applications			
Opening balance		18,980	11,213
Additions		(706)	511
Amortization - expenses		8,305	(766)
Adjustments		-	6,307
Transfers		1,512	1,715
Retirements		(129)	-
Sub total amortization Grupo ICE		**27,962**	**18,980**
Net total ICE Group	**¢**	**33,772**	**22,491**

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.

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,			
		2011		2010	
		Amount	**%**	**Amount**	**%**
ICE:					
Electricity	¢	60,329	41%	47,903	38%
Telecom		77,985	53%	69,334	55%
Corporate		8,828	6%	8,824	7%
Subtotal ICE		**147,142**	**100%**	**126,061**	**100%**
RACSA					
RACSA Guarantee and Savings Fund		3,062	100%	2,900	100%
Subtotal RACSA		**3,062**	**100%**	**2,900**	**100%**
Total ICE Group	¢	**150,204**	**100%**	**128,961**	**100%**

Of that amount, ¢84,640 corresponds to the Supplemental Pension System and ¢62,502 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. <u>Amortizable items</u>

Amortizable items are as follows:

Amortizable item	Frequency	Method		As of December 31, 2009	Write-offs	Increase	As of December 31, 2010	Write-offs	Increase	As of December 31, 2011
Miravalles III Geothermal Project	180 months	Straight line	¢	176	-	-	176	-	-	176
Peñas Blancas Hydroelectric Project	155 months	Straight line		6,708	(6 708)	-	-	-	-	-
Electriona Belén Hydroelectric Project	480 months	Straight line		573	-	-	573	-	-	573
Insurance	1 month	Single payment		571	(571)	-	-	-	-	-
Transaction costs - investments:										
Transaction costs - investments	30 days	Effective interest		-	-	3	3	(3)	2	2
Transaction costs - investments	60 days	Effective interest		5	(5)	9	9	(9)	-	-
Transaction costs - investments	90 days	Effective interest		11	(13)	2	-	-	-	-
Transaction costs - investments	120 days	Effective interest		1	(1)	-	-	-	-	-
Transaction costs - investments	More than 180 days	Effective interest		245	(241)	114	118	(82)	325	361
Subtotal transaction costs- investments				**8,290**	**(7,539)**	**128**	**879**	**(94)**	**327**	**1,112**
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	75	(84)	9	-
Deutsche Bank Trust Company Americas	12 months	Effective interest		-	-	75	75	(80)	6	1
M&T Bank No. 2	60 months	Effective interest		-	-	71	71	-	17	88
Nordea Export & Project Finance No. 2	60 months	Effective interest		-	-	216	216	(3)	-	213
Mercantil Commercebank	12 months	Effective interest		-	-	0	-	(4)	4	-
International Series B bonds	120 months	Effective interest		-	-	0	-	-	602	602
Subtotal commissions for financing agreements				**5,934**	**-**	**642**	**6,576**	**(171)**	**638**	**7,043**
Total			**¢**	**14,224**	**(7,539)**	**770**	**7,455**	**(265)**	**965**	**8,155**

(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, 2009	Amortizations	Write-offs	As of December 31, 2010	Amortizations	Write-offs	As of December 31, 2011
Miravalles III Geothermal Project	180 months	Straight line	¢	114	12	-	126	11	-	137
Peñas Blancas Hydroelectric Project	155 months	Straight line		6,188	(6,188)	-	-	-	-	-
Electriona Belén Hydroelectric Project	480 months	Straight line		258	14	-	272	14	-	286
Insurance	1 month	Single payment		571	-	(571)	-	-	-	-
Transaction costs - investments:										
Transaction costs - investments	30 days	Effective interest		-	1	(0)	1	3	(1)	3
Transaction costs - investments	60 days	Effective interest		3	4	(3)	4	-	(4)	-
Transaction costs - investments	90 days	Effective interest		81	1	(81)	1	-	(1)	-
Transaction costs - investments	120 days	Effective interest		1	-	(1)	-	-	-	-
Transaction costs - investments	More than 180 days	Effective interest		38	59	(37)	60	195	(55)	200
Subtotal transaction costs- investments				**7,254**	**(6,097)**	**(693)**	**463**	**223**	**(61)**	**626**
Commissions for financing agreements:										
Series A bonds	120 months	Effective interest		163	30	-	193	35	(8)	220
Series B bonds	120 months	Effective interest		191	36	-	227	40	(10)	257
Citibank	120 months	Effective interest		132	38	-	170	39	(16)	193
CABEI No. 1856	180 months	Effective interest		21	10	-	31	9	(8)	32
Andean Development Corporation (CAF)	180 months	Effective interest		54	43	-	97	45	(4)	138
Conversion IDB No. 1931 A/OC-CR - tranche A	180 months	Effective interest		92	65	-	157	62	(40)	179
Conversion IDB No. 1931 A/OC-CR -tranche B	120 months	Effective interest		216	154	-	370	141	(131)	379
INS Security No. 1	60 months	Effective interest		16	17	-	33	20	-	53
INS Security No. 2	60 months	Effective interest		2	2	-	4	2	-	6
INS Security No. 3	36 months	Effective interest		59	101	-	160	114	-	274
Nordea Export & Project Finance No. 1	60 months	Effective interest		70	167	-	237	169	(2)	404
M&T Bank No. 1	84 months	Effective interest		-	8	-	8	8	(1)	15
Scotiabank - tranche A	36 months	Effective interest		-	52	-	52	53	(3)	102
Scotiabank - tranche B	60 months	Effective interest		-	31	-	31	31	(5)	57
BNP Paribas - loan A	60 months	Effective interest		-	1	-	1	7	-	8
BNP Paribas - loan B	60 months	Effective interest		-	1	-	1	26	-	27
HSBC Bank	60 months	Effective interest		-	1	-	1	11	(1)	11
Nordea Export & Project Finance No. 2	12 months	Effective interest		-	-	-	-	46	(1)	45
Citibank No. 2	12 months	Effective interest		-	-	-	-	84	(84)	-
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
International Series B bonds	120 months	Effective interest		-	-	-	-	3	-	3
Subtotal commissions for financing agreements				**1,016**	**758**	**-**	**1,774**	**1,046**	**(398)**	**2,421**
Total			¢	**8,270**	**(5,339)**	**(693)**	**2,237**	**1,269**	**(459)**	**3,047**

(Continued)

(In millions of colones)

Note 21. Securities payable (bonds)

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

	Securities payable											
	As of December 31,											
	2009	Amortization	Foreign exchange differences	Disbursements	2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term
ICE:											
Internal debt:											
INS Security No. 1	¢ 13,666	-	(1,284)	-	12,382	-	6	-	12,388	12,388	-
INS Security No. 2	1,357	-	(127)	-	1,230	-	1	-	1,230	1,230	-
INS Security No. 3	30,500	-	-	-	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	42,886	-	(4,029)	-	38,857	-	18	-	38,875	38,875	-
Series B2 bonds	-	-	(2,686)	28,591	25,905	-	12	-	25,917	25,917	-
Series A2 bonds - 2010	-	-	-	28,426	28,426	-	-	-	28,426	28,426	-
Series B3 bonds - U.S. dollars (Electricity)	-	-	(4,029)	42,886	38,857	-	18	-	38,875	38,875	-
Series A3 bonds - colones	-	-	-	20,000	20,000	-	-	-	20,000	20,000	-
Series E1 bonds - U.S. dollars (Electricity)	-	-	(3,146)	33,489	30,343	-	15	-	30,357	30,357	-
Series A4 bonds - Telecom	-	-	-	2,255	2,255	-	-	7,745	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	-
Series E1 bonds - Electricity	-	-	-	-	-	-	4	8,514	8,518	8,518	-
Series A6 bonds - Electricity	-	-	-	-	-	-	-	18,756	18,756	18,756	-
Series E2 bonds - Electricity	-	-	-	-	-	-	-	64,791	64,791	64,791	-
External debt:											
A bonds - Credit Suisse First Boston	22,872	-	(2,149)	-	20,723	-	10	-	20,733	20,734	-
B bonds - Credit Suisse First Boston	34,309	-	(3,223)	-	31,086	-	14	-	31,100	31,100	-
International bond issue	-	-	-	-	-	-	60	129,523	129,583	129,583	-
Other:											
Premium Series A1 bonds	169	8	-	-	161	9	-	-	151	151	-
Premium Series A2 bonds	96	3	-	-	93	3	-	-	90	90	-
Premium Series B1 bonds	181	10	-	-	171	10	-	-	161	161	-
Premium Series B2 bonds	-	41	-	489	448	73	-	-	376	376	-
Series A2 bonds - 2010	-	-	-	8	8	0	-	-	8	8	-
Series B3 bonds - U.S. dollars (Electricity)	-	36	-	1,326	1,290	75	-	-	1,216	1,216	-
Premium Series A3 bonds (Electricity)	-	-	-	4	4	0	-	-	4	4	-
Premium Series E1 bonds (Electricity)	-	1	-	213	212	16	-	-	195	195	-
Premium Series E1 bonds- U.S. dollars (Electricity)	-	-	-	-	-	-	-	4	4	4	-
Premium Series A6 bonds- colones (Electricity)	-	-	-	-	-	-	-	1	1	1	-
Discounts:											
Series A2 bonds - 2010	-	(6)	-	(641)	(635)	(23)	-	-	(612)	(612)	-
Series A3 bonds (Electricity)	-	-	-	(101)	(101)	(6)	-	-	(94)	(94)	-
Series A4 bonds (Telecom)	-	-	-	-	-	(1)	-	(24)	(23)	(23)	-
Series A2 bonds (Electricity)	-	-	-	-	-	(10)	-	(450)	(440)	(440)	-
Series E2 bonds - U.S. dollars (Electricity)	-	-	-	-	-	-	-	(207)	(207)	(207)	-
Subtotal ICE	**¢ 202,364**	**93**	**(20,673)**	**176,945**	**358,543**	**148**	**157**	**243,898**	**602,449**	**571,949**	**30,500**
CNFL:											
Internal debt:											
Series A bonds	6,000	-	-	-	6,000	6,000	-	-	-	-	-
Series B1 bonds	-	-	-	14,996	14,996	-	-	-	14,996	14,996	-
Series B2 bonds	-	-	-	-	-	-	-	14,600	14,600	14,600	-
Subtotal CNFL	**¢ 6,000**	**-**	**-**	**14,996**	**20,996**	**6,000**	**-**	**14,600**	**29,596**	**29,596**	**-**
Total ICE Group	**¢ 208,364**	**93**	**(20,673)**	**191,941**	**379,539**	**6,148**	**157**	**258,498**	**632,046**	**601,546**	**30,500**

(Continued)

(In millions of colones)

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

Securities payable								As of December 31,	
Creditor	Instrument	Currency	Interest rate	Type of rate	Load	Contract date	Maturity date	2011	2010
ICE:									
Bonds in colones:									
Series A1 bonds	Standardized bonds	Colones	9.75%	Variable	-	9/30/09	9/30/21	¢ 50,000	50,000
Series A2 bonds	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	6,328	6,328
Series A2 bonds - 2010	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	28,426	28,426
Series A2 bonds - 2011	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	15,246	15,246
Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	11/3/10	11/3/20	20,000	20,000
Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	12/14/10	12/14/17	10,000	10,000
Series A5 bonds	Standardized bonds	Colones	9.95%	Variable	-	12/16/10	12/16/25	20,000	20,000
Series A6 bonds	Standardized bonds	Colones	10.40%	Variable	-	8/11/11	8/23/23	18,756	-
Premium Series A1 bonds	Standardized bonds	Colones	9.75%	Variable	-	9/30/09	9/30/21	151	161
Premium Series A2 bonds	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	90	93
Premium Series A2 bonds	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	8	8
Premium Series A3 bonds	Standardized bonds	Colones	11.41%	Fixed	-	11/3/10	11/3/20	4	4
Premium Series A6 bonds	Standardized bonds	Colones	10.40%	Variable	-	8/11/11	8/23/11	1	-
Discount Series A2 bonds	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	(612)	(635)
Discounts Series A2 bonds - 2011	Standardized bonds	Colones	9.50%	Variable	-	11/6/09	11/6/24	(440)	-
Discount Series A4 bonds	Standardized bonds	Colones	10.87%	Fixed	-	12/14/10	12/14/17	(23)	-
Bonds in U.S. dollars:									
International bonds	Standardized bonds	U.S. dollars	6.95%	Fixed		11/10/11	11/10/21	129,583	-
Credit Suisse First Boston	Series B bonds	U.S. dollars	6.45%	Fixed	-	2/3/04	2/3/14	31,100	31,100
Credit Suisse First Boston	Series A bonds	U.S. dollars	7.10%	Fixed	-	12/10/03	12/10/13	20,733	20,733
Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	11/17/09	11/17/21	38,875	38,857
Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	5/20/10	5/20/16	25,917	25,905
Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	6/24/10	6/24/22	38,875	38,857
Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	2/14/11	11/12/20	30,357	30,343
Series E1 bonds - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	2/14/11	11/12/20	8,518	-
Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12/12/11	12/12/24	64,791	-
Premium Series B1 bonds	Standardized bonds	U.S. dollars	7.65%	Fixed	-	11/17/09	11/17/21	161	171
Premium Series B2 bonds	Standardized bonds	U.S. dollars	5.71%	Fixed	-	5/20/10	5/20/16	376	448
Premium Series B3 bonds	Standardized bonds	U.S. dollars	7.18%	Fixed	-	6/24/10	6/24/22	1,216	1,290
Premium Series E1 bonds	Standardized bonds	U.S. dollars	5.98%	Fixed	-	2/14/11	11/12/20	195	212
Premium Series E1 - 2011	Standardized bonds	U.S. dollars	5.98%	Fixed	-	2/14/11	11/12/20	4	-
Discount Series A3 bonds	Standardized bonds	U.S. dollars	11.41%	Fixed	-	11/3/10	11/3/20	(94)	(101)
Discount Series E2 bonds - 2011	Standardized bonds	U.S. dollars	7.61%	Fixed	-	12/12/11	12/12/24	(207)	-
Securities:									
INS	Security No. 3	Colones	13.75%	Variable	0.75%	3/6/09	3/6/12	30,500	30 500
INS	Security No. 1	U.S. dollars	2.66%	Variable	0.75%	11/11/08	11/12/23	12,388	12,382
INS	Security No. 2	U.S. dollars	2.74%	Variable	0.75%	11/11/08	11/28/13	1,230	1,230
Subtotal ICE								**¢ 602,449**	**358,543**
CNFL:									
Bonds in U.S. dollars:									
Series B2 bonds	Standardized bonds	Colones	BDR + 3.27%	Variable	-	6/28/11	6/28/23	14,600	14,996
Series B1 bonds	Standardized bonds	Colones	11.45%	Fixed	-	9/30/10	9/30/17	14,996	6,000
Subtotal CNFL								**¢ 29,596**	**20,996**
Total ICE Group								**¢ 632,046**	**379,539**

(Continued)

ICE's bond issues

				In millions of colones						
Series	Issue date	Maturity date	Nominal annual interest rate		Authorized and issued	Placed by series	Available balance		Premium on bond issue	Discount on bond issue
A1	9/30/2009	30/09/2021	Base deposit rate + 1.75	¢	50,000	50,000	-	¢	161	-
A2	6/11/2009	06/11/2024	Base deposit rate + 1.75		50,000	34,754	15,246		101	635
A3	3/11/2010	03/11/2020	11.41% fixed		20,000	20,000	-		4	101
A4	12/14/2010	14/12/2017	10.86% fixed		10,000	2,255	7,745		-	-
A5	12/16/2010	16/12/2025	Base deposit rate + 2.20%		20,000	20,000	-		-	-
A6	11/8/2011	11/08/2023	Base deposit rate + 2.75%		20,000	18,756	1,244		1	-
				¢	**170,000**	**145,765**	**22,991**	¢	**266**	**736**

				In millions of U.S. dollars						
Series	Issue date	Maturity date	Nominal annual interest rate		Authorized and issued	Placed by series	Available balance		Premium on bond issue	Discount on bond issue
B1	11/17/2009	11/17/2021	7.65% fixed	US$	75	75	-	¢	160	-
B2	5/20/2010	5/20/2016	5.71% fixed		50	50	-		376	-
B3	6/24/2010	6/24/2022	7.18% fixed		75	75	-		1,216	-
E1	12/11/2010	11/12/2020	5.98% fixed		75	75	-		199	-
E2	12/12/2011	12/12/2024	7.61% fixed		125	125	-		-	207
				US$	**400**	**400**	**-**	¢	**1,951**	**207**

ICE's local bond issues

Through resolution SGV-R-2115 of September 10, 2009, SUGEVAL approved ICE's public offering and registration with the National Registry of Securities and Brokers of two programs for the issue of standardized bonds: "Series A bonds" for up to two hundred billion colones (¢200,000) and "Series B bonds" for up to two hundred million U.S. dollars (US$200 million). The purpose of both programs is to finance investment projects for the telecom and electricity segments. The programs were authorized by the Board of Directors through Article 5 of the minutes of meeting No. 5868 held on April 14, 2009. Funds obtained therefrom were allocated to investments in power generation projects such as the Reventazón Hydroelectric Project, Transmission Lines, etc.

Subsequently, in resolution SGV-R-2335 of October 6, 2010, SUGEVAL authorized the public offering and registration of the Program for the Issue of Series E Standardized Bonds for up to two hundred million U.S. dollars (US$200 million). This program was authorized by the Board of Directors in Article 2 of the minutes of meeting No. 5921 held on September 7, 2010.

<u>ICE's international bond issues</u>

As recorded in article 1 of meeting No. 5885 held on September 22, 2009, an agreement was reached to approve the 2010 institutional budget, which includes external financing for the Electricity and Telecom segments involving credit from an international bond issue. Accordingly, the international issue of ICE bonds was unanimously approved for an amount of up to US$500 (in millions) and, in November 2011, ICE held an auction for bonds on the international markets. The total raised amounted to US$250 (in millions). Of the bonds issued, 100% were placed. The bonds were issued with a coupon of 6.95% per annum and with 10-year maturities.

<u>Credit Suisse First Boston</u>

At meeting No. 5514 held on May 20, 2003, the Board of Directors approved the issue of bonds for a total of US$100 (in millions), which were to be placed in the international market in two tranches: US$40 (in millions) in 2003 and US$60 (in millions) in 2004.

