CONSOLIDATED FINANCIAL STATEMENTS

Instituto Costarricense de Electricidad and Subsidiaries

ICE GROUP
ICE
CNFL
RACSA
CRICSA
Cable Visión

March 2017
Financial Management

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

Consolidated Balance Sheets
(In millions of colones)

As of March 31, 2017 and December 31, 2016

Assets		2017 (Without audit)	2016 (Audit)
Property, machinery and equipment:			
Operating assets, net		4,297,564	4,290,768
Construction work in progress		318,677	342,336
Materials in transit for investment		51,707	50,974
Inventory for investment		105,702	118,648
Total property, machinery and equipment, net		**4,773,650**	**4,802,726**
Long-term assets:			
Long-term investments		158,623	113,688
Notes receivable		8,270	8,242
Total long-term assets		**166,893**	**121,930**
Current assets:			
Cash and cash equivalents		188,527	174,224
Temporary investments, net		97,996	112,639
Restricted funds		29,073	28,518
Accounts receivable, net		129,890	125,773
Notes receivable		6,633	6,598
Operating inventory, net		65,022	63,683
Prepaid expenses		61,621	73,025
Total current assets		**578,762**	**584,460**
Other assets:			
Service agreements		1,653	1,215
Project design and execution		93,665	92,952
Technical service centers		3,733	66
Intangible assets, net		51,977	52,560
Securities received as guaranty deposits		6,384	6,042
Valuation of financial instruments		81	-
Guarantee and Savings Fund (restricted fund)		210,525	208,826
Transfer to Guarantee and Savings Fund		1,615	2,493
Operating inventory		33,317	32,719
Total other assets		**402,950**	**396,873**
Total assets	¢	**5,922,255**	**5,905,989**

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

Consolidated Balance Sheets
(In millions of colones)

As of March 31, 2017 and December 31, 2016

Liabilities and equity		**2017 (Without audit)**	**2016 (Audit)**
Long-term liabilities:			
Securities payable	¢	1,132,748	1,123,489
Loans payable		880,448	869,919
Obligations derived from credit		587	157
Obligations for long-term finance leases		497,972	494,750
Security deposits		59,466	58,681
Accounts payable		9,260	9,241
Prepaid income		7,211	6,071
Provision for severance benefits		107,067	106,829
Legal provisions		177	232
Total long-term liabilities		**2,694,936**	**2,669,369**
Short-term liabilities:			
Securities payable		25,076	25,000
Loans payable		93,696	91,351
Obligations for short-term finance leases		14,688	14,618
Accounts payable		147,349	131,904
Accrued finance expenses payable		35,849	22,788
Prepaid income		19,605	16,198
Deposits from private individuals or companies		7,279	7,503
Provision for severance benefits		25,679	26,650
Legal provisions		46,005	55,367
Accrued expenses for employer obligations		2,497	2,476
Total short-term liabilities		**417,723**	**393,855**
Other liabilities:			
Valuation of financial instruments		3,857	6,324
Accounts payable		2,035	2,016
Guarantee and Savings Fund (restricted fund)		210,525	208,826
Total other liabilities		**216,417**	**217,166**
Total liabilities		**3,329,076**	**3,280,390**
Equity:			
Paid-in capital		211	156
Development reserve		2,515,872	2,514,192
Actuarial gains and losses		(22,187)	(22,187)
Profit or loss on valuation of financial instruments		(11,300)	(7,412)
Legal reserve		12,633	11,979
Project development reserve		71	71
Restricted earnings from capitalization of stake in subsidiary		62,380	62,380
Retained earnings		66,482	64,037
Minority interest		2,413	2,383
Net loss		(33,396)	-
Total equity and minority interest		**2,593,179**	**2,625,599**
Total liabilities and equity	¢	**5,922,255**	**5,905,989**
Memoranda accounts	¢	**239,570**	**204,830**

Preliminary Translation.

Jesús Orozco Delgado
Head of Corporate Finance

Lizbeth Hernández Castillo
Accounting Process Coordinator

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

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

For the periods ended March 31, 2017 and 2016

		2017 (Without audit)	2016 (Without audit)
Operating income:			
Electricity services	¢	183,316	199,856
Telecom services		143,628	138,367
Supplemental services		344	73
Government services		47	4
Total operating income		**327,335**	**338,300**
Operating costs:			
Operation and maintenance		52,414	55,303
Operation and maintenance of leased equipment		21,098	22,288
Depreciation of operating assets		67,627	68,530
Supplemental services and purchases		60,402	64,385
Production management		16,809	17,481
Technical service center		10,836	10,559
Total operating costs		**229,186**	**238,546**
Gross profit		**98,149**	**99,754**
Operating expenses:			
Administrative		25,854	25,848
Marketing		52,617	52,035
Preinvestment studies		744	803
Preliminary studies		4,446	5,043
Other		1,250	487
Total operating expenses		**84,911**	**84,216**
Operating profit		**13,238**	**15,538**
Other income:			
Finance income		6,677	7,067
Foreign exchange differences		2,874	813
Other income		11,485	5,559
Total other income		**21,036**	**13,439**
Other expenses:			
Interest		42,292	27,830
Commissions		(2,548)	1,085
Foreign exchange differences		24,392	5,840
Other expenses		2,918	1,168
Total other expenses		**67,054**	**35,923**
Profit (loss) before income tax and minority interest		**(32,780)**	**(6,946)**
Tax and minority interest:			
Income tax		(622)	(174)
Minority interest 1.4%		6	180
Net loss	¢	**(33,396)**	**(6,940)**

Preliminary Translation.