At meeting No. 5557 held on October 7, 2003, the Board of Directors agreed to appoint Credit Suisse First Boston as the financial entity in charge of handling the structuring and placement of ICE's bond issue in the international market for an amount of up to US$100 (in millions), as follows:

- A Series A placement in 2003 for a total of US$40 (in millions);
- A Series B placement in 2004 for a total of US$60 (in millions).

Both placements were conducted through underwriting and the funds obtained were allocated to financing works.

The first placement bears interest at a fixed rate of 7.10% per annum and the bonds mature on December 10, 2013. The second placement bears interest at a rate of 6.45% per annum and the bonds mature on February 3, 2014. Both placements have 10-year maturities.

(Continued)

Securities – Instituto Nacional de Seguros [National Insurance Institute] (INS)

At meeting No. 5850 held on October 23, 2008, the Board of Directors approved the private issue of non-marketable securities as a guarantee for financing granted by INS to purchase certain thermal power plants. The features of the securities are as follows:

- Amount: US$26.3 (in millions);
- Instrument: privately issued non-marketable securities, redeemable on demand;
- Term: 5 years;
- Interest rate (variable): 6-month LIBOR rate + 2%;
- Load: 0.75% of the total amount, front-end, paid as a lump sum;
- Coupon: quarterly

Additionally, at meeting No. 5862 held on February 10, 2009, the Board of Directors approved the private issue of non-marketable securities as a guarantee for financing granted by INS to develop works for electricity distribution, sale, infrastructure, and transport included in the investment program of ICE Electricity. The features of the securities are as follows:

- Amount: US$55 (in millions) (issued in colones for a total of ¢30,500, based on the exchange rate in effect at the date of the issue);
- Instrument: privately issued non-marketable securities, redeemable on demand;
- Term: 3 years;
- Benchmark rate: base deposit rate with a floor of 13.75%, net; per annum
- Spread: 3.5%
- Load: 1% of the total amount, front-end, paid as a lump sum;
- Coupon: quarterly

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.

(Continued)

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.

(In millions of colones)

Note 22. Loans payable

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

		Loans payables					As of December 31,			
		2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term		2011
ICE										
Internal debt:										
Purchase of non-restructured debt - Tranche V	¢	1,031	229	-	-	802	573	229	US$	2
Subtotal Tranche V		**1,031**	**229**	**-**	**-**	**802**	**573**	**229**	**US$**	**2**
Banco Nacional de Costa Rica		19,932	657	-	15,000	34,275	31,782	2,493		66
Parallel cooperation		27	14	-	-	13	-	13		-
Scotiabank - Tranche A		12,952	-	6	-	12,958	-	12,958		25
Scotiabank - Tranche B		12,952	1,851	6	-	11,107	7,405	3,702		21
BCR Trust - Telecom building		27,003	1,216	-	-	25,787	24,482	1,305		50
ECI Telecom (supplier credit)		-	524	3	5,866	5,345	4,284	1,061		10
Sub-total deuda interna		**73,897**	**4,491**	**15**	**20,866**	**90,287**	**68,526**	**21,761**	US$	**174**
External debt:										
Central American Bank for Economic Integration (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**

(Continued)

(In millions of colones)

		Loans payable			As of December 31,					
		2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term		2011
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 N°2		2,268	563	1	539	2,245	1,684	561		4
Sub total M&T Bank		**6,122**	**1,204**	**3**	**539**	**5,459**	**4,314**	**1,145**	US$	**10**
Otrher Creditors:										
Corporación Andina de Fomento (C.A.F.)		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	178	(9)	-	200	18	182		-
CITI Cross Currency Swap		-	-	-	-	-	-			-
Honk Kong Shanghai Bank Corp. (HSBC) Panamá		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**	**58,114**	**5,273**	**57,057**	**617,338**	**543,803**	**73,534**	US$	**1,191**
Total ICE - Long-term loans payable	**¢**	**687,020**	**62,605**	**5,288**	**77,923**	**707,625**	**612,329**	**95,295**	US$	**1,365**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

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

		Loans payable					As of December 31,			
		2010	Amortization	Foreign exchange differences	Disbursements	2011	Long-term	Short-term		2011
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$**	**31**
External debt:										
BNP Paribas		-	31,092	7	31,085	-	-	-	-	-
Citibank No.1		-	-	-	10,367	10,367	-	10,367		20
Honk Kong Shanghai Bank Corp. (HSBC)		5,181	41,188	6	51,033	15,032	-	15,032		29
Bladex		-	24,350	1	32,642	8,293	-	8,293		16
Global Bank Corporation		-	7,774	2	12,955	5,183	-	5,183		10
Mercantil Commercebank		-	5,182	8	20,724	15,550	-	15,550		30
Citibank No.2		28,495	28,495	-	-	-	-	-		-
Deutsche Bank Trust Company Americas		28,495	28,495	-	-	-	-	-		-
Banco Aliado de Panamá			5,182	1	5,181	-	-	-		-
Banco de San José (BAC)			-	-	3,300	3,300	-	3,300		6
Subtotal external debt		**62,171**	**171,758**	**25**	**167,287**	**57,725**	**-**	**57,725**	US$	**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**	**36,825**	**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)

(In millions of colones)

Loans payable - Subsidiaries

						As of December 31,				
		2010	**Amortization**	**Foreign exchange differences**	**Disbursements**	**2011**	**Long-term**	**Short-term**		**2011**
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
Banco Internacional de Costa Rica - 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$**	**77**
Sub- total CNFL	**¢**	**36,442**	**3,147**	**44**	**6,146**	**39,485**	**35,775**	**3,710**	**US$**	**77**
RACSA:										
External debt:										
Central American Bank for Economic Integration (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	-	-	-	-	-		-
IDB (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$**	**21**
Total internal debt - ICE Group		**73,897**	**4,491**	**15**	**36,825**	**106,246**	**68,526**	**37,720**	**-**	**205**
Total external debt - ICE Group		**727,614**	**236,703**	**3,494**	**238,254**	**732,657**	**593,802**	**138,854**	**-**	**1,400**
Total debt - ICE Group	**¢**	**801,511**	**241,194**	**3,509**	**275,079**	**838,903**	**662,329**	**176,574**	**US$**	**1,605**

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

As of December 31, 2010, movement in long-term loans payable is as follows:

		Loans payable								
		As of December 31,								
		2009	Amortization	Foreign exchange differences	Disbursements	2010	Long-term	Short-term		2010
Internal debt:										
Purchase of non-restructured debt - Tranche V	¢	1,775	637	(107)	-	1,031	802	229	US$	2
Subtotal Tranche V		**1,775**	**637**	**(107)**	**-**	**1,031**	**802**	**229**		**2**
Banco Nacional de Costa Rica		-	68	-	20,000	19,932	18,576	1,356		38
Parallel cooperation		43	16	-	-	27	27	-		-
Scotiabank - Tranche A		14,295	-	(1,343)	-	12,952	12,952	-		25
Scotiabank - Tranche B		14,295	-	(1,343)	-	12,952	11,102	1,850		25
Early transfer of assets		-	40	(243)	283	-	-	-		-
BCR Trust - Telecom building		-	547	-	27,550	27,003	25,823	1,180		52
Subtotal internal debt		**30,408**	**1,308**	**(3,036)**	**47,833**	**73,897**	**69,282**	**4,615**		**142**
External debt:										
Central American Bank for Economic Integration (CABEI):										
CABEI No. 1599		68,638	9,452	(7,398)	20,512	72,300	62,660	9,640		140
CABEI No. 1856		61,997	2,583	(5,582)	-	53,832	49,151	4,681		104
CABEI No. 1962		22,872	-	(3,169)	13,973	33,676	33,676	-		65
CABEI Restructuring		26,160	3,288	(2,148)	-	20,724	17,356	3,368		40
CABEI No. 1516 - Moín III Thermal Plant		12,497	2,499	(940)	-	9,058	6,794	2,264		17
Subtotal CABEI	¢	**192,164**	**17,822**	**(19,237)**	**34,485**	**189,590**	**169,637**	**19,953**	US$	**366**

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

Loans payable										
		As of December 31,								
		2009	Amortization	Foreign exchange differences	Disbursements	2010	Long-term	Short-term		2010
European Investment Bank (BEI)	¢	**10,220**	**2,330**	**(741)**	**-**	**7,149**	**4,908**	**2,241**	US$	**14**
IDB:										
IDB No. 598		3,748	625	(281)	-	2,842	2,274	568		5
IDB No. 463/SF-CR		437	291	(12)	-	134	-	134		-
IDB No. 1931 A/OC-CR Conversion - Tranche B		120,080	-	(11,281)	-	108,799	101,028	7,771		210
IDB No. 1931 A/OC-CR Conversion - Tranche A		97,780	-	(9,187)	-	88,593	84,901	3,692		171
IDB No. 1908/OC-CR		-	-	(605)	8,773	8,168	8,168	-		16
Subtotal IDB		**222,045**	**916**	**(21,366)**	**8,773**	**208,536**	**196,371**	**12,165**		**402**
BNP Paribas:										
BNP Paribas loan A		-	274	(1,036)	3,778	2,468	1,919	549		5
BNP Paribas loan B		-	740	-	7,392	6,652	5,174	1,478		13
Subtotal BNP Paribas		**-**	**1,014**	**(1,036)**	**11,170**	**9,120**	**7,093**	**2,027**		**18**
Nordea:										
Nordea Export & Project Finance No.1		19,767	4,393	(1,444)	-	13,930	9,950	3,980		27
Nordea Export & Project Finance No.2		-	-	-	1,507	1,507	1,205	302		3
Subtotal Nordea		**19,767.00**	**4,393**	**(1,444)**	**1,507**	**15,437**	**11,155**	**4,282**		**30**
M & T:										
M & T Bank		4,963	709	(400)	-	3,854	3,212	642		7
M & T N°2		-	-	-	2,268	2,268	1,813	455		4
Sub total M & T Bank		**4,963**	**709**	**(400)**	**2,268**	**6,122**	**5,025**	**1,097**		**11**
Other Creditors:										
Corporación Andina de Fomento (C.A.F.)		57,181	-	(5,372)	-	51,809	49,650	2,159		100
Citibank		27,085	4,302	(2,333)	-	20,450	16,732	3,718		39
Japan Bank For International Cooperation		64,596	3,825	2,393	29,903	93,067	87,116	5,951		180
M & T Bank		4,963	709	(400)	-	3,854	3,212	642		7
Natexis Banque		674	203	(84)	-	387	198	189		1
Cisco Systems Capital Corporation		-	105	(113)	1,312	1,094	667	427		2
CITI Cross Currency Swap		-	-	-	-	-	-	-		-
Honk Kong Shanghai Bank Corp. (HSBC) Panamá		-	-	(1,074)	11,436	10,362	9,326	1,036		20
Deutsche Bank Trust Company Americas		-	-	-	-	-	-	-		-
Subtotal Other Creditors		**154,499**	**9,144**	**(6,983)**	**42,651**	**181,023**	**166,901**	**14,122**		**349**
Subtotal external debt		**578,928**	**31,226**	**(49,363)**	**97,079**	**595,418**	**544,910**	**50,508**		**1,149**
Total ICE - Long-term loans payable	¢	**629,103**	**36,927**	**(53,843)**	**148,687**	**687,020**	**627,160**	**59,860**	US$	**1,325**

(Continued)

(In millions of colones)

				Loans payable						
						As of December 31,				
		2009	Amortization	Foreign exchange differences	Disbursements	2010	Long-term	Short-term		2010
Short-term loans payable - ICE:										
Internal debt:										
Scotiabank		-	6,290	-	6,290	-	-	-		-
Subtotal internal debt	¢	**-**	**6,290**	**-**	**6,290**	**-**	**-**	**-**	US$	**-**
External debt:										
BNP Paribas		-	16,348	(806)	17,154	-	-	-		-
Citibank No.1		-	10,864	-	10,864	-	-	-		-
HSBC		-	37,868	(2,445)	45,494	5,181	-	5,181		10
Bladex		-	65,305	(2,740)	68,045	-	-	-		-
Global Bank Corporation		-	5,718	-	5,718	-	-	-		-
Mercantil Commercebank		-	4,305	(269)	4,574	-	-	-		-
Citibank No. 2		-	-	-	28,495	28,495	-	28,495		55
Deutsche Bank Trust Company Americas		-	-	-	28,495	28,495	-	28,495		55
Subtotal external debt	¢	**-**	**140,408**	**(6,260)**	**208,839**	**62,171**	**-**	**62,171**	US$	**120**
Total short-term loans payable		**-**	**146,698**	**(6,260)**	**215,129**	**62,171**	**-**	**62,171**		**120**
Total internal debt		**30,408**	**7,598**	**(3,036)**	**54,123**	**73,897**	**69,282**	**4,615**		**142**
Total external debt		**598,695**	**176,027**	**(57,067)**	**309,693**	**675,294**	**557,878**	**117,416**		**1,303**
Total debt - ICE	¢	**629,103**	**183,625**	**(60,103)**	**363,816**	**749,191**	**627,160**	**122,031**	US$	**1,445**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

Loans Payable - Subsidiaries

					As of December 31,					
		2009	**Amortization**	**Foreign exchange differences**	**Disbursements**	**2010**	**Long-term**	**Short-term**		**2010**
CNFL:										
Internal debt:										
Restructuring external debt (40%)		33	30	(3)	-	-	-	-		-
Subtotal internal debt - CNFL	¢	**33**	**30**	**(3)**	**-**	**-**	**-**	**-**	**US$**	**-**
External debt:										
Instituto Crédito Oficial (Spain)		14,635	-	(1,375)	-	13,260	13,260	-		26
Deutsche Bank, Sociedad Anónima Española		8,049	1,312	(770)	-	5,967	4,643	1,324		12
Kreditanstal für Wiederaufbau loan 1		13,638	1,381	(1,272)	-	10,985	9,611	1,374		21
Kreditanstal für Wiederaufbau loan 2		5,432	244	(507)	(6)	4,675	4,183	492		9
Banco Internacional de Costa Rica - Line of credit		-	-	(83)	1,638	1,555	1,036	519		3
Subtotal external debt - CNFL	¢	**41,754**	**2,937**	**(4,007)**	**1,632**	**36,442**	**32,733**	**3,709**	**US$**	**71**
Total debt - CNFL	¢	**41,787**	**2,967**	**(4,010)**	**1,632**	**36,442**	**32,733**	**3,709**	**US$**	**71**
RACSA:										
Central American Bank for Economic Integration (CABEI)		7,060	458	(661)	-	5,941	5,026	915		11
HSBC		328	232	(31)	-	65	-	65		-
Control Electrónico, S.A. (CESA)		-	93	-	6,724	6,631	5,473	1,158		13
BD Consultores, S.A.		-	571	-	3,812	3,241	1,769	1,472		6
Total debt - RACSA	¢	**7,388**	**1,354**	**(692)**	**10,536**	**15,878**	**12,268**	**3,610**	**US$**	**30**
Total internal debt - Subsidiaries		33	30	(3)	-	-	-	-		-
Total external debt - Subsidiaries		49,142	4,291	(4,699)	12,168	52,320	45,001	7,319		101
Total debt - Subsidiaries	¢	**49,175**	**4,321**	**(4,702)**	**12,168**	**52,320**	**45,001**	**7,319**	**US$**	**101**
Total internal debt - ICE Group		30,441	7,628	(3,039)	54,123	73,897	69,282	4,615		142
Total external debt - ICE Group		647,837	180,318	(61,766)	321,861	727,614	602,879	124,735		1,404
Total debt - ICE Group	¢	**678,278**	**187,946**	**(64,805)**	**375,984**	**801,511**	**672,161**	**129,350**	**US$**	**1,546**

(Continued)

In 2010 and 2011, 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 and colones, 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 (2011)**	**Accumulated disbursed amount (2010)**	**Currency**	**Guarantee**	**Financing**
ICE Electricity																
Internal debt:																
Restructured debt - Tranche V	5/21/1989	5/21/2015	25	-	25	Half-yearly	6.75%	Fixed	6.75%	-	4	4	25	US$	Government	Restructuring of debt with commercial banks
Banco Nacional de Costa Rica	8/25/2010	8/31/2025	15	-	15	Quarterly	Base deposit rate + 2.75%	Var.	2.00%	-	35,000	35,000	20,000	¢	ICE	Investments in transmission project
Commercial banks:																
Scotiabank - Tranche A	12/18/2009	12/18/2012	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	12/18/2009	12/18/2014	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)	11/30/1993	11/25/2013	20	5	15	Half-yearly	6.32%	Fixed	2.00%	-	50	50	50	US$	Government	Execution of Electric Development Project III
Multilateral organizations:																
Central American Bank for Economic Integration (CABEI):																
CABEI No. 1599	3/17/2003	4/25/2018	15	5.5	10	Half-yearly	Bank policy	Var.	3.00%	0.75%	172	172	167	US$	ICE	Construction of and equipment for Pirrís Hydroelectric Power Plant
CABEI - 2005 Prepayment	10/21/2005	10/21/2015	10	2	8	Quarterly	8.50%	Fixed	2.00%	-	55	55	55	US$	ICE	Loan prepayment IDB 200, 535, and 572 (partial)
CABEI No. 1856	4/12/2007	5/11/2022	15	3	12	Half-yearly	Bank policy	Var.	3.00%	-	110	108	108	US$	ICE	Expansion and maintenance of National Electricity System (2007)
CABEI No. 1516 - Moín III Thermal Plant	6/11/2007	10/14/2014	7	-	7	Half-yearly	Bank policy	Var.	-	-	12	12	12	US$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1516 - Moín III Thermal Plant	6/11/2007	10/14/2014	7	-	7	Half-yearly	Bank policy	Var.	-	-	21	21	21	US$	ICE	Acquisition of Moín III Thermal Power Plant
CABEI No. 1962	6/19/2009	6/19/2024	15	3	12	Half-yearly	Bank policy	Var.	-	0.75%	65	65	65	US$	ICE	Electrical Works Program (2008 - 2009)

(Continued)

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 and colones, 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 (2011)**	**Accumulated disbursed amount (2010)**	**Currency**	**Guarantee**	**Financing**
IDB:																
IDB No. 463/SF-CR	4/13/1976	4/13/2011	35	8	27	Half-yearly	2.00%	Fixed	2.00%	0.50%	-	-	13	US$	Government	Rural electrification with cooperatives (various currencies)
IDB No. 598	9/9/1980	9/9/2015	35	8	27	Half-yearly	2.00%	Fixed	2.00%	0.50%	27	26	26	US$	Government	National Rural Electrification Project (various currencies)
Conversion IDB No. 1931 A/OC-CR - Tranche B	7/10/2008	2/15/2023	15	3	12	Half-yearly	6M LIBOR + 3.625%	Var.	2.00%	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 A	7/10/2008	2/15/2018	10	3	7	Half-yearly	6M LIBOR + 3.00%	Var.	2.00%	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	5/25/2009	11/25/2034	25	5	20	Half-yearly	6M LIBOR + 0.80%	Var.	-	0.25%	250	66	16	US$	Government	Electricity Development Program 2008-2011
Bilateral organizations:																
Andean Development Corporation (CAF)	4/9/2008	4/9/2023	15	3	12	Half-yearly	6M LIBOR + 1.70%	Var.	2.00%	0.25%	100	100	100	US$	ICE	Studies for or construction of Toro III, Diquís, Pacuare, and Pirrís Projects
Japan Bank for International Cooperation	4/9/2001	4/20/2026	25	7	18	Half-yearly	2.20%	Fixed	2.00%	-	206	164	164	US$	Government	Pirrís Hydroelectric Project
Commercial banks:																
Citibank	12/14/2005	12/14/2015	10	1	9	Half-yearly	Bank policy	Var.	-	-	75	75	75	US$	ICE	Prepayment 572
M&T Bank No. 1	12/16/2009	12/30/2016	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	12/15/2010	12/15/2015	5	-	5	Half-yearly	6M LIBOR + 1.85%	Var.	-	-	10	5	4	US$	ICE	Projects executed by UEN PySA
BNP Paribas - loan A	9/1/2010	6/20/2015	5	-	5	Half-yearly	6M LIBOR + 4.50%	Var.	1.00%	-	6	5	5	US$	ICE	Sundry projects
BNP Paribas - loan B	9/1/2010	6/20/2015	5	-	5	Half-yearly	6M LIBOR + 1.15%	Var.	-	-	16	14	14	US$	ICE	Sundry projects

(Continued)

Notes to Consolidated Financial Statements

(In millions of colones)

General features of debt (in millions of U.S. dollars and colones, 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 (2011)	Accumulated disbursed amount (2010)	Currency	Guarantee	Financing
ICE Telecom																
Internal debt:																
Restructured debt - Tranche V	5/21/1989	5/21/2015	25	-	25	Half-yearly	6.75%	Fixed	6.75%	-	1	1	1	US$	Government	Restructuring of debt with commercial banks
BCR Trust - Telecom building	4/22/2010	7/22/2022	12	-	12	Monthly	ase deposit rate + 3.75	Var.	-	-	27,550	27,550	27,550	¢	ICE	Securitization of property -
External debt:																
Multilateral organizations:																
Conversion IDB No. 1931 A/OC-CR - Tranche A	7/10/2008	2/15/2023	15	3	12	Half-yearly	6M LIBOR + 3.625%	Var.	2.00%	-	12	12	12	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
Conversion IDB No. 1931 A/OC-CR - Tranche B	7/10/2008	2/15/2018	10	16	7	Half-yearly	6M LIBOR +3.00%	Var.	2.00%	-	14	14	14	US$	ICE	Loan prepayment OECF, IDB No. 796, and Credit Suisse - Electricity and Telecom
Bilateral organizations:																
Natexis Banque	9/9/1982	6/30/2013	31	3	15	Half-yearly	3.50%	Fixed	2.50%	-	4	4	4	US$	Government	Restructuring of debt with Alcatel CIT
Commercial banks:																
Nordea Export & Project Finance No.1	6/29/2009	2/28/2014	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	11/4/2010	9/8/2015	5	-	5	Half-yearly	2.51%	Fixed	-	-	10	2	3	US$	ICE	Purchase of equipment and services from Ericsson
Cisco Systems No.1	4/15/2010	4/6/2013	3	-	-	Quarterly	3.25%	Fixed	-	-	50	2	2	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.2	5/25/2011	5/25/2018	7	-	6	Quarterly	3.00%	Fixed	13.00%	-	56	3	-	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.3	5/25/2011	9/13/2018	7	1	6	Quarterly	3.00%	Fixed	13.00%	-	56	6	-	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.4	5/25/2011	9/13/2018	7	1	6	Quarterly	3.39%	Fixed	13.00%	-	56	7	-	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.5	5/25/2011	10/8/2018	7	1	6	Quarterly	3.01%	Fixed	13.00%	-	56	11	-	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.6	5/25/2011	10/8/2018	7	1	6	Quarterly	3.01%	Fixed	13.00%	-	56	4	-	US$	ICE	Purchase of equipment and services from CISCO
Cisco Systems No.7	5/25/2011	11/7/2018	7	1	6	Quarterly	3.04%	Fixed	13.00%	-	56	8	-	US$	ICE	Purchase of equipment and services from CISCO
ECI Telecom (supplier credit)		6/1/2016	6	-	6	Quarterly	4.95%	Fixed		-	11	-	-	US$	ICE	Expansion of and improvements to DWDM
M&T Bank	12/15/2010	12/15/2015	5	-	5	Half-yearly	6M LIBOR + 1.85%	Var.	-	-	10	-	-	US$	ICE	Expansion of mobile telephony
HSBC - Panama	11/1/2010	11/8/2015	5	-	5	Half-yearly	6M LIBOR + 4.95%	Var.	-	-	20	20	20	US$	ICE	Internet services

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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 and colones, as indicated)

	Contract date	Maturity date	Term (in years)	Grace period (in years)	Amortization (in years)	Payment period	Interest rate	Var.	Arrears interest	Load	Contract amount	Accumulated disbursed amount (2011)	Accumulated disbursed amount (2010)	Currency	Guarantee	Financing
Loans payable - Subsidiaries																
CNFL																
Instituto Crédito Oficial (Spain)	7/15/2002	9/25/2032	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	7/15/2002	4/20/2015	13	3	10	Half-yearly	5.86%	Fixed	7.86%	0.15% management	26	26	26	US$	Government	Underground network - San José
Kreditanstal für Wiederaufbau (KfW) - loan 1	12/16/2005	9/30/2018	10	2 years 9 months	12 years 9 months	Half-yearly	3.80%	Var.	6M LIBOR +2	1.25%	27	27	27	US$	ICE	El Encanto Hydroelectric Project
Kreditanstal für Wiederaufbau (KfW) - loan 2	9/25/2008	3/30/2020	10	2	12	Half-yearly	3.80%	Var.	6M LIBOR +2	1.25%	10	10	10	US$	ICE	El Encanto Hydroelectric
Banco Internacional de Costa Rica - Line of credit, disbursement No. 1	5/27/2010	5/27/2013	3	-	3	Half-yearly	5.00%	Fixed	5.00% + 30% = 6.50%	0.25% superv.	3	3	3	US$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project
Banco Internacional de Costa Rica - Line of credit, disbursement No. 2	12/8/2011	12/8/2014	3	-	3	Half-yearly	5.00%	Fixed		0.125% superv.	12	12	-	US$	Promissory note	Acquisition of assets, materials, and equipment and financing of Balsa Inferior Hydroelectric Project
RACSA																
CABEI	12/4/2006	1/12/2017	10	3	7	Half-yearly	6.35%	Var.	30.00%	0.75%	12	12	12	US$	Promissory note	Acquisition of submarine communications cable - Pacific (Costa Rica)
HSBC	11/3/2003	10/3/2011	8	0.5	7.5	Monthly	7.00%	Var.	30.00%	-	1	-	1	US$	Mortgage	Execution of purchase option (Tender 16-96)
Control Electrónico, S.A. (CESA)	5/6/2010	11/6/2015	5.5	6 months	5	Monthly	7.50%	Fixed	-	0.25%	13	13	-	US$	Asset	JAVA architecture expansions and open source solutions
BD Consultores, S.A.	7/16/2010	1/16/2013	2.5	-	2.5	Monthly	10.00%	Fixed	-	-	7	7	-	US$	Asset	Specialized solution for Yellow Pages management
Banco Interamericano de Desarrollo (BICSA)	3/30/2011	3/28/2012	1	-	1		3.00%	Fixed	-	-	2	2	-	US$	Promissory note	Working capital
CSI Leasing	5/19/2011	5/19/2018	7	-	7	Half-yearly	6.60%	Var.	-	$46 (in thousands)	9	9	-	US$	Asset	Finance lease of information services platform
Prival Bank	9/7/2011	9/7/2016	5	12 months	4	Monthly	7.50%	Fixed	-	1% flat	4	4	-	US$	Draft	Link with capacity of STM-16

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INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Short-term loans payable

General features	Original currency	Interest rate	Type of interest rate	Contract date	Maturity date	Term (in days)	Amount disbursed (2011)	Amortizations (2011)	As of December 31, 2011
External debt									
SCOTIABANK	U.S. dollars	7.75% fixed	Fixed	09/12/2011	09/01/2012	30 days	¢ 5,000	-	5,000
SCOTIABANK	U.S. dollars	1.75% fixed	Fixed	08/12/2011	22/12/2011	14 days	5,183	-	5,183
SCOTIABANK	U.S. dollars	3M LIBOR + 2.0625% = 2.50% - 2.50% floor rate	Variable	07/11/2011	06/02/2012	90 days	5,776	-	5,776
MERCANTIL COMMERCEBANK	U.S. dollars	1.42478% fixed	Fixed	12/08/2011	10/11/2011	90 days	5,181	5,181	-
MERCANTIL COMMERCEBANK	U.S. dollars	1.81611% fixed	Fixed	21/11/2011	19/04/2012	150 days	5,181	-	5,181
MERCANTIL COMMERCEBANK	U.S. dollars	1.9689% fixed	Fixed	28/11/2011	25/05/2012	179 days	10,369	-	10,369
HSBC	U.S. dollars	1.50% fixed	Fixed	30/03/2011	30/09/2011	184 days	5,181	5,181	-
HSBC	U.S. dollars	1.50% fixed	Fixed	15/06/2011	16/08/2011	61 days	10,362	10,362	-
HSBC	U.S. dollars	1.9% fixed	Fixed	19/10/2011	18/11/2011	30 days	9,067	9,067	-
HSBC	U.S. dollars	1.9% fixed	Fixed	24/10/2011	23/11/2011	30 days	6,476	6,476	-
HSBC	U.S. dollars	1.9% fixed	Fixed	19/10/2011	19/11/2011	30 days	4,922	4,922	-
HSBC	U.S. dollars	3% fixed	Fixed	25/11/2011	25/05/2012	179 days	12,440	-	12,440
HSBC	U.S. dollars	3.15% fixed	Fixed	27/12/2011	23/03/2012	88 days	2,591	-	2,591
BANCO DE SAN JOSÉ (BAC)	U.S. dollars	8.25% fixed	Fixed	23/12/2011	09/01/2012	18 days	3,300	-	3,300
CITIBANK	U.S. dollars	1M LIBOR + 2.25% - (0.28485 + 2.25% = 2.53485)	Variable	27/12/2011	27/01/2012	31 days	10,367	-	10,367
BANCO ALIADO (Panama)	U.S. dollars	1.7477% fixed	Fixed	09/11/2011	09/12/2011	30 days	1,554	1,554	-
BLADEX	U.S. dollars	1.57478% fixed	Fixed	12/08/2011	10/11/2011	90 days	13,988	13,988	-
BLADEX	U.S. dollars	1.82278% fixed	Fixed	31/08/2011	29/11/2011	90 days	10,362	10,362	-
BLADEX	U.S. dollars	3.28667% fixed	Fixed	09/11/2011	07/05/2012	180 days	3,110	-	3,110
BLADEX	U.S. dollars	2.7741% fixed	Fixed	08/12/2011	22/12/2011	14 days	5,183	-	5,183
GLOBAL BANK CORPORATION	U.S. dollars	1.24% fixed	Fixed	13/10/2011	11/11/2011	29 days	2,590	2,590	-
GLOBAL BANK CORPORATION	U.S. dollars	1.7477% fixed	Fixed	09/11/2011	09/12/2011	30 days	5,181	5,181	-
GLOBAL BANK CORPORATION	U.S. dollars	1.7741% fixed	Fixed	07/12/2011	22/12/2011	14 days	5,183	-	5,183
BN PARIBAS	U.S. dollars	1.49575% fixed	Fixed	15/07/2011	14/10/2011	91 days	7,771	7,771	-
BN PARIBAS	U.S. dollars	1.55125% fixed	Fixed	20/07/2011	20/10/2011	92 days	7,771	7,771	-
BN PARIBAS	U.S. dollars	2.99778% fixed	Fixed	09/11/2011	09/12/2011	30 days	15,550	15,550	-
Total ICE									**¢ 73,683**

(Continued)

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). As of December 31, 2011, the total of US$66 (in millions) has been disbursed.

As of December 31, 2011, new disbursements are as follows:

Banco Nacional de Costa Rica (BNCR): In 2011, disbursements were made in the amount of ¢15,000 for the agreement subscribed in August 2010 between ICE and BNCR for the total of ¢20,000, bearing interest at the base deposit rate + 2.75% (floor of 10.25%) for a 15-year term.

CISCO Systems Capital Corporation: A disbursement was made in several tranches for total of ¢20,087 for the agreement subscribed in April 2010 between ICE and CISCO in the amount of US$50 (in millions), bearing interest at 3.25% for a 3-year term.

ECI Telecom (provider credit): ICE uses the type of financing called "Provider Credit", whereby the contractor or provider of goods and/or services grants financing, offered as such in its proposal for the tender in which it is participating.

In order to implement this new form of financing, certain mandatory guidelines have been established for all procurements processed under the "Provider Credit" modality. Those guidelines should be included in the terms and conditions for single-source procurement or competitive bidding to finance goods and services in investment projects.

For a bid to be awarded under this mode of financing, it must complete a technical, legal, and financial evaluation. The requesting agency will receive a copy of the results of the financial evaluation as well as a recommendation.

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

(Continued)

CSI Leasing: One disbursement for a total of ¢4,645 (US$9 (in millions), bearing quarterly interest at the 6-month LIBOR rate + 5.10% per annum; maturing in May 2018.

Prival Bank, S.A.: One disbursement for a total of ¢2,079 (US$4 (in millions)) for the STM-16-capacity submarine cable link (Maya 1), for a term of 5 years, to be repaid in consecutive monthly installments, and bearing interest at 7.5% per annum.

Lines of credit:

As of December 31, 2011, the main movements in lines of credit used for working capital are as follows:

1) **Scotiabank:** Three lines of credit have been subscribed since November 2011, for maximum terms of 90 days, bearing interest at the fixed rates of 1.75% and 7.75% and at the 3-month LIBOR rate + 2.0625% = 2.50% per annum (floor rate of 2.50%); for a disbursed amount of ¢15,959.

2) **BN Paribas:** Three lines of credit have been subscribed since July 2011, for maximum terms of 92 days, bearing interest at fixed rates ranging between 1.49575% and el 2.99778% per annum; for a disbursed and amortized amount of ¢31,085.

3) **Citibank**: One line of credit has been subscribed since November 2011, for a maximum term of 31 days, bearing interest at the 1-month LIBOR rate + 2.25% = 2.53485 per annum; for a disbursed amount of ¢10,367.

4) **HSBC Bank (Panama):** Seven lines of credit have been subscribed since March 2011 for maximum terms of 184 days, bearing interest at fixed rates ranging between 1.50% to 3.15% per annum, and for a disbursed and amortized amount of ¢51,033 and ¢36,007.

5) **Bladex:** Starting August 2011, 4 lines of credit were subscribed for maximum terms of 180 days, bearing interest at fixed rates ranging between 1.57478% and el 3.28667% per annum. As of December 31, 2011, the amount disbursed is equivalent to ¢32,642, of which ¢24,350 was amortized as of that date.

6) **Global Bank Corporation:** Three lines of credit have been subscribed since October 2011 for maximum terms of 30 days, bearing interest at fixed rates ranging between 1.24% to 1.7741% per annum; for a disbursed and amortized amount of ¢12,955 and ¢7,771, respectively.

(Continued)

7) **Mercantil Commercebank:** Three lines of credit have been subscribed since August 2011, for maximum terms of 179 days, bearing interest at fixed rates ranging between 1.42478% and 1.9689% per annum; for a disbursed and amortized amount of ¢20,724 and ¢5,181, respectively.

8) **Banco Aliado (Panama):** Two lines of credit have been subscribed since October 2011 and November 2011, respectively, for maximum terms of 30 days, bearing interest at fixed rates ranging between 1.74289% and 1.7477% per annum, respectively; for a disbursed and amortized amount of ¢5,181.

9) **Banco de San José (BAC):** One line of credit was subscribed on December 23, 2011, for a term of 18 days, bearing interest at the fixed rate of 8.25% per annum; for a disbursed amount of ¢3,300.