Jesús Orozco Delgado
Head of Corporate Finance

Lizbeth Hernández Castillo
Accounting Process Coordinator

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

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

For the periods ended as of March 31, 2017 and December, 2016

	Paid-in capital	Result of valuation of financial instruments	Development reserve	Legal reserve	Project development reserve	Restricted earnings from capitalization of stake in subsidiaries	Retained earnings	Minority interest	Actuarial gains and losses	Net loss	Equity, net
Balance at December 31, 2016, previously reported	156	(7,412)	2,514,192	11,979	71	62,380	64,037	2,383	(22,187)	-	2,625,599
Extraordinary contribution	55	-	-	-	-	-	-	-	-	-	55
Net loss	-	-	-	-	-	-	-	-	-	(33,396)	(33,396)
Allocation to legal reserve	-	-	-	654	-	-	(654)	-	-	-	-
Effect of variations of eliminations reciprocal transactions	-	-	1,680	-	-	-	263	-	-	-	1,943
Prior period adjustments	-	-	-	-	-	-	568	-	-	-	568
Realization of asset revaluation reserve	-	-	-	-	-	-	2,298	-	-	-	2,298
Result of valuation of financial instruments:											
Derivative financial instruments	-	(3,580)	-	-	-	-	-	-	-	-	(3,580)
Investments	-	(307)	-	-	-	-	-	-	-	-	(307)
Appropriation to minoritary interest	-	-	-	-	-	-	(30)	30	-	-	-
Balance at March 31, 2017	₡ 211	(11,300)	2,515,872	12,633	71	62,380	66,482	2,413	(22,187)	(33,396)	2,593,179

Preliminary translation

Jesús Orozco Delgado
Head of Corporate Finance

Lizbeth Hernández Castillo
Accounting Process Coordinator

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

Consolidated Statement of Cash Flows

For the periods ended March 31, 2017 and 2016
(In millions of colones)

		2017 (Whitout audit)	2016 (Whitout audit)
Sources (uses) of cash:			
Operating activities:			
Deficit, net.	¢	(33,396)	(6,940)
Adjustment:			
Depreciation		71,476	74,632
Legal provisions		3,147	2,982
Bonus		5,708	5,394
School salary		4,572	4,244
Accumulated vacations		4,633	3,487
Contingent liabilities Provision		34	1,383
Allowance for doubtful accounts		1,630	1,170
Allowance for valuation of inventory		-	7
Asset retirement expense		2,890	745
Absorption of amortizable and intangible items		3,325	3,867
Foreign exchange differences		21,815	4,693
Valuation of financial instruments		(6,435)	(922)
		112,795	101,682
Changes in:			
Notes and accounts receivable		(5,810)	3,054
Operating inventory		(1,339)	9,195
Other assets		12,514	12,367
Accounts payable		15,483	2,559
Security deposits		785	(240)
Other liabilities		(7,404)	(24,691)
Cash provided by operating activities		93,628	96,986
Investing activities:			
Increase in long-term investments		(44,935)	(1,203)
Additions to property, machinery and equipment		(43,670)	(57,675)
Increase in other assets		(6,842)	(6,365)
Increase committed temporary investments		14,642	(24,371)
Net cash used in investing activities		(80,805)	(89,614)
Financing activities:			
Increase in securities payable		76	-
Amortization of securities payable		(166)	(212)
Increase in loans payable		24,202	36,888
Amortization of loans payable		(23,719)	(25,285)
Increase in obligations derived from credit		428	-
Increase in finances leases		1,064	607
Amortization in finances leases		(405)	(182)
Net cash provided by financing activities		1,480	11,816
Increase in cash and cash equivalents		14,303	19,188
Cash and cash equivalents at beginning of the year		174,224	181,161
Cash and cash equivalents at end of the year	¢	188,527	200,349

Jesús Orozco Delgado
Finance Corporate Head Office

Lizbeth Hernández Castillo
Accounting Process

Note 1. Reporting Entity

Instituto Costarricense de Electricidad (Costa Rican Electricity Institute) and Subsidiaries (hereinafter "ICE Group") is an autonomous Costa Rican entity organized under the laws of the Republic of Costa Rica, through Executive Order No. 449 of April 8, 1949 and Law No. 3226 of October 28, 1963. The address of its registered office and main domicile is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

ICE Group is a group of government-owned entities, including the *Instituto Costarricense de Electricidad* (ICE, parent company and ultimate controlling entity) and its subsidiaries, *Compañía Nacional de Fuerza y Luz, S.A.* (C.N.F.L.), Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA), and Cable Visión de Costa S.A. (CVCRSA), all of them organized under the laws of the Republic of Costa Rica. Other entities, which are not operational as of December 31, 2016, are wholly owned by ICE.

ICE's main activity consists of developing electric power-producing sources existing in the country, as well as the supply of electricity, with the exclusive right to generate, transmit, and distribute electricity in Costa Rica, except for a small number of authorized private companies, municipal entities, and rural cooperatives. Also, ICE Group holds a concession to develop and promote telecom services in Costa Rica, rendering a wide array of telecom services to individuals, households, and companies. They include fixed and mobile services, both voice and data. Fixed services include traditional fixed telephony, public telephony, Internet access, and television. Mobile services include voice and data under prepaid and postpaid plans. They also include value-added and content services, as well as security and support services, phone network and link interconnection with submarine capacities. Mobile telephone services (prepaid and postpaid voice and data), fixed telephony (including dedicated lines), Internet access, public and international telephony are regulated by SUTEL.

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The main activity of its subsidiaries is as follows:

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

Compañía Nacional de Fuerza y Luz, S.A. ((hereinafter, "CNFL") is a corporation created through Law Number 21 of April 8, 1941, and its main activity is the distribution of electric energy in the metropolitan area of San José and some cantons adjacent to the provinces of Alajuela, Heredia and Cartago. The Company keeps an issue of debt securities in compliance with the regulations of the National Financial System Oversight Board (CONASSIF) and the General Superintendence of Securities (SUGEVAL).

- *Radiográfica Costarricense, S.A.*

Radiográfica Costarricense, S.A. (hereinafter RACSA) is a mixed corporation established on July 27, 1964. RACSA's main objectives are the development of telecom services in Costa Rica, national connectivity and the Internet, international connectivity for data and video transmission, information services, data center, and others.

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

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

- *Cable Visión de Costa Rica S.A.*

Cable Visión de Costa Rica S.A. (hereinafter CVCRSA) was established on January 19, 2001; it was acquired by Instituto Costarricense de Electricidad on December 5, 2013. Its main activity is providing cable television services; subsequently, the subsidiary added Internet and digital signal services to the activities offered.

The activities performed by ICE and the subsidiaries mentioned above are regulated by the General Comptroller of the Republic, the General Superintendence of Securities (SUGEVAL), the National Stock Exchange of Costa Rica, the Law for the Regulation of the Securities Market, the Regulatory Authority for Public Services (ARESEP – including the Superintendence of Energy), the Telecommunications Superintendence (SUTEL), and the Pensions Superintendence (SUPEN).

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Note 2. **<u>Basis of Accounting</u>**

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting policies included in ICE's Accounting Policy Manual and with accounting criteria issued, accepted by the Directorate of National Accounting of the Ministry of Finance of the Republic of Costa Rica–the Lead Agency of the National Accounting Subsystem. ICE's Accounting Policy Manual (version 7) includes the accounting policies applicable to booking transactions prepared and issued using *"Accounting Criteria*", with the stewardship and binding criteria of the Budget Accounting Directorate, the approval of the Corporate Management and Finance Department, and acceptance of the Directorate of National Accounting of the Ministry of Finance.

The above set of rules considers the conceptual framework included in the Accounting Principles Applicable to the Costa Rican Public Sector, which are in effect until December 31, 2016. In accordance with the orders and provisions established by the Directorate of National Accounting of the Ministry of Finance, ICE's Financial Statements for 2023 must be issued in accordance with the International Financial Reporting Standards (IFRS); therefore, the Institute has gradually adopted such regulations by making the changes implemented in ICE's Accounting Policy Manual and issuing accounting criteria, which, after being issued, will become part of the institution's accounting regulations in effect because they will be binding as accepted by the National Accounting Department of the Ministry of Finance.

The accounting bases of the subsidiaries are the International Financial Reporting Standards (IFRS); therefore, and with the purpose of preparing the consolidated financial statements, the accounting bases of the subsidiaries are aligned with the parent company's accounting bases.

Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on May 30, 2017.

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(b) Basis of measurement

Transactions are initially booked on the historical cost basis according to Executive Decree N° 34460-H of February 14, 2008; however, as of the date of issue of the accompanying consolidated financial statements, some items will be valued using other bases of measurement as detailed in ICE's Accounting Policy Manual, such as the fair value in the derivative financial instruments and investments, and the amortized cost of the debt.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgments

The preparation of the accompanying consolidated financial statements in accordance with ICE's Accounting Policy Manual 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 effect of a change in the estimate is governed note 3 (v).

(i) Judgments

Information about judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

- Note 38 - Institutional financial risk management.
- Note 3 (1) – Lease classification.

(ii) Assumptions and estimation uncertainties

The information on assumptions and estimation uncertainties that have a material risk of resulting in a material adjustment within the next year ending December 31, 2017 is included in the following notes:

- Note 11 – Allowance for doubtful accounts.
- Note 12 – Allowance for obsolete inventory.
- Note 39 – Recognition and measurement of provisions and contingencies – key assumptions related to the probability and magnitude of the economic resource outflows.
- Note 25 – Obligation measurement tests for defined benefits – key actuarial assumptions.

Note 3. Summary of Significant Accounting Policies

The following accounting policies, set forth in ICE's Accounting Policy Manual (Version 7) and in the Accounting Criteria issued and in effect as of 2016, have been applied in the years presented in the accompanying consolidated financial statements. Such accounting criteria are part of the Institution's accounting policies given their binding nature regarding the Accounting Policy Manual, which are later incorporated therein. Such accounting criteria represent the adopted accounting policies or the amendments to the existing accounting policies, and they are implemented in accordance with the policy associated with the "Accounting Policies, Changes in Estimates and Errors" used by ICE. The policies have been consistently applied in the years presented in these interim consolidated financial statements and for all the entities that compose ICE Group corresponding to the quarter ended as of March 31, 2016 are the same ones applied by ICE Group in preparing their consolidated financial statements as of December 31, 2016 and for the year then ended, except for the ones detailed below:

(a) Annual accounting policies not applied for interim periods

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

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According to practice, the mandatory accounting policy for the annual period is due to the complexity of the implicit monthly or quarterly processing for the calculation or restatement of values.

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

(i) Allowance for Valuation of Stock at Warehouses:

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

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

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

Certain comparative amounts in the separate balance sheet have been reclassified as a result of the correction of errors, changes in estimates, and changes in accounting policies.

(b) General Registration Policies

(i) Consolidation Bases

- *Business Combinations*

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

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

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(In millions of colones)

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

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

Goodwill arises from the acquisition of subsidiaries and represents the excess of the acquisition cost over the carrying amount (net equity) of the acquiree, it is recognized under "intangible assets" in ICE Group's consolidated financial statements. Goodwill is registered at cost.

Goodwill is recorded at cost.