Notes to Consolidated Financial Statements

(In millions of colones)

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, 2011 are as follows:

Loan	As of December 31, 2011	Segment	Financial covenants	Complies with the limit established to 31/12/2011	Waivers or amendments obtained
ICE					
CABEI, Loan No. 1962	¢ 33,692	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 4.0 times	No	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 N1, N.A.	16,367	Electricity	Maintain a debt/EBITDA ratio of not greater than 5.10	Yes	Yes
			Maintain an interest rate coverage ratio of not less than 2:1	Yes	-
			Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Nordea Bank AB, Loan SE10571	9,955	Telecom	Maintain a financial ratio of: ((Total debt+leases balances/EBITDA+leases payments)) < 5.25 times	Yes	Yes
			Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times	Yes	Yes
			Maintain an interest rate coverage ratio of not less than 2:1	Yes	-
			Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Nordea Bank AB 2	3,892	Telecom	Maintain a financial ratio of: ((Total debt+leases balances/EBITDA+leases payments)) < 5.25 times	Yes	Yes
			Maintain a financial ratio of: (Total debt/EBITDA) < 5.25 times	Yes	Yes
			Maintain an interest rate coverage ratio of not less than 2:1	Yes	-
			Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
			Maintain a financial ratio of: ((Total debt+leases balances/EBITDA+leases payments)) < 4.0 times	No	Yes
IDB, Loan No. 1931 A/OC – CR	186,016	Electricity and Telecom	Maintain a financial ratio of: (Total debt/EBITDA) < 4.0 times	No	Yes
			Maintain an interest rate coverage ratio of not less than 2:1	Yes	-
			Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
			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 35%	No	Yes
			Maintain a financial ratio of: Long-term debt/total assets < 0.5 times	Yes	-
IDB, Loan No. 1908/OC – CR	34,211	Electricity	Maintain a financial ratio of: Debt service/internal cash generation > 1.5 times	Yes	-
Andean Development Corporation (CAF)	49,673	Electricity	Maintain a financial ratio of: (Liabilities/equity) < 0.8 times	Yes	-
			Maintain a financial ratio of: (EBITDA/debt service) > 1.5 times	No	Yes
			Maintain a financial ratio of: (Financial debt/EBITDA) <5.3 times	Yes	-
Scotiabank	24,065	Electricity	Maintain an interest rate coverage ratio of not less than 2:1	Yes	-
			Maintain a financial ratio of: (Total debt/EBITDA) < 4.75 times	Yes	Yes
			Maintain a financial ratio of: Consolidated net equity > US$3,300 (in millions)	Yes	-
Kreditanstalt für Wiederaufbau (KfW, Frankfurt) (in millions)	33,920	Electricity	Maintain a financial ratio of: ((Debt + lease balances)/(EBITDA + lease payments)) < 4.5 times	No	Yes
			Maintain a financial ratio of: (Debt/EBITDA) < 4 times	No	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	-

(Continued)

	Loan		As of December 31, 2011	Segment	Financial covenants	Complies with the limit established to 31/12/2011	Waivers or amendments obtained
CNFL					Maintain an equity/asset ratio of not less than 50%	Yes	-
	Kreditanstalt für Wiederaufbau (in millions)		13,800	Electricity	Maintain a debt service coverage ratio of not less than 1.5 times	Yes	-
RACSA							
	CABEI, Loan No. 1812		5,030	Telecom	Maintain a liquidity ratio of: (Current assets/current liabilities) > 1.25 times	No	(1)
					Maintain a debt ratio of: (Liabilities/equity) < 1 time	No	(1)
					Public sector interest rate + spread in favor of CABEI	-	-
					14 consecutive semiannual installments with a 36-month grace period	-	-
	Control Electrónico, S.A. (CESA)	¢	5,475	Telecom	Fixed interest rate of 7.5%	-	-
					60 consecutive monthly installments with a 6-month grace period	-	-
					Guaranty - asset purchased	-	-

(1) In accordance with the loan agreement, in the event the liquidity ratio or the debt ratio of this subsidiary fails to comply with the contractual covenants, the subsidiary agrees to grant a liquid guaranty to the Bank. The subsidiary granted such guaranty.

Some of the loan agreements include the following clauses:

a) *Cross Default:* this clause establishes that upon subscription of a loan agreement, ICE expressly and irrevocably accepts that noncompliance with obligations, payments, and/or other terms and conditions of the loan agreement(s) in effect by ICE and the creditor will result in early termination of the corresponding loan and all other loan agreements in effect.

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 covenants, ICE Group must comply with general clauses, among other conditions, as follows:

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.
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.

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, several of the agreements subscribed to date include “Positive covenants” and “Negative covenants” which establish, respectively, commitments that ICE must meet and restrict and limit certain actions, usually requiring prior approval from the creditor.

(Continued)

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 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, 2011 and the calculations performed by ICE based thereon, ICE failed to comply with a number of the financial covenants related to debt ratios. However, after furnishing the requested information to the creditors, as of the date of this report ICE Group obtained the corresponding waivers or amendments to the agreements, as appropriate, in respect of the events of noncompliance as of December 31, 2011 and for the periods and conditions indicated below, eliminating 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.

In 2011, noncompliance with debt ratios is a result of the following factors:

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. ICE has accrued investments in the Toro III Hydroelectric Project, for which a reimbursement was expected to be received from the trust created for developing such project. However, the reimbursement was not made on a timely basis.

The above situations had a financial impact on ICE. Had those funds been timely received, ICE would have not exceeded the debt ratio limits.

In addition, a decrease in the rates for electricity services approved by ARESEP, which became effective in early 2011, and a decrease in the annual growth rate of power demand affected ICE's compliance with debt ratios.

Further, although the Telecom sector has experienced growth in income and it shows operating surplus, the sector has been required to strengthen its marketing strategies within the new context of free competition, representing a decrease in its operating margin.

(Continued)

(In millions of colones)

CABEI No. 1962

In respect of the debt ratio established in article 10 “Special affirmative covenants” of loan agreement CABEI No. 1962 dated June 19, 2009, namely (Debt + lease balances)/(EBITDA + lease payments), Financial Management of ICE requested CABEI since mid-December 2011 to increase the permitted debt ratio. However, according to a letter dated April 25, 2012, CABEI elected to waive noncompliance with such ratio as of December 31, 2011 and June 2012, provided that the ratio does not exceed 5.0 times and that ICE submits to CABEI information on the results obtained in March, April, and May 2012.

Citibank

In December 2011, ICE’s Financial Management requested Citibank 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 approved an amendment to the aforementioned clause, establishing the following annual debt ratios:

Year	*Debt/EBITDA ratio*
2011	Not greater than 5.10 to 1.0
2012	Not greater than 4.65 to 1.0
2013 - 2015	Not greater than 4.0 to 1.0

As of the date of this report, the contractual formalization of the changes to the aforementioned debt ratios is in process.

NORDEA

As per the request submitted by ICE in December 2011, through a letter dated March 30, 2012, NORDEA approved 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 to 1.00 from the beginning of 4Q 2011 to the end of 4Q 2012, and of not greater than 4.5 to 1.00 in subsequent periods.

(Continued)

As of the date of this report, the contractual formalization of the changes to the aforementioned debt ratios is in process.

<u>*IDB No. 1908 and IDB No. 1931*</u>

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. However, IDB elected to waive noncompliance and will adjust the ratios for covenants not complied with once updated financial projections are available, including the development and financial scheme for the Reventazón Hydroelectric Project.

Consequently, through letter CID/CCR/593/2012 dated March 28, 2012 issued by IDB's representatives in Costa Rica, the bank retroactively waived noncompliance with the ratios established in clause 5.06 "Compliance with financial covenants" of loan agreement IDB No. 1908 as of the 2011 year-end. Similarly, through a letter dated March 30, 2012, the Structured and Corporate Finance Department of IDB notified the waiver of noncompliance as of the 2011 year-end with clause 6.2.11.1 "Financial covenants" and clause 6.2.11.2 "Total consolidated debt/consolidated EBITDA ratio, in accordance with International Financial Reporting Standards (IFRSs) and ICE's Accounting Policy Manual", established in loan agreement IDB No. 1931.

Furthermore, clause 6.2.2 "Negative covenants-obligations of other" of loan agreement IDB No. 1931 establishes that ICE will not execute, except with the express and specific authorization of IDB, guarantees in favor of third parties. However, in 2011, ICE provided a surety in favor of JASEC, a distributor of ICE Group, to partially finance the Toro III Hydroelectric Project for an amount of up to US$30 (in millions), which was not previously communicated to IDB for approval, in conformity with the aforementioned clause. This situation has been discussed with IDB's representatives and the waiver of such noncompliance was requested. Through a letter dated April 20, 2012, IDB approved a temporary waiver thereof.

(Continued)

As of December 31, 2011, in respect of the ((Debt + lease balances)/(EBITDA + lease payments)) financial covenant related to loan No. 1931 A/OC – CR executed between ICE Group and IDB, in order to calculate the figures corresponding to “lease balances” and “lease payments”, management of ICE Group must identify the lease agreements included in such calculation that qualify as finance leases in accordance with IFRSs. For such purposes, ICE Group used reports dated October 30, 2008 and May 15, 2011 issued by independent public accountants as established in ICE Group’s Guidelines for the preparation of financial indicators.

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
- 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.

Scotiabank

As per the request submitted by ICE in December 2011, Scotiabank approved, through a letter dated April 12, 2012, the temporary change to the debt ratio established in section 6 "Confirmatory agreements" of the agreement, namely total financial debt/EBITDA. In accordance with the terms and conditions of the aforementioned letter, the ratio was increased from 4.5 times (as established in Section 6 of the loan agreement subscribed in 2009) to 4.75 times for the quarters ended December 31, 2011 and March 31, 2012.

KfW

In June 2009, ICE subscribed a "Side letter" whereby, as lessee of the Garabito Thermal 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 waive noncompliance with the debt ratio and subsequently define the new ratios once IDB establishes the ratios for loan IDB No. 1931, in conformity with the terms and conditions established by IDB. Through an official letter dated March 30, 2012, KfW notified ICE of the waiver of noncompliance with the financial ratios as of the 2011 year-end and of the probable noncompliance as of the close of 1Q 2012.

Cisco Capitals

The loan agreement subscribed with Cisco Capitals establishes that ICE will not, without prior authorization in writing from Cisco Capitals, guarantee or assume direct or contingent liabilities with respect to debt of third parties. The surety provided by ICE to JASEC in the amount of up to US$30 (in millions) mentioned above was not timely communicated to Cisco Capitals. Accordingly, the waiver of such noncompliance was requested through letter No. 0078-553-2012 dated March 30, 2012. The approval of the waiver was notified to ICE through an official letter dated March 17, 2012.

(Continued)

In addition, the agreement with Cisco Capitals establishes that ICE may not grant loans or make other advance payments exceeding US$500 thousand to its subsidiaries (except for expenses related to compensation, travel, ordinary transportation, advance payments of commissions, and other advance payments to employees in the ordinary course of business). Notwithstanding, in 2011 ICE granted the following financing to RACSA without the prior approval in writing of Cisco Capitals (covered by the waiver mentioned above):

- US$1.3 (in millions) for the purchase of V-SAT antennae, and
- US$5 (in millions) to draft and distribute ICE’s 1115 Yellow Pages.

Note 23. Long-term obligations derived from credit

Starting 2011, ICE Group uses the type of financing called “Provider Credit”, which refers to debt instruments in which the contractor or provider 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 sector was granted a 5.5-year credit by the provider Huawei Technologies for the acquisition of switching center equipment and spare parts. On June 15, 2011, a purchase order was issued to that provider for a total of US$63 (in millions), bearing interest at 5.45% per annum. The provider will finance 85% of the equipment and ICE will finance the remaining 15% starting in 2012 and 2011, respectively. Payments related to the acquisition of equipment are to be made half-yearly. In contrast, the acquisition of spare parts will be financed solely by ICE and 60% of payments related thereto are to be made in 2011, while the remaining 40% is to be settled in 2012.

(In millions of colones)

Note 24. Accounts payable

Accounts payable are as follows:

Accounts payable		As of December 31, 2011	2010
ICE:			
Materials suppliers	¢	111,350	61,634
Other creditors		20,208	10,282
Taxes		13,900	11,523
Service providers		6,955	6,839
Payroll and employee withholdings		7,082	8,564
Subtotal ICE		**159,495**	**98,842**
CNFL:			
Government - sales tax on energy		1,649	1,548
Employee withholdings		863	783
Other creditors		701	328
Accrued non-financial expenses		567	534
Subtotal CNFL		**3,780**	**3,193**
RACSA:			
Foreign lines		3,169	483
Other creditors		332	1
Suppliers and local institutions		274	3,079
Subtotal RACSA		**3,775**	**3,563**
Total ICE Group		**167,050**	**105,598**
Long-term		**44,288**	**6,845**
Short-term	**¢**	**122,762**	**98,753**

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

Purchase order No.	Supplier		As of December 31, 2011
Electricity			
356609	Andritz Hydro GMBH	¢	1,178
356611	Andritz Hydro GMBH		1,631
361843	Veizades & Associates, Inc.		2,069
362644	Andritz Hydro S.R.L Unipersonale		17,726
362646	Andritz Hydro GMBH		19,536
	Other		2,148
	Total	**¢**	**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 2011	2010
ICE:			
Statutory Christmas bonus	¢	1,484	1,455
Back-to-school bonus		14,513	15,026
Vacation		12,763	11,844
Occupational hazards		-	52
Subtotal ICE		**28,760**	**28,377**
CNFL:			
Statutory Christmas bonus		348	427
Back-to-school bonus		4,164	3,793
Vacation		2,720	2,648
Third biweekly salary payment		964	844
Fifth week salary payment		78	70
Subtotal CNFL		**8,274**	**7,782**
RACSA:			
Statutory Christmas bonus		36	35
Vacation		455	558
Subtotal RACSA		**491**	**593**
Total ICE Group	**¢**	**37,525**	**36,752**

Movement in 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
2011							
Opening balance	¢	1,917	18,819	15,050	52	914	36,752
Expensed		23,876	18,747	21,315	797	6,932	71,667
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**

Accrued expenses - employer obligations		Statutory Christmas bonus	Back-to-school bonus	Vacation	Occupational hazards	Third biweekly and fifth	Total
2010							
Opening balance	¢	1,461	16,752	14,885	-	329	33,427
Expensed		21,511	18,924	19,844	77	6,978	67,334
Used		(21,055)	(16,857)	(19,679)	(25)	(6,393)	(64,009)
Total ICE Group	**¢**	**1,917**	**18,819**	**15,050**	**52**	**914**	**36,752**

(Continued)

(In millions of colones)

Note 26. Legal provisions

Legal provisions are as follows:

Legal provisions		As of December 31, 2011	2010
ICE:			
Severance benefits	¢	7,947	6,055
Occupational hazards		5,733	4,219
Provision for contingent liabilities		10,394	8,637
Subtotal ICE	**¢**	**24,074**	**18,911**
CNFL:			
Severance benefits - short-term	¢	1,000	1,000
Severance benefits - long-term		16,765	13,816
Employee Protection Law		117	112
Cash shortages and cash accounts		6	6
Provision for contingent liabilities		-	787
Subtotal CNFL	**¢**	**17,888**	**15,721**
RACSA:			
Severance benefits	¢	-	4
Provision for contingent liabilities		132	-
Subtotal RACSA	**¢**	**132**	**4**
Total ICE Group	**¢**	**42,095**	**34,636**

Movement in legal provisions is as follows:

Legal provisions		Severance benefits	Occupational hazards	Litigation	Employee Protection Law	Cash shortages and cash accounts	Total
2011							
Opening balance	¢	20,875	4,219	9,424	112	7	34,637
Expensed		14,508	3,650	10,384	1,649	58	30,249
Used		(9,671)	(2,136)	(9,282)	(1,644)	(59)	(22,792)
Total ICE Group	**¢**	**25,712**	**5,733**	**10,526**	**117**	**6**	**42,095**

Legal provisions		Severance benefits	Occupational hazards	Litigation	Employee Protection Law	Cash shortages and cash accounts	Total
2010							
Opening balance	¢	19,645	3,429	7,125	102	6	30,307
Expensed		10,546	3,298	11,655	1,497	12	27,008
Used		(9,316)	(2,508)	(9,356)	(1,487)	(12)	(22,679)
Total ICE Group	**¢**	**20,875**	**4,219**	**9,424**	**112**	**7**	**34,636**

(In millions of colones)

Note 27. Retrospective adjustments

In 2011, a number of adjustments with retrospective effect were determined that affected several accounts in the consolidated financial statements, as follows:

		Operating assets - cost (note 4)	Accumulated depreciation of 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)	Materials in transit for investment (note 7)	Inventory for investment (note 7)	Receivables for services rendered (note 10)	Non-trade receivables (note 10)	Operating inventories (note 11)	Project design and execution (note 16)	Intangible assets (note 18)
Balance at December 31, 2010, previously reported	¢	1,813,302	(640,624)	3,220,164	(1,917,082)	274,308	752,360	100,119	136,028	85,529	98,911	67,212	64,777	41,419
Accumulated effect of adjustments prior to 2010:														
Adjustment for capitalization of construction work in progress (1)		6,375	(4,832)	-	-	-	(6,375)	-	-	-	-	-	-	-
Valuation of prepaid income (2)		-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory adjustments (3)		-	-	-	-	-	-	-	(1,424)	-	-	-	-	-
Insurance policy compensation (4)		654	-	-	-	-	(19)	-	-	-	445	-	-	-
Adjustment for retirement of assets (5)		(418)	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments (6)		(1)	-	-	-	-	-	(602)	-	-	-	-	-	-
Total effect of adjustments prior to 2010		6,610	(4,832)	-	-	-	(6,394)	(602)	(1,424)	-	445	-	-	-
Effect of adjustments in 2010:														
Adjustment for capitalization of construction work in progress (1)		24,410	(5,516)	-	-	-	(25,026)	-	-	-	-	-	-	-
Valuation of prepaid income (2)		-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory adjustments (3)		-	-	-	-	-	-	(2,719)	-	-	-	169	-	-
Adjustment by retirement of assets (5)		(2,009)	392	(2,599)	1,507	-	-	-	-	-	-	-	-	-
Other adjustments (6)		-	(7)	-	-	(1)	-	601	-	(564)	60	-	(446)	52
Total effect of adjustments in 2010		22,401	(5,131)	(2,599)	1,507	(1)	(25,026)	(2,118)	-	(564)	60	169	(446)	52
Subtotal adjustments		29,011	(9,963)	(2,599)	1,507	(1)	(31,420)	(2,720)	(1,424)	(564)	505	169	(446)	52
Balance at December 31, 2010, adjusted		1,842,313	(650,587)	3,217,565	(1,915,575)	274,307	720,940	97,399	134,604	84,965	99,416	67,381	64,331	41,471
Accumulated effect of reclassifications in 2010:														
Capitalization of construction work in progress		20,686	-	-	-	65	(15,374)	-	-	-	-	-	(5,377)	-
Reclassification of inventories		(2,480)	-	-	-	(52)	1,139	1,341	-	-	-	-	-	-
Subtotal reclassifications		18,206	-	-	-	13	(14,235)	1,341	-	-	-	-	(5,377)	-
Balance at December 31, 2010, adjusted	¢	1,860,519	(650,587)	3,217,565	(1,915,575)	274,320	706,705	98,740	134,604	84,965	99,416	67,381	58,954	41,471

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

	Accounts payable (note 24)	Prepaid income	Development reserve	Asset revaluation reserve	Operation and maintenance costs (note 30)	Operation and maintenance costs of leased equipment (note 31)	Depreciation	Production management	Supplemental services and purchases (note 32)	Other income - foreign exchange differences (note 37)	Other income (note 37)	Other expenses - foreign exchange differences (note 37)	Profit, net
Balance at December 31, 2010, previously reported	¢ 100,204	11,391	1,387,132	1,334,460	228,738	144,854	228,717	73,320	93,770	129,421	81,514	38,635	139,016
Accumulated effect of adjustments prior to 2010:													
Adjustment for capitalization of construction work in progress (1)	-	-	(4,832)	-	-	-	-	-	-	-	-	-	-
Valuation of prepaid income (2)	-	(55)	55	-	-	-	-	-	-	-	-	-	-
Inventory adjustments (3)	-	-	(1,424)	-	-	-	-	-	-	-	-	-	-
Insurance policy compensation (4)	-	-	1,080	-	-	-	-	-	-	-	-	-	-
Adjustment by retirement of assets (5)	-	-	(418)	-	-	-	-	-	-	-	-	-	-
Other adjustments (6)	-	-	(603)	-	-	-	-	-	-	-	-	-	-
Total effect of adjustments prior to 2010	-	(55)	(6,142)	-	-	-	-	-	-	-	-	-	-
Effect of adjustments in 2010:													
Adjustment for capitalization of construction work in progress (1)	-	-	-	-	40	-	5,671	421	-	-	-	-	(6,132)
Valuation of prepaid income (2)	-	4,310	-	-	-	-	-	-	-	(4,310)	-	-	(4,310)
Inventory adjustments (3)	-	-	-	-	-	(169)	-	-	-	-	-	2,719	(2,550)
Adjustment by retirement of assets (5)	-	-	-	(1,148)	-	-	1,561	-	-	-	-	-	(1,561)
Other adjustments (6)	(1,399)	-	-	-	446	-	7	-	(609)	1,435	55	552	1,094
Total effect of adjustments in 2010	(1,399)	4,310	-	(1,148)	486	(169)	7,239	421	(609)	(2,875)	55	3,271	(13,459)
Subtotal adjustments	(1,399)	4,255	(6,142)	(1,148)	486	(169)	7,239	421	(609)	(2,875)	55	3,271	(13,459)
Balance at December 31, 2010, adjusted	98,805	15,646	1,380,990	1,333,312	229,224	144,685	235,956	73,741	93,161	126,546	81,569	41,906	125,557
Effect of reclassifications in 2010:													
Capitalization of construction work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of inventories	(52)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal reclassifications	(52)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2010, adjusted	¢ 98,753	15,646	1,380,990	1,333,312	229,224	144,685	235,956	73,741	93,161	126,546	81,569	41,906	125,557

(Continued)

1. Adjustments for liquidation and **capitalization of construction work in progress** in both segments (mainly the Telecom segment). Those adjustments arise from the fact that most of those assets became operational from 2009, but the corresponding depreciation was not booked. Accordingly, the depreciation expense and accumulated depreciation from that period to date were recalculated, affecting profit or loss and the development reserve. This situation also gave rise to a reclassification of items within “Property, machinery and equipment” from construction work in progress to operating assets.