(i) *Subsidiaries*

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

		Ownership interest as of	
		As of March 31	**As of December 31**
Subsidiaries	**Country**	**2017**	**2016**
Compañía Nacional de Fuerza y Luz, S.A. (CNFL)	Costa Rica	98,6%	98,6%
Compañía Radiográfica Internacional Costarricense, S.A. (CRICSA)	Costa Rica	100%	100%
Radiográfica Costarricense, S.A. (RACSA)	Costa Rica	100%	100%
Cable Visión de Costa Rica S.A. (CVCRSA) (1)	Costa Rica	100%	100%

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

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- *Transactions eliminated in the consolidation process*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group (ICE Group) transactions, are eliminated in preparing the consolidated financial statements.

(ii) Accounting period

ICE Group's accounting period runs from January 1 to December 31 of each year.

(iii) Recognition criteria

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

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

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

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

(iv) Foreign currency transactions

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

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exchange differences resulting from application of this procedure are recognized in profit or loss of the period.

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

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

Note 4. Operating Assets

		As of March 31, 2017	As of December 31, 2016
Cost:			
Operating assets	¢	6,592,943	6,519,978
Operating assets and other operating assets under finance leases		845,149	844,949
Other operating assets		529,338	528,234
Total operating assets - cost		**7,967,430**	**7,893,161**
Cost:	¢		
Operating assets		3,315,301	3,254,884
Operating assets and other operating assets under finance leases		10,517	6,775
Other operating assets		344,048	340,734
Total accumulated depreciation of operating assets - cost		**3,669,866**	**3,602,393**
Operating assets, net	¢	**4,297,564**	**4,290,768**

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

Operating Assets - Cost:

The operating assets at cost as of March 31, 2017 are the following:

Cost		As of January 1, 2017	Additions and capitalizations	Disposals	Transfers	Alignment adjustments	As of March 31, 2017
Operating assets:							
Electricity:							
Land	¢	95,435	238	-	-	-	95,673
Buldings		50,822	45	(15)	-	-	50,852
Hydraulic power generation		2,266,253	677	-	-	-	2,266,930
Thermal power generation		168,369	274	-	-	-	168,643
Geothermal power generation		527,851	-	-	-	-	527,851
Wind power generation		12,480	-	-	-	-	12,480
Solar power generation		12,115	54	-	-	-	12,169
Substations (2)		415,249	19,124	-	-	-	434,373
Transmission lines (1)		327,945	24,412	-	-	-	352,357
Distribution circuits		664,768	10,584	(1,493)	(642)	82	673,299
Street lighting		29,406	733	(44)	(28)	28	30,095
Communication, control and infrastructure equipment		69,273	373	(26)	(35)	35	69,620
General equipment		27,057	347	(320)	(47)	-	27,037
Telecom:							
Land		26,458	-	-	-	-	26,458
Buldings		136,156	588	-	-	-	136,744
Transport		682,134	4,528	-	(1)	-	686,661
Access (2)		490,472	6,545	-	(62)	-	496,955
Civil and electromechanical		186,299	3,450	-	-	-	189,749
Platforms		220,895	3,240	-	-	-	224,135
Communication equipment		105,793	318	(12)	-	-	106,099
General equipment		4,748	14	-	1	-	4,763
Subtotal operating assets	**¢**	**6,519,978**	**75,544**	**(1,910)**	**(814)**	**145**	**6,592,943**
Other operating assets under finance leases: (3)							
Land	¢	6,306	-	-	-	-	6,306
Hydraulic power generation		795,298	-	-	-	-	795,298
Access		9,887	99	-	-	-	9,986
Land		1,348	-	-	-	-	1,348
Buildings		29,940	-	-	-	-	29,940
Furniture and equipment		2,170	20	-	81	-	2,271
Subtotal operating assets and assets under finance leases	**¢**	**844,949**	**119**	**-**	**81**	**-**	**845,149**
Other operating assets	**¢**	528,234	5,822	(4,740)	22	-	529,338
Subtotal Other operating assets	**¢**	**528,234**	**5,822**	**(4,740)**	**22**	**-**	**529,338**
Total	**¢**	**7,893,161**	**81,485**	**(6,650)**	**(711)**	**145**	**7,967,430**

(Continues)

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

The operating assets at cost as of December 31, 2016 are the follows:

Cost		Adjusted cost as of January 1, 2016	Additions and capitalizations	Disposals	Transfers	Alignment adjustments	As of December 31, 2016
Operating assets:							
Electricity:							
Land	¢	103,107	3,522	(104)	13,792	(24,882)	95,435
Buldings		61,813	746	(194)	9,583	(21,126)	50,822
Hydraulic power generation (1)		2,297,643	46,225	(2,947)	6,992	(81,660)	2,266,253
Thermal power generation		182,141	787	(13,977)	(582)	-	168,369
Geothermal power generation		528,897	150	-	(1,196)	-	527,851
Wind power generation		11,702	-	-	778	-	12,480
Solar power generation		12,743	93	-	(721)	-	12,115
Micro hydro power generation		181	-	(528)	-	-	(347)
Substations		431,854	17,654	(5,179)	(14,210)	(14,870)	415,249
Transmission lines		297,859	32,249	(1)	(162)	(2,000)	327,945
Distribution circuits		793,239	18,430	(4,841)	2,319	(144,379)	664,768
Street lighting		41,781	1,400	(231)	187	(13,731)	29,406
Communication, control and infrastructure equipment		92,440	8,590	(86)	2,704	(34,375)	69,273
General equipment		26,220	2,178	(1,399)	58	-	27,057
Other		1,138	-	-	(1,138)	-	-
Telecom:							
Land		16,189	-	(23)	10,292	-	26,458
Buldings		768	530	(6)	134,864	-	136,156
Transport		662,388	27,408	(922)	(6,740)	-	682,134
Access (2)		526,654	25,522	(2,732)	(58,972)	-	490,472
Civil and electromechanical		235,831	11,428	-	(60,960)	-	186,299
Platforms		211,625	9,655	(4,332)	3,947	-	220,895
Communication equipment		109,030	630	(3,867)	-	-	105,793
General equipment		5,289	116	(310)	-	-	5,095
Other		2,298	-	-	(2,298)	-	-
Subtotal operating assets	**¢**	**6,652,829**	**207,313**	**(41,679)**	**38,538**	**(337,023)**	**6,519,978**
Other operating assets under finance leases: (3)							
Land	¢	600	-	-	5,706	-	6,306
Hydraulic power generation		-	795,298	-	-	-	795,298
Access		2,593	7,351	-	(57)	-	9,887
Land		1,348	-	-	-	-	1,348
Buildings		29,340	-	-	600	-	29,940
Furniture and equipment		2,152	43	-	(25)	-	2,170
Subtotal operating assets and assets under finance leases	**¢**	**36,033**	**802,692**	**-**	**6,224**	**-**	**844,949**
Other operating assets	¢	505,205	25,377	(14,329)	11,981	-	528,234
Subtotal Other operating assets	**¢**	**505,205**	**25,377**	**(14,329)**	**11,981**	**-**	**528,234**
Total	**¢**	**7,194,067**	**1,035,382**	**(56,008)**	**56,743**	**(337,023)**	**7,893,161**

(Continues)

Adjusted Cost:

As of January 1, 2016, ICE adopted the adjusted-cost accounting policy as the new cost of operating assets. This cost includes the integration of the historical cost and the revaluation value in a single value, based on the fact that such assets are associated with operations subject to rate regulations. Before 2016, ICE's operating assets were registered at cost, with the exception of all the operating assets of the Electricity Sector as well as all ICE's lands and buildings, which until December 2015 were subject to an annual revaluation using the established indexes. As a result of the adoption of such accounting policy, the balance of the reserve for revaluation was reversed, thereby transferring it to the Development Reserve and Retained Earnings. The amount of such a reversal was ¢1.086.323.

As a result of the adoption of the adjusted cost by ICE, the revaluation of related parties is eliminated, and it is included as an alignment adjustment in the operating asset note.

(1) Transmission Lines:

It includes additions for the sum of ¢24.412, mainly from the additions and capitalizations in the transmissions made to power switches and modules of transmission lines, fiber optic cable, guard wire, and control systems.

(2) Substations:

Additions were made in the amount of ¢19.124, as a result of additions and capitalizations made, primarily in the self-transformers, modules, power switches, etc.

(3) Operating assets and Other operating assets under financial lease:

This account includes the value of performing assets under lease agreements entered into as financial lease assets. As of March 31, 2017, some of the financial lease agreements are as follows:

(Continues)

Electricity Sector: (Hydraulic Generation)

Lease Agreement for the Reventazón Hydroelectric Power Project:

- Agreement entered into between UNO P.H Reventazón Trust as the lessor and ICE as the lessee. The agreement is for a minimum term of 17 years and semiannual payments are based on the amount paid by the UNO P.H. Reventazón Trust for the debt with the creditor banks of UNO P.H Reventazón Trust. In 2016, the value of such semi-annual payment amounted to ¢14.070 million (US$23 million). Such an agreement, classified as a financial lease agreement, became effective as of November 15, 2016, because the construction of the works was completed at the end of 2016.

Such a lease agreement is derived from the terms set forth in Trust agreement referred to as " UNO PH Reventazón / ICE / Scotiabank / 2013 Trust Agreement," entered into in May 2013 between ICE and Scotiabank de Costa Rica, in which ICE acts as the trustor and main beneficiary, Banco Scotiabank as trustee, and the individuals identified in each notification for appointment of secondary beneficiaries as such.

The main clauses of this UNO PH Reventazón / ICE / Scotiabank / 2013 Trust Agreement are as follows:

a. Develop, continue the construction, lease, operate, and offer maintenance to the Reventazón Hydroelectric Power Project and subscribe the necessary financing to achieve those goals.
b. Create autonomous and independent equity to secure and guarantee compliance with the Trust's obligations.
c. Organize the Guarantee Trust to which the Trust Equity will be transferred, whereby this Trust will act as the trustor, the secured creditors as the beneficiaries, and this Trust's trustee as the trustee. The trustee of the Guarantee Trust is Banco Scotiabank.
d. Comply with the Trust's obligations established in the transaction documents, including making payments to secured creditors that granted loans or invested in securities for the development, financing, construction, lease, operation, and maintenance of the Reventazón Hydroelectric Power Project.

(Continues)

e. Once (i) the objectives of this Trust have been met, (ii) the obligations established in the transaction documents have been fulfilled, and (iii) the trustee receives written authorization from the representative of the secured creditors; transfer the Trust Equity to the Trustor, who also acts as the Main Beneficiary.

f. Pursue any other objective or purpose derived from the nature of this Trust Agreement and the transaction documents that does not infringe good faith in business or violates the relevant legislation.

- Trust Equity will be comprised of: (i) assets placed in the trust property to develop the Reventazón Hydroelectric Power Project; (ii) works and equipment involved in the project's development process; (iii) the Trustor's contributions in cash or kind; (iv) resources obtained by the Trust under loan agreements and from issue, placement, and management of securities, if issued; (v) income from the lease of the plant and any other income generated by the Trust in the normal course of business; (vi) licenses, authorizations, studies, and documents required to support the attainment of the Trust's objectives; (vii) trust accounts and investments and returns derived therefrom and any other resources that the Trustee manages in accordance with this Trust; (viii) any income earned by the Trust generated from the project, directly or indirectly; (ix) future goods that would be included in the Trust Equity; (x) the equity of the Guarantee Trust upon its return to the Trust as trustor in accordance with the terms and conditions of the Guarantee Trust.