2. Reversal of foreign exchange differences related to the “**prepaid income**” account because some items within this account are not monetary items subject to valuation. This situation mainly affected profit or loss for the 2010 period.

3. Effect of adjustments to credit balances arising from transfers and requisitions that were incorrectly performed in the “Inventory for investment” and “Materials in transit for investment” accounts. Those transactions were not timely performed, affecting the development reserve.

4. Recognition of the **insurance policy compensation (INS)** related to transmission transformers; this item was not booked at the time the transaction with that entity was completed.

5. Effects of adjustments resulting from the **retirement** of assets (mainly corresponding to the Electricity segment) that were physically retired in prior periods, but the corresponding retirements were not booked in the accounting records.

6. Accrual of a number of corrections in compliance with the policy for retrospective adjustments (see note 3.a.vi).

(In millions of colones)

Note 28. Memoranda accounts

Memoranda accounts		As of December 31, 2011	2010
ICE:			
Guarantees received			
Performance bonds	¢	139,696	122,575
Bid bonds		3,197	3,735
Tenders		8	8
Collection agents		3,765	4,282
Subtotal		**146,666**	**130,600**
Other guarantees received:			
Sundry services		4,249	138
Subtotal		**4,249**	**138**
Guarantees issued to third parties:			
Surety		10,420	17,615
Subtotal		**10,420**	**17,615**
Subtotal ICE	¢	**161,335**	**148,353**

Memoranda accounts		As of December 31, 2011	2010
CNFL:			
Contingent assets:			
Savings and loan fund	¢	24,832	21,270
ICE easement - Cote Plant		7	7
Materials in transit		772	14
Materials in transit - local		421	420
CNFL Employees Association (ASEFYL)		9,640	8,287
Guaranty deposits (Electricity consumption)		59	66
Rental of posts		67	67
Bid bonds		673	698
Performance bonds - labor		87	60
Collection of electricity services		711	746
Materials loan		208	113
Performance bonds - procurement		9,592	3,052
Employee guarantees		208	49
Subtotal CNFL		**47,277**	**34,849**
Contingent liabilities:			
Payment arrangements - financing of appliances		65	59
Subtotal		**65**	**59**
Subtotal CNFL		**47,342**	**34,908**
RACSA:			
Guaranty deposits		861	2,607
Subtotal RACSA		**861**	**2,607**
Total ICE Group	¢	**209,538**	**185,868**

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 Group in accordance with the agreed terms and that, in the event of noncompliance, ICE will be compensated.

Bid bonds

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

Collection agents

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

Surety

ICE-JASEC surety

ICE and JASEC subscribed a business partnership agreement for construction of the Toro III Hydroelectric Power Project.

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 That surety amounts to US$30 (in millions), which is equivalent to ¢15,369. On February 22, 2012, the Board of Directors unanimously authorized ICE to provide 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).

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.

(In millions of colones)

Note 29. Income from services

Income from services is as follows:

Income from services		For the year ended December 31, 2011	2010
ICE:			
Electricity services	¢	358,106	342,531
Telecom services		501,195	455,962
Institutional services		2,161	1,434
Subtotal ICE		**861,462**	**799,927**
CNFL:			
Electricity services		256,574	262,203
Subtotal CNFL		**256,574**	**262,203**
RACSA:			
Telecom services		26,697	33,238
Subtotal RACSA		**26,697**	**33,238**
Total ICE Group	**¢**	**1,144,733**	**1,095,368**

Service regulation

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 tariffs, 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.

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, 2011**	**2010**
Thermal power plant:			
Garabito	¢	36,698	2,132
Moín II		18,169	30,269
Portable Barranca		13,708	21,863
Moín III		12,997	7,029
Moín I		2,446	1,071
Pujol - Pococí		1,964	3,253
Pujol - Orotina		1,846	2,429
San Antonio		1,258	1,447
Colima		1,150	782
Barranca		897	1,374
Portable San Antonio		-	14,004
Total ICE Group	**¢**	**91,133**	**85,653**

In 2011, the decrease in fuel consumption of the Barranca Portable Plant of ¢8,155 is a result of the start-up of operations of the Garabito Thermal Power Project, located in Puntarenas and inaugurated in the first half of 2011. The increase presented is a result of the consumption of bunker fuel used for power generation during the dry season.

(In millions of colones)

Note 31. <u>Operation and maintenance costs of leased equipment</u>

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, 2011	2010
ICE:			
Thermal generation	¢	93,034	69,050
Hydraulic generation		20,438	22,097
Access		17,948	18,776
Transport		14,378	15,356
Civil and electromechanical		9,655	6,863
Platforms		8,353	9,287
Substations		5,404	3,177
Transmission lines		3,078	2,604
Wind generation		1,999	41
Subtotal		**174,287**	**147,251**
Elimination of ICE - Institutional services		2,524	2,566
Total	¢	**171,763**	**144,685**

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, 2011, operating lease agreements are as follows:

General features of the agreement				In millions of U.S. dollars											
Service order No.	**Lessor**	**Date of agreement**	**Approximate expiration date**		**Amount of agreement**	**Amount of installment**	**Service order balance at December 31, 2011**	**Paid in 2011**	**No. of install ments**	**Amount of installment**	**Purchase option**		**Expenses in 2011**	**Frequency**	**Subject of the agreement**
323411	ECI Telecom Consortium	29-Sep-05	28-Feb-14	US $	32	18	15	6	20	2	3	¢	4,205	Quarterly	Fiber optic transport system equipment
319447	Ericsson de Costa Rica (1)	7-Jun-04	4-Dec-11		130	130	1	20	24	5	8		10,210	Quarterly	Execute 600KL GSM project
332855	Ericsson de Costa Rica - extension (1)	3-Aug-07	4-Dec-11		65	65	0	15	16	4	3		7,829	Quarterly	Additional 50% expansion - Tender No. 7941-T
343012	Huawei Technologies Consortium (2)	10-Feb-09	26-Mar-15		233	85	148	47	20	First phase US$8, second phase US$4	23		24,166	Quarterly	3G wireless system
1691	Peñas Blancas Securitization Trust (3)	16-Aug-00	16-Jul-15		119	88	31	9	155	Between US$875 and US$725 (in thousands)	19		4,632	Monthly	Electricity infrastructure
Sin orden	Cariblanco Securitization Trust (3)	3-Jul-03	31-Dec-19		304	106	199	25	147	2	8		12,870	Monthly	Lease for Cariblanco Hydroelectric Power Plant
Sin orden	Garabito Thermal Project Trust (3)	5-Nov-07	31-Mar-22		743	99	643	63	142	5	213		33,920	Monthly	Lease for Garabito Thermal Power Plant
342071	Alstom Power Rentals (4)	1-Jul-09	30-Aug-11		51	48	3	15	24	2	-		7,528	Monthly	Operation and maintenance costs/Lease for Barranca Power Plant
333059	Las Pailas Geothermal Power Plant (5)	7-Mar-07	31-Dec-23		240	-	240	-	24	8	-		1,690	Monthly	Operation and maintenance costs/Lease for Barranca Power Plant
Total				**US$**	**1,919**	**638**	**1,280**	**199**				**¢**	**107,051**		

General features of the agreement															
Service order No.	**Lessor**	**Date of agreement**	**Approximate expiration date**		**Amount of agreement**	**Amount of installment**	**Service order balance at December 31, 2011**	**Paid in 2011**	**No. of install ments**	**Amount of installment**	**Purchase option**		**Expenses in 2011**	**Frequency**	**Subject of the agreement**
350702	Cooperativa de Electrificación Rural Guanacaste	16-Feb-10	6-Sep-21	¢	87,848	11,189	76,659	5,932	138	Between ¢617 and ¢473	Approximately ¢3,541	¢	5,932	Monthly	Infrastructure for electricity transmission Liberia - Papagayo - Nuevo Colón

(1) Ericsson de Costa Rica Lease

This agreement corresponds to the lease of 600,000 GSM comprehensive wireless telephone solutions, plus related services and components. In August 2007, ICE and Ericsson amended the original lease agreement and increased the number of leased solutions by 300,000, for a total of 900,000 solutions.

As recorded in article 4 of meeting No. 227 held on November 29, 2011, the Corporate Procurement Board agreed to exercise the purchase option related to Tender 7149-T for the lease with purchase option of 900,000 GSM comprehensive wireless telephone solutions, plus related services and components, as follows:

- Equipment and licenses (original agreement) for US$7,791,147 (seven million, seven hundred and ninety-one thousand, one hundred and forty-seven, and 00/100 U.S. dollars).
- Equipment and licenses (additional agreement) for US$3,435,052 (three million, four hundred and thirty-five thousand, fifty-two, and 00/100 U.S. dollars).

(2) 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.

(3) 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 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, 2011.

(Continued)

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.

(Continued)

- 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.

(4) Lease with Alstom Power Rental

The agreement subscribed between ICE and Alstom Power Rental for the lease, operation, and maintenance of the Barranca electric power generation plant expired in August 2011.

(5) 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.

- 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.

(Continued)

- 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.

Terminated leases:

In 2010, the lease agreements executed with Energy International Costa Rica and Energy International Inc. for the supply of thermal power were terminated early due to the start-up of operations of the Garabito Thermal Power Plant in the first half of 2011. ICE paid compensation to both lessees for rescinding the contract in the amount of US$12 (in millions), equivalent to ¢6,844, which is included in the consolidated statement of profit or loss under "Other expenses".

(In millions of colones)

Note 32. Supplemental services and purchases

In 2011 and 2010, supplemental services and purchases are as follows:

Supplemental services and purchases	For the year ended December 31, 2011	2010
ICE Telecom:		
Phone-in	18,335	16,543
Circuit leases	1,372	1,525
Television	278	-
Comprehensive solutions	121	-
Total ICE Telecom	**20,106**	**18,068**
ICE Electricty:		
Import		
Ente Operador Regional (EOR)	2,162	1,374
Mercado Eléctrico de El Salvador	261	5,847
Bahía Las Minas Corporación, S.A.	17	34
Other	374	1,097
Subtotal import	**2,814**	**8,352**
Independent power generators:		
Unión Fenosa Generadora La Joya, S.A.	9,739	10,961
Geoenergía de Guanacaste Ltda.	8,687	9,727
Hidroenergía Del General (HdG), S.R.L.	7,523	8,484
Planta Eólica Guanacaste, S.A.	6,589	6,425
Hidroeléctrica Doña Julia	3,200	4,309
Molinos de Viento Del Arenal, S.A.	2,717	3,251
Hidroeléctrica Platanar, S.A.	2,670	3,416
Hidroeléctrica Zarcas, S.A.	2,196	2,377
Plantas Eólicas, S.A.	2,153	2,825
Proyecto Hidroeléctrico Pedro, S.A.	2,067	2,142
Proyecto Hidroeléctrico Río Volcán, S.A.	2,007	3,585
Hidroeléctrica Río Lajas, S.A.	1,306	984
Ingenio Taboga, S.A.	1,156	1,538
Other	5,828	6,638
Subtotal independent power generators	**57,838**	**66,662**
Export:		
Ente Operador Regional (EOR)	3,757	79
Total ICE Electricity	**64,409**	**75,093**
Total ICE Group	**84,515**	**93,161**

(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, 2011 and 2010, ICE has subscribed agreements 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)

(In millions of colones)

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:

i) Alteration of meters;
ii) A condition at the point of delivery that is the responsibility of the independent power producer;
iii) The inability of the independent power producer to supply power in accordance with the stipulated operating parameters;
iv) Failure to renew performance bonds;
v) Failure to renew insurance policies.

The agreements are in effect for terms that range between 15 and 20 years and expire between April 2012 and December 2027.

Note 33. Administrative expenses

Administrative expenses are as follows:

		For the year ended December 31,	
		2011	**2010**
ICE:			
Salaries	¢	32,141	29,493
Services		7,698	6,054
Materials and supplies		902	1,377
Depreciation of other operating assets		1,766	2,283
Service centers		9,144	6,024
Current transfers		1,030	881
Other		1,986	1,819
Subtotal ICE		**54,667**	**47,931**
Elimination of institutional services (911)		327	339
Subtotal ICE		**54,340**	**47,592**
CNFL:			
Administrative expenses		12,448	11,033
Subtotal CNFL		**12,448**	**11,033**
RACSA:			
Administrative expenses		23,047	28,928
Subtotal RACSA		**23,047**	**28,928**
Total ICE Group	¢	**89,835**	**87,553**

(Continued)

(In millions of colones)

Note 34. Marketing expenses

Marketing expenses are as follows:

		For the year ended December 31, 2011	2010
ICE:			
Salaries	¢	44,466	39,793
Services		50,673	28,862
Materials and supplies		24,687	14,711
Depreciation of other operating assets		4,007	3,740
Service centers		28,440	25,483
Current transfers		4,494	736
Other		14,099	9,079
Subtotal ICE		**170,866**	**122,404**
Elimination of institutional services (911)		1,887	2,056
Subtotal ICE		**168,979**	**120,349**
CNFL:			
Consumer expenses		20,044	16,879
Subtotal CNFL		**20,044**	**16,879**
Total ICE Group	¢	**189,023**	**137,228**

Note 35. Preinvestment studies

In 2011 and 2010, costs incurred for preinvestment studies are as follows:

		For the year ended December 31, 2011	2010
ICE:			
Savegre	¢	4,543	3,204
Ayil Hydroelectric Project		221	-
Mundo Nuevo		152	431
Pocosol - Arenal		142	-
Cachí tunnel		-	115
Papagayo transmission line		-	114
Other		112	149
Total ICE Group	¢	**5,170**	**4,013**

(In millions of colones)

In 2011, the SAVEGRE Project incurred expenses for ¢4,543 (2010: ¢3,204) for engineering and site feasibility studies and ancillary works related to the headrace tunnel and water intakes. Based on the current schedule, the feasibility studies are expected to be completed in 2013.

Note 36. <u>Other operating expenses</u>

In accordance with Law No. 7494, "Government Procurement Act", ICE must oversee the projects constructed by third parties and, if it cannot be determined whether the oversight-related expenses will be reimbursable to ICE, those expenses (from all phases) will be recognized in profit or loss. Other operating expenses are as follows:

		For the year ended December 31,	
		2011	**2010**
ICE:			
Pirrís Hydroelectric Project	¢	8,326	363
Advanced mobile services		952	1,595
National Multi-Service Access Project		359	-
Chuscas Hydroelectric Project		208	-
Expansion of Mobile Telephony		211	-
Tejar Transmission Line		170	249
Torito Hydroelectric Project		116	-
Garabito Thermal Project		43	217
Guanacaste Wind Project		-	85
Other		174	490
Total ICE Group	**¢**	**10,559**	**2,999**

Expenses incurred in respect of the Pirrís Hydroelectric Power Project that do not correspond to construction or operation of works are related to foreign exchange differences, interest, mitigation, social compensation, non-capitalizable spare parts, and contingencies derived from acts of God.

(Continued)

(In millions of colones)

Note 37. Other income and other expenses

Other expenses and other income are as follows:

Other income		For the year ended December 31, 2011	2010
ICE:			
Interest and other finance income	¢	13,587	13,646
Foreign exchange differences (2)		5,155	117,890
Construction services (1)		96,023	66,529
Other income		19,398	10,919
Subtotal ICE	¢	**134,163**	**208,984**
CNFL:			
Finance income		-	795
Foreign exchange differences		2,096	8,214
Other income		6,645	3,671
Subtotal CNFL	¢	**8,741**	**12,680**
RACSA:			
Interest and other finance income		215	407
Foreign exchange differences		-	442
Other income		659	450
Subtotal RACSA	¢	**874**	**1,299**
CRICRSA:			
Interest and other finance income		607	1
Subtotal CRICRSA	¢	**607**	**1**
Total ICE Group	¢	**144,385**	**222,964**

Other expenses		For the year ended December 31, 2011	2010
ICE:			
Interest and other finance expenses	¢	55,708	42,833
Foreign exchange differences (2)		7,747	37,160
Agreements for civil and electromechanical works (1)		99,501	64,982
Other expenses		3,386	9,643
Subtotal ICE	¢	**166,342**	**154,618**
CNFL:			
Interest and other finance expenses		1,483	2,034
Foreign exchange differences		2,007	4,746
Other expenses		2,206	1,636
Subtotal CNFL	¢	**5,696**	**8,416**
RACSA:			
Interest and other finance expenses		1,037	687
Foreign exchange differences		22	-
Other expenses		83	93
Subtotal RACSA	¢	**1,142**	**780**
CRICRSA:			
Interest and other finance expenses		10	-
Subtotal CRICRSA		**10**	**-**
Total ICE Group	¢	**173,190**	**163,814**

(Continued)

(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 Garabito Thermal Power Plant, Las Pailas Geothermal Power Plant, and Toro III Hydroelectric Power Project.

(2) As of December 31, 2011, the exchange rate of ¢518.33 (2010: ¢518.09) to US$1.00 was used to value monetary assets and liabilities in foreign currency.

Note 38. Tax regulations

Tax obligations - ICE

ICE Group is subject to tax obligations governed by the Income Tax Law and the Regulations Thereunder, General Sales Tax Law and the Regulations Thereunder, General Customs Law and the Regulations Thereunder, Law on Strengthening and Modernization of Public Telecommunication Companies, and General Telecommunications Law No. 8642.

Income Tax - ICE

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.

General sales tax

ICE also pays general sales tax pursuant to the General Sales Tax Law. 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.

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

This tax is defined in an affidavit issued for periods of one calendar year. The affidavit is filed on 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 and is calculated as a percentage of gross income obtained or earned directly from operation of public telecom networks. The percentages established for this tax range between 1.5% and 3%. In the event that the tax rate is not defined in a timely manner, the applicable rate for the immediately preceding tax period will be used. For 2011 and 2010, the applicable rate was 1.5%.

Red tax

This tax was created by Law No. 8690, “Creation of the Red Tax on Mobile and Conventional Telephony Services to Finance the Costa Rican Red Cross”.

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 Meritorious 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. Among other modifications, the amendment adds paragraph g) to 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 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 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 is also an income tax withholding agent in accordance with the Income Tax Law. In this role, taxes are withheld from the taxpayer and ICE holds joint and several liability. Among its responsibilities as a withholding agent, ICE must withhold and pay the corresponding tax to the Tax Authorities on behalf of recipients of the following types of income:

- 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.

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 such 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 and is developing its internal regulations and establishing its duties.

The Institutional Policy for Financial Risk and Financial Hedging Management was approved and 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 reviewed annually to ensure that they reflect changes in market conditions and in 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.

The 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 pay ICE for its services.

In order to mitigate this risk, the risk ratings assigned to investments by brokerage firms are monitored and tracked. 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.

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 and established in the Collections Management Policy.
- The next step is an 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.

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.

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: lines of credit, bank letters of credit, buying and selling of currency, investments, issue of securities, raw material purchases, etc.

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.

(Continued)

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 30 to 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.

Lines of credit are used to meet working capital needs. Limits are the amounts offered by the bank. Amounts of US$20 (in millions) or more must be approved by the Procurement Board and the Board of Directors. Shortfalls are determined based on the schedule of cash inflows and outflows along with the required terms so as to obtain quotes and borrow funds from the lowest cost bank. Line of credit transactions are documented with a promissory note. This method is used to cover mismatches between the date of receipt of income and the date of payment of obligations, as well as to make required fuel purchases in the first part of the year for thermal generation or as a bridge loan when for some reason there is a delay in the receipt of long-term resources.

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 so as to mitigate volatility in results.

The following risks have been identified in the financial operations: variations in local and foreign interest rates and in foreign currency exchange rates. Derivative financial instruments have been acquired to hedge those risks, as follows: 3 to hedge interest rate risk, namely Swap, Plain Vanilla, and Forward Starting; 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.

(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 - 10 months*	*U.S. dollar/Colon - 1 year*	*U.S. dollar/Colon - 1 year*
Identification of the exposure:	IDB-1931B/OC-CR	IDB-1931A/OC-CR	Project to Expand Submarine Communication Cable Capacity	JIBC-CR-P3	CABEI-1599	CABEI-1599	CABEI-1599	BEI-16970	Series A placement - ICE 13	INS Security No. 1
Principal amount	$210,000,000	$171,000,000	$20,000,000	¥8,170,293,196	$30,000,000	$40,000,000	$40,000,000	$10,000,000	$20,000,000	$20,000,000
Amount hedged	N/A	N/A	N/A	N/A	¢15,099,000,000	¢20,132,000,000	¢20,132,000,000	¢5,050,000,000	¢10,060,000,000	¢10,096,000,000
Exchange rate	N/A	N/A	N/A	N/A	¢503.30	¢503.30	¢503.30	¢505.00	¢503.00	¢504.80
Contract date	5/8/2008	1/27/2009	11/4/2010	2/17/2010	3/30/2011	3/29/2011	3/29/2011	6/15/2011	5/13/2011	6/16/2011
Hedge inception date or first payment	6/12/2008	1/14/2010	11/8/2010	10/20/2009	9/26/2011	7/28/2011	5/2/2011	4/20/2012	11/30/2011	7/20/2011
Hedge maturity date	2/15/2018	7/14/2023	11/8/2015	4/20/2026	3/26/2012	1/28/2014	11/2/2017	4/20/2012	5/30/2012	7/20/2012
Term	10 years	15 years	5 years	17 years	1 year	3 years	7 years	10 months	1 year	1 year
Base rate	6M LIBOR	6M LIBOR	3M LIBOR		6M LIBOR	6M LIBOR	6M LIBOR	0.61325%	0.38%	3M LIBOR
Spread over/under base rate	3.00%	3.625%	4.95%	2.2%	9.25%	Base rate	Base rate	0.00%	0.00%	8.42%
Fixed rate	4.37%	3.23%	0.95%	3.13%	0.00%	2.85 bp	2.95 bp	8.50%	8.40%	0.00%
Total fixed rate	7.37%	6.855%	5.90%	5.33%	9.25%	Base rate + 2.85 bp	Base rate +2.95 bp	8.50%	8.40%	8.42%
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	Plain Vanilla Swap	Forward Starting swap	Swap	Cross Currency Swap	Currency Swap	Currency Swap	Currency Swap	Currency Swap	Non-deliverable Currency Swap	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.

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, 2011**	**As of December 31, 2010**
ICE Group			
Total liabilities	¢	2,002,255	1,596,843
(-) Cash and cash equivalents		(152,520)	(193,049)
Debt, net		1,849,735	1,403,794
Total equity		2,951,140	2,887,802
Less:			
Amount accumulated in equity in connection with cash flow hedges		(18,583)	(11,843)
Adjusted equity	¢	2,969,723	2,899,645
ICE Group		**0.624**	**0.485**

(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 was:

Carrying amount of financial assets		As of December 31, 2011	2010
ICE Group			
Banks	¢	7,952	5,898
Temporary investments		140,060	172,880
Valuation of investments		1,323	1,439
Long-term investments		20,671	10,434
Restricted funds		7,146	17,317
Notes and accounts receivable		279,343	195,048
Total ICE Group	**¢**	**456,495**	**403,016**

The maximum exposure to credit risk at the date of the consolidated balance sheet by geographic region was:

Geographic region		As of December 31, 2011	2010
Costa Rica	¢	271,902	189,295
Other countries		7,441	5,753
Total by geographic region	**¢**	**279,343**	**195,048**

The maximum exposure to credit risk at the reporting date by type of counterparty was:

Type of counterparty		As of December 31, 2011	2010
Individuals and private companies	¢	155,872	137,006
High, medium, and low voltage customers		65,583	16,836
Telephone administrations		7,441	5,753
Distribution companies		11,523	7,621
Government		10,708	9,457
Due from subsidiaries		5,042	3,187
Sale of terminals		4,750	6,506
National Insurance Institute (INS) compensation - Cote Plant		4,146	-
Operators and service providers		4,652	887
Street lighting system		884	433
Other		8,742	7,362
Total by type of counterparty	**¢**	**279,343**	**195,048**

(Continued)

(In millions of colones)

Risk ratings reported as of December 31, 2011 are as follows:

Issuer	Entry No./ISIN	Instrument	Risk rating
ICE			
Banco BAC San José, S.A.	0NR0ICE00039	Term certificate of deposit	scr-1
Banco BAC San José, S.A.	0NR0ICE00083	Term certificate of deposit	scr-1
Central Bank of Costa Rica	0NR0ICE00076	Term certificate of deposit (electronic)	BB+
Central Bank of Costa Rica	0NR0ICE00078	Term certificate of deposit (electronic)	BB+
Central Bank of Costa Rica	0NR0ICE00079	Term certificate of deposit (electronic)	BB+
Central Bank of Costa Rica	CRBCCR0C3743	Zero-coupon Monetary Stabilization Bond	BB+
Central Bank of Costa Rica	CRBCCR0C3768	Zero-coupon Monetary Stabilization Bond	BB+
CABEI	CRBCIE0C0116	Commercial paper	F1(cri)+
CABEI	CRBCIE0C0132	Commercial paper	F1(cri)+
Banco CITIBANK (CMB COSTA RICA)	0NR0ICE00044	Term certificate of deposit	scr-1
Banco CITIBANK (CMB COSTA RICA)	0NR0ICE00045	Term certificate of deposit	scr-1
Banco CITIBANK (CMB COSTA RICA)	ONRICE000017	Term certificate of deposit	scr-1
Banco CITIBANK (CMB COSTA RICA)	ONRICE000019	Term certificate of deposit	scr-1
Banco CITIBANK (CMB COSTA RICA)	ONRICE000020	Term certificate of deposit	scr-1
Banco Crédito Agrícola de Cartago	00BCAC0C14D6	Term certificate of deposit (global bond)	scr-1
Banco Crédito Agrícola de Cartago	00BCAC0C30D2	Term certificate of deposit (global bond)	scr-1
Banco Crédito Agrícola de Cartago	00BCAC0C47D6	Term certificate of deposit (global bond)	scr-1
Banco Crédito Agrícola de Cartago	00BCAC0C58D3	Term certificate of deposit (global bond)	scr-1
Banco Crédito Agrícola de Cartago	00BCAC0C68C4	Term certificate of deposit (global bond)	scr-1
Banco de Costa Rica	00BCR00CEB41	Term certificate of deposit (global bond)	scr-1
Banco de Costa Rica	00BCR00CEJ68	Term certificate of deposit (global bond)	scr-1
Banco de Costa Rica	00BCR00CEP45	Term certificate of deposit (global bond)	scr-1
Banco de Costa Rica	0NR0ICE00080	Term certificate of deposit	scr-1
Banco de Costa Rica	0NR0ICE00081	Term certificate of deposit	scr-1
Banco de Costa Rica	0NR0ICE00082	Term certificate of deposit	scr-1
Banco de Costa Rica	CRBCR00B2760	BCR bond	AA(cri)+
Banco de Costa Rica	CRBCR00C2850	Commercial paper	F1(cri)+
Banco de Costa Rica	CRBCR00C2934	Commercial paper	F1(cri)+
Banco de Costa Rica	CRBCR00C2942	Commercial paper	F1(cri)+
Banco de Costa Rica	CRBCR00C2967	Commercial paper	F1(cri)+
Banco Hipotecario de la Vivienda (BANHVI)	CRBANVIB0037	BANHVI bond	AA(cri)
Banco Hipotecario de la Vivienda (BANHVI)	ONRICE000003	Term certificate of deposit	scr-1
BICSA - Miami branch	0NR0ICE00046	Overnight deposit	AA-
BICSA - Miami branch	0NR0ICE00048	Term certificate of deposit	AA-
BICSA - Miami branch	0NR0ICE00049	Term certificate of deposit	AA-
BICSA - Miami branch	0NR0ICE00051	Overnight deposit	AA-
BICSA - Miami branch	0NR0ICE00052	Overnight deposit (CLIPP)	AA-
BICSA - Miami branch	0NR0ICE00074	Term certificate of deposit	AA-
Banco Nacional de Costa Rica	00BNCR0C61F0	Term certificate of deposit (global bond)	scr-1
Banco Nacional de Costa Rica	0NR0ICE00042	Term certificate of deposit	scr-1
Banco Nacional de Costa Rica	0NR0ICE00077	Short-term instrument	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C71W8	Term certificate of deposit (global bond)	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0C87Z7	Term certificate of deposit (global bond)	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0CA474	Term certificate of deposit (global bond)	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	00BPDC0CC769	Term certificate of deposit (global bond)	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	0NR0ICE00041	Term certificate of deposit	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	0NR0ICE00043	Term certificate of deposit	scr-1
Banco Popular y de Desarrollo Comunal (BPDC)	CRBPDC0B6509	BPDC bond	AA(cri)
Banco Scotiabank de Costa Rica, S.A.	00SCOTIC17Y5	Term certificate of deposit	AAA(cri)
Banco Scotiabank de Costa Rica, S.A.	00SCOTIC39Z6	Term certificate of deposit	AAA(cri)
Banco Scotiabank de Costa Rica, S.A.	0NR0ICE00040	Term certificate of deposit	scr-1
Banco Scotiabank de Costa Rica, S.A.	CRSCOTIB0989	Scotiabank debt bond	AAA(cri)
CNFL	CRCFLUZB0207	CNFL bond	AAA(cri)
Government	0NR0ICE00075	Zero-coupon Central Bank global bond	BB+
Government	0NR0ICE00084	Zero-coupon Central Bank global bond	BB+
Government	0NR0ICE00085	Zero-coupon Central Bank global bond	BB+
Government	CRBCCR0B3371	Fixed-rate Monetary Stabilization Bond	BB+
Government	CRBCCR0B3496	Fixed-rate Monetary Stabilization Bond	BB+

(Continued)

(In millions of colones)

Issuer	Entry No./ISIN	Instrument	Risk rating
Government	CRG0000B29G6	Central Bank bond	scr-1
Government	CRG0000B45G2	Central Bank bond	BB+
Government	CRG0000B55G1	Central Bank bond	BB+
Government	CRG0000B62G7	Central Bank bond	BB+
Government	CRG0000C65G8	Zero-coupon Central Bank global bond	BB+
Government	CRG0000C68G2	Zero-coupon Central Bank global bond	BB+
Government	USP3699PAA59	External debt bond - Costa Rica	BB+
Government	USP3699PEM51	External debt bond - Costa Rica	BB+
Grupo Mutual Alajuela-La Vivienda de Ahorro y Préstamo (MADAP)	CRMADAPB2277	MADAP bond	scr AA+
JASEC	CRJASECB0036	Private bond issue - JASEC	No rating
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 liquidity in U.S. dollars]; non-diversified	scr-aa
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 Nacional de Costa Rica	FI-000000002	BN Dinerfondo Dólares -No Diversificado ["BN Dinerfondo" in U.S. dollars]; 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	BACLACcFI	INS Liquidez Colones -No diversificado [INS liquidity in colones]; non-diversified	scr AAF2
SAFI National Insurance Institute	BANCREDILASC¢FI	INS Liquidez Público Colones -No diversificado [INS Public liquidity in colones]; non-diversified	scr AAF2
CNFL			
CFLUZ	CRCFLUZB0207	Series B1 bonds	AAA(cri)
CFLUZ	CRCFLUZB0215	Series B2 bonds	AAA(cri)
CFLUZ	CRCFLUZB0223	Series B3 bonds	AAA(cri)
RACSA			
Government	CRG0000B29G6	Central Bank bond	Country risk
Government	USP3699PAC16	External debt bond - Costa Rica	Country risk
BICSA	-	Term certificate of deposit	N/A
BICSA	-	Term certificate of deposit	N/A
BICSA	-	Term certificate of deposit	N/A
CRICSA			
BN Sociedad de Fondos de Inversión, S.A.		Fondos de inversión Dinerfondo Colones ["Dinerfondo" investment funds in colones]	scr AAF2+

(In millions of colones)

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	¢	**601,546**	601,546	30,500	65,451	35,917	469,678
Loans payable		**662,329**	662,329	98,025	175,682	234,871	153,751
Accounts payable		**44,288**	44,288	-	4,878	39,410	-
Total long-term liabilities		**1,308,163**	**1,308,163**	**128,525**	**246,011**	**310,198**	**623,429**
Current liabilities							
Securities payable		**30,500**	30,500	30,500	-	-	-
Loans payable		**176,574**	176,574	176,574	-	-	-
Accounts payable		**122,762**	122,762	122,762	-	-	-
Total short-term liabilities		**329,836**	**329,836**	**329,836**	**-**	**-**	**-**
Other liabilities							
Accounts payable		**2,491**	2,491	-	2,491	-	-
Total other liabilities		**2,491**	**2,491**	**-**	**2,491**	**-**	**-**
Total ICE Group	**¢**	**1,640,490**	**1,640,490**	**458,361**	**248,502**	**310,198**	**623,429**

The most significant movements in ICE Group’s liabilities and investments in respect of amounts are as follows:

- Financing for power generation projects and improvements to power generation and transmission projects in the amount of US$125 (in millions), corresponding to the issue of Series E2 bonds.

- Construction of and supplying of equipment for the Pirrís Hydroelectric Power Project in the amount of US$125 (in millions), corresponding to CABEI No. 1599-Pirrís HP.

- Prepayment of loans OECF, IDB No. 796, and Credit Suisse Electricity in the amount of US$152.6 (in millions), corresponding to IDB No. 1931 - tranche A.

- Prepayment of loans OECF, IDB No. 796, and Credit Suisse Electricity in the amount of US$181.6 (in millions), corresponding to IDB No. 1931 - tranche B.

- Financing for the Reventazón Hydroelectric Project and PHED in the amount of US$250 (in millions), corresponding to the international bond issue.

- Issue of Series B1 bonds for ¢14.9 billion and issue of Series B2 bonds for ¢15 billion, corresponding to CNFL.

- External debt contracted with Instituto Crédito Oficial (Spain) for ¢13 billion, corresponding to CNFL.

- External debt contracted with Control Electrónico, S.A. (CESA) for US$10.6 (in millions) for expansion of JAVA architecture and open source solutions, corresponding to RACSA.

- External debt contracted with CABEI for US$9.7 (in millions) for the acquisition of submarine communications cable for the Pacific coast of Costa Rica, corresponding to RACSA.

- Financial lease with CSI Leasing for US$8.7 (in millions) for information services platforms, corresponding to RACSA.