- The Trustee shall manage and, if appropriate, make use of the Trust Equity in accordance with purposes and provisions of the agreement and meeting all of the Trust's obligations.

- All funds received by the Trust on any account or reason shall be immediately deposited by the Trustee in the bank accounts held with the Guarantee Trust, in accordance with the terms and conditions of the Guarantee Trust; except for the funds obtained from bridge loans, which shall be deposited in the accounts opened by the Trust for such purposes.

(Continues)

As indicated in note 6, the implementation of the Reventazón hydroelectric plant is a joint venture between ICE and the Trust. Upon completion of such works in 2016, ICE included in the account of operating assets under a lease agreement the amount of ¢800.658, accounting for the total value of the construction cost. Such a value includes the cost of the investment directly made by ICE in the amount of ¢340.420 and the investment made by the Trust in the amount of ¢460.207. This last amount of ¢460.207, contributed by the Trust, is the benchmarking figure for the lease agreement. Since the investment made in such a project by the Trust was funded with loans denominated in colones and US dollars, the abovementioned agreed-upon lease fee includes a portion in the local currency and another portion in US dollars. Therefore, the obligation with the Trust and related to the investment made by such entity was broken down in those two currencies as indicated in note 20.

<u>Telecommunications Sector (Buildings)</u>

Telecom Tower Lease Agreement:

On January 29, 2010, Banco de Costa Rica (BCR) and ICE entered into an agreement referred to as "ICE-BCR Real Property Securitization Banco de Costa Rica acting as a trustee, agreed to obtain the financial resources to acquire the real property known as Centro Empresarial La Sabana (building). Such financing would be obtained by the Trust by selling securities known as "Securities/Certificates of ICE-BCR Real Property Securitization Trust."

The purposes of this Trust was to provide ICE with a comprehensive physical space solution to perform its activities. One of the terms of this Trust was to lease the equipped building to ICE, thereby giving rise to the irrevocable lease agreement with an option to buy such property, known as Centro Empresarial La Sabana, through which the aforementioned Trust leases to ICE the aforementioned real property for a 12-year term, at the end of which ICE will be able to exercise the purchase option with a monthly lease fee determined based on the variables set forth in the aforementioned lease agreement. In 2017, the monthly amount ranges from ¢197 million and ¢201 million (¢201 million and ¢217 million in 2016).

(Continues)

With the amount received by the Trust for the lease of the property, the loan and yields from the securities placed in the stock market will be paid, as well as those private securities issued, and national and international bank loans.

RANGE – Telecommunications Lease Agreement: (Access)

In January 2014, Banco de Costa Rica (BCR) and ICE entered into an agreement referred to as "ICE-RANGE/BCR Trust Agreement) to comply with the cost of the design, construction, and maintenance of the New Generation Access Network (RANGE), including the works related to the installation of equipment, channeling of civil and electro-mechanical works, duct construction, cable laying, and installation of fiber optic. As a result of such a Trust Agreement, ICE entered into a lease agreement with the Trust regarding the works to be developed by the latter. The term of the lease is 18 years as of May 2016, with monthly payments established in accordance with the formula set forth in the Addenda to the aforementioned lease agreement. In 2017, the monthly payment ranges from ¢229 million and ¢230 million (¢254 million and ¢255 million in 2016), which started to be made in 2016. Due to the characteristics of such a lease, it was classified as a financial lease.

The lease fee to be paid by the lessee to the lessor will be made in colones, legal tender of Costa Rica, one month in advance, on the first day of each month and will be calculated at the beginning of each year based on the Net Present Value (NPV) of all the expenditures submitted for the following twelve months, needed for the expenditures forecasted for the following twelve months. The calculation of the monthly amount will consider the forecasted expenditures of the twelve months corresponding to each year and it is taken to the present value so that, based on such data, the fixed monthly fee is calculated for such a year. The payments will be made through a bank deposit in a checking account indicated by the lessor.

Other Operating Assets

As of 2016, the non-operating assets are reclassified in the items of other operating assets in accordance with the best accounting practice.

(Continues)

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

Accumulated Depreciation - Cost

The accumulated depreciation of operating assets as of March 31, 2017 is detailed as follows:

Depreciation - cost		As of January 1, 2017	Depreciation for the year	Disposals	Transfers	Alitnment adjustment	As of March 31, 2017
Operating assets:							
Electricity:							
Buildings	¢	4,929	330	-	137	(137)	5,259
Hydraulic power generation		993,964	9,572	-	534	(534)	1,003,536
Thermal power generation		88,119	848	-	-	-	88,967
Geothermal power generation		270,222	10,249	-	-	-	280,471
Wind power generation		9,399	539	-	-	-	9,938
Solar power generation		4,881	244	-	-	-	5,125
Micro hydro power generation		42	1	-	-	-	43
Substations		193,162	3,962	-	121	(121)	197,124
Transmission lines		109,849	1,896	-	18	(18)	111,745
Distribution circuits		330,223	4,661	(1,128)	1,051	(1,034)	333,773
Street lighting		11,256	371	(37)	60	(76)	11,574
Communication, control and infrastructure equipment		25,511	1,279	(10)	142	(168)	26,754
General equipment		16,269	494	(244)	(29)	-	16,490
Other		5,050	-	-	-	-	5,050
Telecom:							
Buildings		65,386	485	-	-	-	65,871
Transport		483,456	8,106	-	(193)	-	491,369
Access		326,659	8,891	-	(2)	-	335,548
Civil and electromechanical		153,089	3,323	-	-	-	156,412
Platforms		135,657	6,672	-	(1)	-	142,328
Communication equipment		24,004	119	(11)	-	-	24,112
General equipment		3,448	55	-	-	-	3,503
Other		309	-	-	-	-	309
Subtotal operating assets	**¢**	**3,254,884**	**62,097**	**(1,430)**	**1,838**	**(2,088)**	**3,315,301**
Operating assets and other operating assets under finance leases: (3)							
Hydraulic power generation	¢	976	2,980	-	1	-	3,957
Access		1,104	543	-	2	-	1,649
Buildings		2,786	150	-	-	-	2,936
Furniture and equipment		1,909	63	-	3	-	1,975
Subtotal operating assets and operating assets under finance leases	**¢**	**6,775**	**3,736**	**-**	**6**	**-**	**10,517**
Other operating assets	**¢**	340,734	5,643	(2,330)	1	-	344,048
Subtotal other operating assets	**¢**	**340,734**	**5,643**	**(2,330)**	**1**	**-**	**344,048**
Total	**¢**	**3,602,393**	**71,476**	**(3,760)**	**1,845**	**(2,088)**	**3,669,866**