(Continued)

(In millions of colones)

A detail of lines of credit acquired with financial institutions and used for working capital during the years ended December 31, 2011 and 2010 is presented below:

Bank	Purpose	Currency	Interest rate	Amount approved	Date disbursed	Maturity date	Settlement date	Renewal date	Amount disbursed
Citibank	Working capital and opening and refinancing of letters of credit	US$	2.61%	50	12/27/2011	1/27/2012	-	-	20
Scotiabank	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	Base deposit rate (7.25% colones)	50	6/10/2011	12/9/2011	12/9/2011	12/9/2011	5,000
		Colones	7.75% (colones)		12/9/2011	1/9/2012	-	-	5,000
		US$	1.75%		12/8/2011	1/9/2012	-	-	10
BNP Paribas	Opening and refinancing of letters of credit and working capital	US$	1.50%	30	7/15/2011	10/14/2011	10/14/2011	-	15
		US$	1.55%		7/20/2011	10/20/2011	10/20/2011	-	15
		US$	3.00%		11/9/2011	12/9/2011	12/9/2011	-	30
BLADEX	Opening and refinancing of letters of credit and working capital	US$	1.57%	65	8/12/2011	11/10/2011	11/10/2011	-	27
		US$	1.82%		8/31/2011	11/29/2011	11/29/2011	-	20
		US$	3.29%		11/9/2011	5/7/2012	-	-	6
		US$	2.77%		12/8/2011	1/9/2012	-	-	10
Banco de San José (BAC)	Opening and refinancing of letters of credit, working capital, and issue of performance bonds	Colones	8.25% (colones)	10	12/7/2011	1/9/2012	-	-	3,300
HSBC	Working capital and issue of performance bonds	US$	1.65%	60	12/28/2010	3/31/2011	3/31/2011	-	-
		US$	1.50%		4/1/2011	9/30/2011	9/30/2011	-	10
		US$	1.50%		6/16/2011	8/16/2011	8/16/2011	-	20
		US$	1.90%		10/19/2011	11/18/2011	11/18/2011	-	27
		US$	1.90%		10/24/2011	11/23/2011	11/23/2011	-	13
		US$	3.00%		11/29/2011	5/25/2012	-	-	24
		US$	3.15%		12/27/2011	3/23/2012	-	-	5
Global Bank	Working capital	US$	1.24%	20	10/13/2011	11/10/2011	11/10/2011	-	5
		US$	1.75%		11/9/2011	12/9/2011	12/9/2011	-	10
		US$	1.77%		12/7/2011	1/9/2012	-	-	10
Mercantil Commercebank	Working capital and opening and refinancing of letters of credit	US$	1.42%	30	8/12/2011	11/10/2011	11/10/2011	-	10
		US$	1.82%		11/21/2011	4/19/2012	-	-	10
		US$	1.97%		11/28/2011	5/25/2012	-	-	20
Banco Aliado (Panama)	Working capital and opening and financing of letters of credit	US$	1.74%	10	10/13/2011	11/14/2011	11/14/2011	-	7
		US$	1.75%		11/9/2011	12/9/2011	12/9/2011	-	3

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

The following table indicates the periods in which the cash flows associated with derivative financial instruments are produced:

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							
Assets	5,045	16,341	1,091	1,065	1,984	5,066	7,135
Liabilities	-	-	-	-	-	-	-
Swap							
Assets	-	-	-	-	-	-	-
Liabilities	(26)	27	17	(11)	20	(0)	-
Forward Staring Swap							
Assets	-	-	-	-	-	-	-
Liabilities	(8,291)	8,608	1,226	964	1,754	3,888	776
Plain Vanilla Swap							
Assets	-	-	-	-	-	-	-
Liabilities	(11,460)	12,010	2,024	1,584	2,911	5,035	455
Cross Currency Swap - 1 year							
Assets	-	-	-	-	-	-	-
Liabilities	(237)	688	688	-	-	-	-
Cross Currency Swap - 3 years							
Assets	-	-	-	-	-	-	-
Liabilities	(144)	3,827	678	770	1,519	860	-
Cross Currency Swap - 7 years							
Assets	593	9,788	1,042	909	1,912	4,734	1,189
Liabilities	-	-	-	-	-	-	-
Cross Currency Swap - 10 months							
Assets	183	347	347	-	-	-	-
Liabilities	-	-	-	-	-	-	-
Cross Currency Swap - 1 year (Barclays)							
Assets	7	418	418	-	-	-	-
Liabilities	-	-	-	-	-	-	-
Cross Currency Swap - 1 year (quarterly)							
Assets	-	-	-	-	-	-	-
Liabilities	(82)	586	400	186	-	-	-

(Continued)

(In millions of colones)

Exposure to currency risk

ICE Group's exposure to foreign currency risk is as follows:

Assets	Balances in foreign currency As of December 31,							
	U.S. dollars		Yen		Euros		CHF	GBP
	2011	2010	2011	2010	2011	2010	2011	2011
ICE:								
Materials in transit for investment	202	-	561	-	77	-	1	-
Long-term investments	3	3	-	-	-	-	-	-
Notes receivable	8	5	-	-	-	-	-	-
Banks and temporary investments	124	70	-	-	-	-	-	-
Restricted funds	2	2	-	-	-	-	-	-
Receivables for services rendered	48	26	-	-	-	-	-	-
Non-trade receivables	5	1	-	-	-	-	-	-
Securities received as guaranty deposits	1	1	-	-	-	-	-	-
Materials in transit for operations	30	-	-	-	-	-	-	-
Valuation of derivative financial instruments	11	9	-	-	-	-	-	-
Total ICE	**434**	**117**	**561**	**-**	**77**	**-**	**1**	**-**
CNFL:								
Banks and temporary investments	18	3	-	-	-	-	-	-
Notes and accounts receivable	8	4	-	-	-	-	-	-
Guarantees for environmental commitments	1	1	-	-	-	-	-	-
Total CNFL	**27**	**8**	**-**	**-**	**-**	**-**	**-**	**-**
RACSA:								
Banks and temporary investments	8	1	-	-	-	-	-	-
Long-term investments	-	1	-	-	-	-	-	-
Accounts receivable	3	1	-	-	-	-	-	-
Total RACSA	**11**	**3**	**-**	**-**	**-**	**-**	**-**	**-**
Total - ICE Group	**472**	**128**	**561**	**-**	**77**	**-**	**1**	**-**
Liabilities								
ICE:								
Securities payable	776	389	-	-	-	-	-	-
Long- and short-term loans payable	1,188	1,177	14,324	14,631	1	2	-	-
Obligations derived from credit	54	-	-	-	-	-	-	-
Guaranty deposits	-	1	-	-	-	-	-	-
Accounts payable	125	80	353	48	72	15	1	-
Accrued finance expenses	26	20	-	-	-	-	-	-
Advance income	-	12	-	-	-	-	-	-
Deposits from individuals and private companies	2	2	-	-	-	-	-	-
Provisions	6	11	-	-	-	-	-	-
Valuation of derivative financial instruments	39	26	-	-	-	-	-	-
Total ICE	**2,216**	**1,718**	**14,677**	**14,679**	**73**	**17**	**1**	**-**
Excess of liabilities over assets	**1,782**	**1,601**	**14,116**	**14,679**	**(4)**	**17**	**-**	**-**
CNFL:								
Long- and short-term loans payable	81	39	-	-	-	-	-	-
Accrued finance expenses	-	-	-	-	-	-	-	-
Total CNFL	**81**	**39**	**-**	**-**	**-**	**-**	**-**	**-**
Excess of liabilities over assets	**54**	**31**	**-**	**-**	**-**	**-**	**-**	**-**
RACSA:								
Long- and short-term loans payable	28	16	-	-	-	-	-	-
Guaranty deposits	1	1	-	-	-	-	-	-
Accounts payable	16	1	-	-	-	-	-	1
Accrued finance expenses	-	-	-	-	-	-	-	-
Total RACSA	**45**	**18**	**-**	**-**	**-**	**-**	**-**	**1**
Excess of liabilities over assets	**34**	**15**	**-**	**-**	**-**	**-**	**-**	**1**
Total - ICE Group	**2,342**	**1,775**	**14,677**	**14,679**	**73**	**17**	**1**	**1**
Excess of liabilities over assets - ICE Group	**1,870**	**1,647**	**14,116**	**14,679**	**(4)**	**17**	**-**	**1**

(Continued)

(In millions of colones)

As of December 31, 2011, the sell rate of ¢518.33 (2010: ¢518.09) to US$1.00 was used to adjust items in U.S. dollars.

The main exchange rates used as of December 31, 2011 and 2010 are as follows:

Currency	Exchange rate with U.S. dollar	
	As of December 31, 2010	As of December 31, 2011
Swedish krona	6.71	6.89
Euro	1.34	1.30
Colon	518.09	518.33
Japanese yen	81.12	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-run commercial banks…"

Sensitivity analysis

Strengthening of the Costa Rican colon against the aforementioned currencies as of December 31, 2011 would have caused the following variations in equity and results:

	Effect in profit or loss: Income (Expenses)	
	2011	2010
ICE		
Yen/Colon (strengthening of 10%)	(9,513)	(9,375)
Euro/Colon (strengthening of 10%)	(374)	1,304
USD/Colon (strengthening of 10%)	92,354	82,905
Net effect ICE	82,467	74,834
CNFL		
USD/Colon (strengthening of 10%)	2,783	1,606
Net effect CNFL	2,783	1,606
RACSA		
USD/Colon (strengthening of 10%)	1,780	759
Net effect RACSA	1,780	759
Net effect ICE Group	87,030	77,199

(In millions of colones)

This analysis is based on a variation in the foreign exchange rate that ICE 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.

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.

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, 2011, 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 (expenses)	
		2011	2010
ICE:			
Temporary investments (strengthening of 1%)	¢	1,359	1,715
Long-term financial investments (strengthening of 1%)		122	47
Long-term notes receivable (strengthening of 1%)		25	3
Securities payable (strengthening of 1%)		(6,052)	(3,585)
Long-term loans payable (strengthening of 1%)		(7,076)	(6,419)
Short-term loans payable (strengthening of 1%)		(737)	(622)
Net effect ICE		**(12,359)**	**(8,861)**
CNFL:			
Temporary investments (strengthening of 1%)		25	-
Securities payable (strengthening of 1%)		(300)	(210)
Long-term loans payable (strengthening of 1%)		(395)	(364)
Net effect CNFL		**(670)**	**(574)**
RACSA:			
Temporary investments (strengthening of 1%)		17	14
Long-term loans payable (strengthening of 1%)		(181)	(159)
Net effect RACSA		**(164)**	**(145)**
Net effect ICE Group	¢	**(13,193)**	**(9,580)**

Notes to Consolidated Financial Statements
(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 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,**	
		2011	**2010**
Property, machinery, and equipment	¢	2,899,370	2,554,368
Long-term investments and receivables		324,876	302,623
Current assets		319,358	265,359
Other assets		250,201	273,152
Total assets		**3,793,804**	**3,395,502**
Long-term liabilities		1,262,188	1,035,935
Short-term liabilities		349,014	297,005
Other liabilities		124,028	96,007
Total liabilities		1,735,229	1,428,947
Equity		2,058,575	1,966,555
Total liabilities and equity	¢	**3,793,804**	**3,395,502**

Consolidated Statement of Profit or Loss		**For the year ended december 31,**	
		2011	**2010**
Operating profit	¢	815,283	803,228
Operating costs and expenses		783,350	739,895
Operating profit (expenses)		**31,933**	**63,327**
Other income		122,702	83,722
Other foreign exchange income		5,033	109,589
Finance expenses		51,722	41,960
Other expenses		105,655	76,690
Other foreign exchange expenses		9,347	33,171
Share in profit of subsidiaries		3,476	8,275
Profit before income tax		**(3,580)**	**96,542**
Deferred tax		-	5
Profit (deficit), net	¢	**(3,580)**	**96,547**

(Continued)

Notes to Consolidated Financial Statements
(In millions of colones)

ICE Telecom

Consolidated Balance Sheet		As of December 31, 2011	2010
Property, machinery, and equipment	¢	1,142,975	1,095,112
Long-term investments and receivables		86,303	94,069
Current assets		299,064	271,776
Other assets		129,669	105,011
Total assets		**1,658,011**	**1,565,968**
Long-term liabilities		193,365	145,068
Short-term liabilities		131,433	86,603
Other liabilities		90,002	79,979
Total liabilities		414,800	311,650
Equity		1,243,211	1,254,318
Total liabilities and equity	¢	**1,658,011**	**1,565,968**

Consolidated Statement of Profit or Loss		For the year ended december 31, 2011	2010
Operating profit	¢	533,746	493,176
Operating costs and expenses		560,072	491,499
Operating profit (expenses)		**(26,326)**	**1,677**
Other income		17,653	16,076
Other foreign exchange income		2,217	16,957
Finance expenses		7,142	4,476
Other expenses		370	460
Other foreign exchange expenses		495	8,735
Share in profit of subsidiaries		(17,634)	(4,887)
Profit before income tax		**(32,098)**	**25,815**
Minority interest		10	-
Profit (deficit), net	¢	**(32,088)**	**25,815**

(In millions of colones)

Transactions eliminated between segments

Consolidated Balance Sheet		As of December 31, 2011	2010
Property, machinery, and equipment	¢	(11,507)	(5,094)
Long-term investments and receivables		(388,365)	(385,970)
Current assets		(92,938)	(82,708)
Other assets		(5,609)	(2,998)
Total assets		**(498,419)**	**(476,770)**
Long-term liabilities		(60,735)	(66,640)
Short-term liabilities		(87,036)	(77,058)
Other liabilities		(1)	-
Total liabilities		(147,772)	(143,698)
Equity		(350,647)	(333,072)
Total liabilities and equity	¢	**(498,419)**	**(476,770)**

Consolidated Statement of Profit or Loss		For the year ended december 31, 2011	2010
Operating profit	¢	(204,296)	(201,036)
Operating costs and expenses		(204,629)	(202,551)
Operating profit (expenses)		**333**	**1,515**
Other income		(3,220)	(3,380)
Other foreign exchange income		-	-
Finance expenses		(626)	(882)
Other expenses		(849)	(796)
Other foreign exchange expenses		(66)	-
Share in profit of subsidiaries		14,159	(3,388)
Profit before income tax		**12,813**	**(2,987)**
Minority interest		-	(118)
Profit (deficit), net	¢	**12,813**	**(3,105)**

Balances eliminated on consolidation (balance sheet) are as follows:

- Accounts receivable for services rendered to RACSA and accounts due to ICE for telephone and infocommunication services in the amount of ¢1,025.
- Accounts due from RACSA and accounts due to ICE for telephone and mobile services and leases of infocommunication services in the amount of ¢1,667.
- Interest due from RACSA and accounts due to ICE related to interest on the financing for the V-SAT platform in the amount of ¢5.

(Continued)

- Construction work in progress (ICE) and accounts payable (RACSA) to eliminate the investments (ICE) and operating income (RACSA) accounts derived from the hosting service that RACSA provides for the Mer-link Project in the amount of ¢15.
- 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 ¢608.
- Account payable and receivable ICE-CNFL-ICE for telephone services in the amount of ¢14.
- Notes receivable ICE-CNFL due to secured financing agreement in the amount of ¢1,037.
- Account payable and receivable ICE-CNFL for electricity services, leasing of lamp posts and ducts, and other services in the amount of ¢395.
- Accounts payable and receivable ICE-RACSA for mutual services in the amount of ¢212.
- Account payable and receivable ICE-RACSA for lease of office space to ICE in the amount of ¢37.
- Effect of power sales by ICE to CNFL in the amount of ¢26,683.
- RACSA’s security deposits (ICE) in the amount of ¢9.
- Notes receivable and payable ICE-CNFL and finance expenses payable and interest receivable ICE-CNFL related to the Moín III loan in the amount of ¢66.

Balances eliminated on consolidation (statement of profit or loss) are as follows:

- Income and expenses for the lease of lamp posts and ducts to ICE Telecom by CNFL in the amount of ¢1,244.
- Income and expenses for billings of power to CNFL in the amount of ¢183,426.
- Advance payment by or expenses of CNFL for purchase of power in the amount of ¢3,120.
- Income and expenses for billings of telephone services to CNFL in the amount of ¢186.
- Income and expenses for power meter services CNFL-ICE in the amount of ¢5,454.
- Income and expenses for mutual services ICE-RACSA and collection of cleaning services ICE-RACSA in the amount of ¢84.
- Income and expenses for billings of telephone services to CNFL in the amount of ¢186.
- Administrative income and expenses for leases of buildings, power, and cleaning services ICE-RACSA in the amount of ¢236.
- Operating income and expenses for commercial billings RACSA-ICE in the amount of ¢56.
- 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.

(Continued)

(In millions of colones)

Note 41. Contingent liabilities

Active judicial processes involving ICE as of December 31, 2011 are as follows:

Procedure	Segment	Nature and Current Status		Estimated amount of the suit	As of December 31, 2011 Provision	2010
Contingent assets - lawsuits filed by ICE:						
Expropriation	Electricity	Expropriation to acquire land necessary for the Diquís Hydroelectric Project. A final ruling is pending.	¢	1,703	-	-
Expropriation	Electricity	Expropriation to acquire land necessary for the Reventazón Hydroelectric Project. Possession of land pending final ruling.		800	-	-
Legal collections	Electricity	Legal collections for outstanding invoices. The Civil Court of First Instance of San José ruled on the appeal filed by the representative of the company being sued.		785	-	-
Legal collections	Electricity	Legal collections for outstanding invoices. The defendant has been notified.		717	-	-
Expropriation	Electricity	Expropriation to acquire land necessary for the future Coyol de Alajuela substation. A final ruling is pending.		716	-	-
Ordinary	Telecom	ICE filed an ordinary contentious claim for damages due to breach of contract concerning the printing of telephone books. The First Chamber of the Court declared itself incompetent and submitted the case to arbitration. A ruling on the competence for issuing precautionary measures is pending.		8,665	-	-
Arbitration	Telecom	Claim of damages for noncompliance with Public Tender No. 6378. Appointment of Arbitration Tribunal is pending.		8,993	-	-
Precautionary measures	Telecom	Request of precautionary measures in order to maintain the pre-judgment attachments to collect the corresponding amounts once an arbitral award is issued. A ruling from the First Chamber is pending due to the conflict of venue.		5,147	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		2,992	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		1,225	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		1,054	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		947	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		878	-	-
Ordinary contentious	Telecom	Bypass fraud. Service of the complaint is pending.		569	-	-
Legal collections	Electricity	The Legal Collections area handles executive processes in order to recover unpaid debts for electricity services. ICE has 4,694 proceedings as of December 31, 2011. ICE's Legal Division estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various aspects related to the debts, statute of limitations, and lack of documentation.		2,492	-	-
Expropriation (x)		As of December 31, 2011, there are 411 judicial 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.		7,488	-	-
Legal collections	Telecom	The Legal Collections area handles executive proceedings in order to recover unpaid debts for telephone services. ICE has 10,098 proceedings as of December 31, 2011. ICE's Legal Division estimates that 95% of the rulings will be favorable and the remaining 5% will be unfavorable, given various aspects related to the debts, statute of limitations, and lack of documentation.		2,058	-	-
		Total contingent assets	**¢**	**47,229**	**-**	**-**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Procedure	Segment	Nature and Current Status		Estimated amount of the suit	As of December 31, 2011 Provision	2010
Contingent liabilities - lawsuits filed ag		Brought forward	¢	47,229	-	-
Ordinary contentious	Electricity	The plaintiff is requesting declaration of nullity of the Decree of the Public and National Interest of PHED, expropriation, and damages. Proceedings suspended due to appeal claiming violation of constitutional rights against the Indigenous Law.		103,638	-	-
Ordinary	Electricity	A request is being made for collection of damages from ICE and others for preventing the plaintiff from developing a productive activity due to alleged contamination. Proposed findings are pending submittal.		5,854	2,191	970
Ordinary contentious	Electricity	Annulment of administrative actions of management of the Electricity segment. The plaintiff requests that ICE be ordered to submit the additional costs issue to arbitration. Claim of damages as alternative claim. A trial is pending.		4,096	-	-
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 case is in the preliminary hearing stage.		3,784	-	-
Ordinary contentious	Electricity	Claim and counterclaim. ICE claims payment of outstanding fines and the plaintiff claims breach of contract. The Court of First Instance partially ruled in favor of the plaintiff. The Court of Second Instance partially reversed the ruling by the Court of First Instance and upheld nearly all counts of ICE's claim, except for an aspect related to a price adjustment. On that matter, the Court ruled in favor of the plaintiff, but the latter must provide proof in execution of the judgment. The First Chamber upheld the ruling of the Court of Second Instance in favor of ICE. Evidence is currently being gathered for execution of the judgment and payment of costs.		1,942	1,942	2,357
Ordinary	Electricity	Claim of damages and loss of property value due to installation of an antenna by ICE. The claim was admitted; however, a ruling on the appeal filed by ICE is pending.		1,826	525	-
Ordinary	Electricity	The plaintiff is suing ICE for the effects of a rate adjustment in the Electricity segment. The suit is in the preliminary hearing phase.		1,326	1,326	662
Execution of judgment	Electricity	Execution of the judgment of the Criminal Court. Principal and costs were paid in November 2011. A motion for appeal and an appeal to the Supreme Court were filed against the approval of payment of the corresponding interest.		520	260	924
Ordinary contentious	Electricity	Challenge of three official letters issued by the Supply Department in respect of proceedings related to administrative sanctions. Ruling handed down in favor of ICE. The plaintiff filed an appeal for nullification.		801	-	-
Ordinary contentious	Electricity	The plaintiff claims recognition of a price adjustment. A preliminary hearing is pending.		728	-	-
Ordinary	Electricity	Claim for indemnity for a failed parallel generation project, which was dismissed in the second instance. Accordingly, the plaintiffs filed an appeal for nullification with the Supreme Court.		518	518	518
Ordinary	Electricity	Claim for damages resulting from the subscription of a power purchase-sale agreement. The rulings handed down in the first and second instance were in favor of the plaintiff. A ruling on the appeal to the Supreme Court is pending.		250	250	-
Ordinary	Electricity	Annulment of administrative actions and payment of proven damages in execution of a judgment for removing an excavator in the Miravalles Project. The appeal for nullification filed by the plaintiff was dismissed in May 2011.		500	500	951
Ordinary	Electricity	Annulment of administrative actions and payment of damages for removal of the head of the Savings and Guaranty Fund. The lawsuit was admitted and ICE was ordered to pay damages and costs. ICE filed an appeal with the Administrative Litigation Court and a ruling is pending.		-	-	127
		Subtotal - Carried forward	¢	**173,012**	**7,512**	**6,509**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(In millions of colones)

Procedure	Segment	Nature and Current Status		Estimated amount of the suit	As of December 31, 2011 Provision	2010
		Brought forward	¢	173,012	7,512	6,509
Ordinary	Telecom	The plaintiff requests compensation from ICE due to the termination of an agreement in the administrative venue. The case is in the preliminary hearing stage.		12,941	-	-
Ordinary	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 case is in the preliminary hearing stage.		33,297	-	-
Ordinary	Telecom	Lawsuit seeking declaration of misapplication of a clause that allowed ICE to collect fines for breach of contract. A ruling from the Court of First Instance is pending.		5,431	-	-
Ordinary	Telecom	Lawsuit seeking declaration of misapplication of a clause that allowed ICE to collect fines for breach of contract. A ruling from the Court of First Instance is pending.		4,078	-	-
Ordinary contentious	Telecom	Claim for alleged disruptive actions in property owned by the plaintiff. Summons issued to answer the complaint.		4,222	-	-
Ordinary contentious	Telecom	The plaintiff is requesting annulment of administrative actions and the final decision of contract rescission proceedings, and payment of damages from ICE. A trial is in process.		2,200	-	-
Ordinary contentious	Telecom	Lawsuit filed against ICE for dismissal of administrative claim related to lease adjustments. A decision from the First Chamber in respect of competence is pending.		769	-	-
Ordinary	Telecom	Ordinary proceedings are being carried out in the Administrative Litigation Court for annulment of administrative actions whereby ICE assessed three fines for breach of contract. Pending execution of judgment.		266	266	266
Ordinary	Telecom	Annulment of administrative actions and payment of damages for removal of the head of the Savings and Guaranty Fund. The lawsuit was admitted and ICE was ordered to pay damages and costs. ICE filed an appeal with the Administrative Litigation Court and a ruling is pending.		123	-	123
Ordinary	Telecom	The lawsuit was admitted and ICE was ordered to pay damages and costs. The plaintiff has not filed for execution of the judgment. The amount cannot be estimated.		250	250	-
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) for ¢338, plus interest and penalties, and general sales tax for ¢1,251, plus interest and penalties. 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 in the amount of ¢6,308, plus interest and penalties, and general sales tax for ¢4,136, plus interest and penalties. In late 2007, a payment was made under protest for the total of ¢12,033.8 corresponding to the tax determined in those notices of deficiency (periods 1999-2000 and 2001-2003). This case is currently under appeal. The balance of the provision as of December 31, 2011 and 2010 is ¢535 for the Electricity segment.		14,018	535	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. The balance of the provision as of December 31, 2010 is ¢404.3 and ¢220.8 corresponding to interest and penalties, plus the amount estimated for the suit indicated by ICE's Legal Division for ¢883.1. An appeal was filed against the decision of the Tax Authorities. Interest corresponding to 2011 amounts to ¢128.2.		1,636	753	626
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. This case is currently in the execution of judgment phase.		578	578	578
Ordinary contentious	Electricity	The plaintiff requests ICE to remove the high-voltage tower and the three-phase high-voltage primary lines located in his/her property in La Garita, Alajuela. The plaintiff claims damages in the amount of US$1,052,000 and that ICE deposit ¢12 (in millions) per year during the period that the high-voltage tower and primary lines remain in the property.		545	-	-
Ordinary	Electricity	Expropriation of land necessary to construct the reservoir for the Arenal Hydroelectric 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	-
		Total contingent liabilities - ICE (see note 26)	¢	**253,866**	**10,394**	**8,637**

(Continued)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In millions of colones)

Procedure	Segment	Nature and Current Status		Estimated amount of the suit	As of December 31, 2011 Provision	2010
Contingent assets - Lawsuits filed by CNFL:						
	CNFL	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 of Second Instance.	¢	1,155	4,145	4,144
		Total contingent assets - subsidiaries	¢	**1,155**	**4,145**	**4,144**
Contingent liabilities - lawsuits filed against CNFL:						
Ordinary	CNFL	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.	¢	1,586	-	-
Ordinary	CNFL	CNFL deposited funds as payment of indemnity for flooding of a property near Lake Cote in connection with a hydroelectric project. The plaintiff (Rufea, S.A.) is disputing the amount deposited.		691	-	231
Ordinary	CNFL	Refusal by CNFL to recognize a claim in relation to execution of the contract for Construction, Design, and Start-up of Operations of a Hydroelectric Plant.		-	-	281
Ordinary	CNFL	Proceedings initiated for collections by CNFL from a third party (Instalaciones Inabensa, S.A.) for fines related to the underground electrification project in San José and for delays in the review and approval of engineering plans.		4,887	-	-
Ordinary	CNFL	CNFL filed a lawsuit against a third party (Instalaciones Inabensa, S.A.) for collection of 15 claims and reimbursement of fines related to the underground electrification project in San José. No judgment has been issued and no costs assessed.		5,181	-	-
Ordinary	CNFL	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 amount plus statutory interest. No judgment has been issued and no costs assessed.		366	-	-
Ordinary	CNFL	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 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.		18,660	-	-
Ordinary	CNFL	The plaintiff (Grupo Corporativo Saret) filed for precautionary measures from 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.		7,020	-	-
Ordinary	CNFL	Lawsuit filed on the grounds of civil tort liability for damages.		275	-	275
		Subtotal - CNFL		**38,666**	**-**	**787**

Procedure	Segment	Nature and Current Status		Estimated amount of the suit	As of December 31, 2011 Provision	2010
Contingent assets - Lawsuits filed by RACSA:						
Ordinary	RACSA	The plaintiff's claims consist of charges for alleged damages caused by RACSA. The complaint was answered negatively. No attachments have been ordered.	¢	3,312	113	-
Arbitration	RACSA	The plaintiff is seeking payment for the higher cost of paper supplied to print ICE's telephone book and the financial imbalance of the contract. An arbitral award is pending.		19	19	-
Arbitration	RACSA	A ruling of the Court of First Instance is pending.		78	-	-
		Subtotal - RACSA		3,408	132	-
		Total contingent liabilities - subsidiaries	¢	**42,074**	**132**	**787**

(Continued)

Note 42. <u>General Telecommunications Law</u>

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.
- 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.
- 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.
- 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.

(Continued)

The aforementioned law states that concessions will be granted for the use and operation of frequencies in the radio spectrum (a public good), which are required to operate and use telecom networks. Those concessions will entitle the concession holder to operate and use the network.

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. 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 fulfillment of the objectives of universal access, universal service, and cooperation. SUTEL is responsible for managing FONATEL's resources.

Other important aspects of this law include:

- Operators of public networks and providers of public telecom services shall guaranty the secrecy of communications, the right to privacy, and protection of the personal information of subscribers and end users by implementing the necessary systems and technical and administrative measures.

- Rates for public telecom services shall initially be set by SUTEL using the price ceiling methodology or any other system that promotes competition and the efficient use of resources, in accordance with the guidelines, procedures, and frequency defined in regulations.

- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of scarce resources, and greater benefits for users. Interconnection prices shall be aligned with costs and are to be freely negotiated among operators using the procedures established by SUTEL.

- A SUTEL tax is imposed on telecom services.

- Directive 1686-SUTEL of July 21, 2001 communicates SUTEL Decision 001-050-2011 whereby SUTEL agrees to temporarily suspend the collection of the tax until 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 2010. During 2011, a total of ¢1,896 (2010: ¢2,941) was paid for such tax.

- 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. It is collected to finance SUTEL's activities.

- 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 according to its guidelines. The term for filing and paying this tax is 2 months and 15 days after the corresponding tax year-end.

Note 43. <u>Law on Strengthening and Modernization of Public Telecommunication Companies</u>

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.

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.

(Continued)

- 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 national markets for telecom or electricity products 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. 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.

(Continued)

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. <u>Water Law</u>

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 the Ministry of the Environment, Energy, and Telecommunications (MINAET). It is the responsibility of that ministry to regulate and rule on the ownership, use, utilization, governance, and monitoring of water in 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 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 years.

Note 45. Subsequent events

(i) ICE bonds

On February 9, 2012, ICE raised US$11.6 (in millions) in the stock market. The bonds mature on February 13, 2019, are payable quarterly and have a coupon of 5.5%. The issue was placed with an average yield of 5.73% and a price of 98.69% per annum.

(ii) Securities or loans payable

CISCO No. 8: Loan for a total of US$2.8 (in millions) contracted to finance the Project for the Extension and Modernization of the IP Network of the Telecom segment, bearing interest at a fixed rate of 3.042% per annum for a 7-year term. The disbursement was made on January 5, 2012.

Banco Citibank: Loan subscribed in January 2012 for a total of US$20 (in millions), bearing interest at the 3-month LIBOR rate + 2.40% per annum for a 90-day term. This loan will finance working capital for the Telecom segment.

Banco de San José (BAC): Line of credit renewed in January 2012 for a total of ¢3,300, bearing interest at 9.70% per annum for a 120-day term. This loan will finance working capital for the Telecom segment.

Bladex: Agreement subscribed in January 2012 for a total of US$15 (in millions), bearing interest at 3.31% per annum for a 120-day term. This loan will finance working capital for the Telecom segment.

Scotiabank: Line of credit renewed in January 2012 for a total of US$10 (in millions), bearing interest at 2.55% per annum for a 120-day term. This loan will finance working capital for the Telecom segment.

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Banco Aliado (Panama): Agreement subscribed in January 2012 for a total of US$5 (in millions), bearing interest at 3.16% per annum for a 120-day term. This loan will finance working capital for the Telecom segment.

Banco Aliado (Panama): Agreement subscribed in February 2012 for a total of US$5 (in millions), bearing interest at 3.2081% per annum for a 182-day term. This loan will finance working capital for the Electricity segment.

HSBC (Costa Rica): Line of credit renewed in March 2012 for a total of US$5 (in millions), bearing interest at 2.70% per annum for a 60-day term. This loan will finance working capital for the Telecom segment.

Issue of Series F1 bonds: On March 16, 2012, a third auction was held for a total of US$10 (in millions), bearing interest at 5.97% per annum for a 7-year term. This bond issue will finance projects of the Telecom segment.

Series C2 Standardized Commercial Paper: On March 6 and March 13, 2012, an auction was held in two tranches of ¢8,000 each, zero coupon, and for a 270-day term. This issue will finance working capital for the Electricity segment.

BNP Paribas: Agreement subscribed in February 2012 for a total of US$10 (in millions), bearing interest at 3.2081% per annum for a 182-day term. This loan will finance working capital for the Electricity segment.

Bladex: Agreement subscribed in February 2012 for a total of US$20 (in millions), bearing interest at 3.2081% per annum for a 182-day term. This loan will finance working capital for the Electricity segment.

Bladex: Agreement subscribed in February 2012 for a total of US$9 (in millions), bearing interest at 3.2031% per annum for a 179-day term. This loan will finance working capital for the Electricity segment.

Bladex: Agreement subscribed in January 2012 for a total of US$15 (in millions), bearing interest at 3.31% per annum for a 120-day term. This loan will finance working capital for the Electricity segment.

ICE-IDB No. 1908: In February 20112, an additional disbursement is requested in the amount of US$14 (in millions). This loan will finance the 2008-2011 Electrical Development Program, which includes generation, transmission, and distribution works, and the new Power Control Center.

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Global Bank Corporation: Agreement subscribed in January 2012 for a total of US$10 (in millions), bearing interest at 3.0825% per annum for a 90-day term. This loan will finance working capital for the Electricity segment.

Scotiabank: Agreement subscribed in January 2012 for a total of US$7 (in millions), bearing interest at 3.00% per annum for a 90-day term. This loan will refinance a letter of credit of the Electricity segment. Additionally, a line of credit subscribed by ICE and Scotiabank was renewed in January 2012 for a total of ¢5,000, bearing interest at 9.75% per annum for a 120-day term. This line of credit will finance working capital for the Electricity segment.

Issue of Series F3 bonds: On March 30, 2012, a first auction was held for a total of ¢15,000, bearing interest at the base deposit rate + 3% per annum for an 11-year term. This bond issue will finance the Electricity segment’s hydroelectric, geothermal, and transmission projects.

Issue of Series C1 Commercial Paper: According to SUGEVAL Notification of Relevant Information dated April 19, 2012, an auction will be held on April 27, 2012 for a total of ¢10,000, zero coupon, and for a 180-day term. The resources obtained will be allocated to finance the working capital needs of the Electricity segment.

Issue of Series D1 Commercial Paper: According to SUGEVAL Notification of Relevant Information dated April 23, 2012, an auction will be held on April 27, 2012 for a total of US$10 (in millions), zero coupon, and for a 180-day term. The resources obtained will be allocated to finance the working capital needs of the Electricity segment.

Issue of Series B3 bonds: On January 23, 2012, an auction was held for a total of ¢12,000, bearing interest at the base deposit rate + 3.21% per annum for a 15-year term. This bond issue will finance the design and construction of the Balsa Inferior Hydroelectric Power Project.

CABEI No. 2076: Agreement subscribed in February 2012 by ICE and CABEI for a total of US$140 (in millions), bearing interest at a fixed rate of 6.40% per annum for a 16-year term, including a 4-year grace period. Currently, ICE is in the process of complying with a number of requirements included in the agreement. Upon completion of this process, CABEI will make the first disbursement of the loan. ICE must submit to CABEI certification of compliance with the requirements within a maximum term of 6 months from the subscription of the agreement. Also, CABEI must make the first disbursement within 12 months of signing the loan agreement. The purpose of this loan is to finance the expansion of the Cachí Hydroelectric Project located in Cartago. With the subscription of this agreement, ICE commits to comply with a number of financial covenants, including: a) maintain a ratio of (Total debt + lease balances)/EBITDA of not greater than 4.5 times; b) maintain a ratio of (EBITDA + lease payments)/(finance expenses + lease payments) of not less than 2 times; and c) maintain a consolidated equity greater than US$3,300 (in millions).

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ECI Telecom No. 2: In March, 2012 service order No. 356628 corresponding to the installation of equipment purchased from ECI Telecom was issued in the amount of ¢3,843. This service is financed by ECI Telecom for a term of 5 years, bearing interest at 4.95% per annum.

Huawei (credit supplier): In February 2012, a partial transfer was made from “Obligations derived from credit” corresponding to Huawei in the amount of ¢21,432. That amount was booked as part of “Long-term loans payable”. This transfer arises from the partial delivery of purchased equipment. The remaining balance of “Obligations derived from credit” will be transferred when the totality of the equipment is received.