(Continues)

Notes to the Consolidated Financial Statements

(In millions of colones)

The accumulated depreciation of operating assets as of December 31, 2016 is as follows:

Depreciation - cost		Adjusted cost as of January 1, 2016	Depreciation for the year	Disposals	Transfers	Alitnment adjustment	As of December 31, 2016
Operating assets:							
Electricity:							
Buildings	¢	13,534	1,050	(1)	3,287	(12,941)	4,929
Hydraulic power generation (1)		985,201	39,710	(2,250)	6,306	(34,952)	994,015
Thermal power generation		93,672	3,376	(9,385)	456	-	88,119
Geothermal power generation		229,963	40,899	-	(640)	-	270,222
Wind power generation		6,748	2,157	-	494	-	9,399
Solar power generation		2,921	2,100	-	(140)	-	4,881
Micro hydro power generation		38	4	-	-	-	42
Substations		196,586	17,127	(504)	(10,469)	(9,579)	193,161
Transmission lines		103,859	6,737	-	226	(973)	109,849
Distribution circuits		406,212	14,006	(3,431)	4,961	(91,525)	330,223
Street lighting		19,052	926	(144)	423	(9,001)	11,256
Communication, control and infrastructure equipment		44,768	4,034	-	2,193	(25,484)	25,511
General equipment		16,407	-	-	(138)	-	16,269
Other		5,050	-	-	-	-	5,050
Telecom:							
Buildings		-	1,902	-	63,484	-	65,386
Transport		428,063	59,936	(773)	(1,492)	-	485,734
Access (2)		286,110	47,229	(2,132)	(12,856)	-	318,351
Civil and electromechanical		219,996	4,105	-	(65,132)	-	158,969
Platforms		110,372	28,856	(3,606)	135	-	135,757
Communication equipment		24,004	-	-	-	-	24,004
General equipment		3,448	-	-	-	-	3,448
Other		309	-	-	-	-	309
Subtotal operating assets	**¢**	**3,196,312**	**274,154**	**(22,226)**	**(8,902)**	**(184,455)**	**3,254,884**
Operating assets and other operating assets under finance leases: (3)							
Hydraulic power generation	¢	-	976	-	-	-	976
Access		-	1,104	-	-	-	1,104
Buildings		2,786	-	-	-	-	2,786
Furniture and equipment		1,050	763	-	96	-	1,909
Subtotal operating assets and operating assets under finance leases	**¢**	**3,836**	**2,843**	**-**	**96**	**-**	**6,775**
Other operating assets	**¢**	319,924	26,184	(10,526)	5,152	-	340,734
Subtotal other operating assets	**¢**	**319,924**	**26,184**	**(10,526)**	**5,152**	**-**	**340,734**
Total	**¢**	**3,520,072**	**303,181**	**(32,752)**	**(3,653)**	**(184,455)**	**3,602,393**

(Continues)

(In millions of colones)

Cost:

As of January 1, 2016, ICE adopted the adjusted-cost accounting policy as the new cost of operating assets. As a result, ICE regrouped, in a single item, the balances of the accumulated depreciation on the historical costs and the accumulated depreciation on the revaluation.

In 2015, a change was made to the depreciation method in some categories of other operating assets to use the method based on the use and not the straight-line method as in the past. The change was made based on a technical analysis conducted by Engineering and Construction Business of the Electricity Sector considering the variables that best state the expected consumption pattern (hours, kilometers, days) and the nature of assets.

As of January 1, 2016 and after adopting the component accounting, the useful life of the elements of the operating assets were reviewed considering the disaggregation by components.

Therefore, in 2017 and 2016, the assets are depreciated using the following useful lives:

	Useful life (in years)
Buldings	40 a 50
Plant, machinery and equipment of electrical generation	30 a 60
Plant, machinery and telecommunications equipment	2 a 60
Public lighting plant, machinery and equipment	10 a 30
Machinery and equipment	4 a 20

(Continues)

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

Note 5. Works in Progress

Works in progress are as follows:

Proyecto		Al 31 de marzo de 2017	Al 31 de diciembre de 2016
Proyecto Geotérmico Las Pailas II (1)	¢	97.273	90.883
Proyecto Geotérmico Borinquen (2)		26.911	25.760
Instalación administración de bienes inmuebles (3)		18.413	14.256
Evolución móvil avanzado (4)		18.962	16.604
Transmisión Anillo Sur (5)		18.825	18.293
Nuevo centro control de energía (6)		14.653	12.863
Gestión Elementos de la Red (7)		11.925	11.286
Adquisición activos alta dirección (8)		11.707	11.329
Servicios Móvil Avanzado (9)		10.383	11.661
Reforzamiento del sistema de distribución		7.670	10.738
Proyecto Planta Ventanas		5.958	5.585
Red capilar de borde		5.275	5.188
Modernización de la iluminación, ensayos		4.891	4.954
Mejoramiento continuo de la calidad (distribución)		4.824	5.680
Mejoras en la red de transporte Telecomunicaciones		4.207	4.067
Fonatel		3.819	3.567
Transmisión Cariblanco-Trapiche		3.658	3.363
Mejoras red de transporte de Electricidad		3.643	4.276
Atención integral del cliente empresarial		3.452	4.091
Expansión de la plataforma y renovación infraestructura tecnológica		2.530	1
Desvio la Carpio		2.240	2.154
Estudios básicos de ingeniería		2.044	1.888
Modernización de la plataforma IPTV		1.913	1.910
Nodos de acceso multiservicio NAM		1.874	6
Transmisión Cóbano		1.723	20.428
Seguridad red avanzada de internet (RAI)		1.676	1.676
Servicios técnicos para proyectos de distribución		1.449	1.308
Sostenibilidad e insonorización de infraestructura		1.328	1.174
Conformación y rehabilitación de estructuras civiles y metálicas		1.267	1.101
Terminales públicas avanzadas		1.180	408
Convenios Gobierno Central		1.077	863
Fibra optica de conectividad avanzada (FOCA)		1.004	1.278
Varios Proyectos		21.229	45.336
Menos: Eliminación de servicios institucionales *		(306)	(1.639)
Total	**¢**	**318.677**	**342.336**

* Consumo interno por servicios eléctricos y telefónicos, incurridos por las diferentes áreas de la institución.

(Continues)

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

(1) Las Pailas II Geothermal Power Plant

The balance corresponds to the cost of several construction works required to build a geothermal power plant with a power output of 55 MV. The purpose of this project is to complement the capacity generated by Las Pailas I plant. The project is located in Guanacaste and is being built on the foothills Rincón de la Vieja Volcano.

(2) Borinquen Geothermal Power Plant

This project is located in the Guanacaste Mountain Range, on the Pacific slope of the Rincón de la Vieja Volcano, which will have an estimated power generation of 55 megawatts (MW).

(3) Real property management facilities

The project consists of developing a physical space solution to invest in the construction of suitable infrastructure in the Sabana Sector to eliminate the fixed expenses of administrative leases that are limited due to the physical conditions in accordance with the required use by the Company.

(4) Advance mobile evolution

This project was created to acquire equipment, services, and LTE internal solutions for the 4G mobile network to reduce the delivery times of the equipment needed for ICE's available networks.

(5) South Ring Transmission

This project include the construction of a transmission line referred to as South Ring Transmission Line located between L.T Tarbaca – Parrita Transmission Line and L.T Río Macho el Este Transmission Line, with a length of 16.2 Km approximately and whose transfer will be double-circuit 230 kw.

(6) New energy control center

Construction of a new Energy Control Center Headquarters located outside San José and close to SEN substations. The facilities will have their own electricity services, uninterrupted direct current feeding for communications, SCADA/EMS equipment and programs and communications to access the SDH system.

(Continues)

(7) Network Element Management

Solutions in the construction process to meet the needs of the next-generation services for residential clients.

(8) Acquisition of top management assets

The Financial Management Modernization Program (PMAF) is a solution that entails a redesign of logistics, administrative, and financial processes in accordance with the best industry practices supported on a platform that includes software, licenses, and infrastructure.

The Program includes the redesign, integration, and consolidation of operational and administrative processes of areas such as Finance, Supply Chain, Human Capital, and Project Management, and the improvement of the efficiency and the availability of information for an effective decision-making at the Institution based on an integrated ERP system (Enterprise Resource Planning) under the SAP brand.

(9) Advanced mobile services

This is related to the acquisition of mobile equipment for radio bases to meet the demand for mobile coverage.

(Continues)

Notes to the Consolidated Financial Statements

(In millions of colones)

A detail of the movements regarding works in progress, material in transit, and inventory- version as of March 31, 2016 and as of December 31, 2016 is shown as follows:

Account		As of December 31, 2015	Additions	Capitalizations	Capitalizable depreciation	Interests and commissions	Warehoused	Used in works	As of December 31, 2016	Additions	Capitalizations	Capitalizable depreciation	Intereses y comisiones	Warehoused	Used in works	As of March 31, 2017
Construction work in progress	¢	408,004	308,017	(393,807)	2,921	18,840	-	-	343,975	46,016	(74,100)	607	2,485	-	-	318,983
Less: Elimination of Government services*		(3,048)	1,409	-	-	-	-	-	(1,639)	1,333	-	-	-	-	-	(306)
Subtotal construction work in progress		**404,956**	**309,426**	**(393,807)**	**2,921**	**18,840**	**-**	**-**	**342,336**	**47,349**	**(74,100)**	**607**	**2,485**	**-**	**-**	**318,677**
Materials in transit for investment		19,170	54,646	-	-	-	(22,572)	(270)	50,974	5,529	-	-	-	(4,784)	(12)	51,707
Inventory for investment		125,523	117,350	-	-	-	-	(124,225)	118,648	13,525	-	-	-	-	(26,471)	105,702
Total	**¢**	**549,649**	**481,422**	**(393,807)**	**2,921**	**18,840**	**(22,572)**	**(124,495)**	**511,958**	**66,403**	**(74,100)**	**607**	**2,485**	**(4,784)**	**(26,483)**	**476,086**

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

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

(Continues)

(In millions of colones)

Note 6. <u>Long-Term Investments</u>

Long-term investments are detailed as follows:

		As of March 31, 2017	As of December 31, 2016
Other investments valued at cost:			
Toro III Hydroelectric Power Project Trust (1)	¢	11,203	11,203
Empresa Propietaria de la Red, S.A. (2)		3,124	3,124
Tecomunica, S.A. (3)		1,081	1,081
Red Centroamericana de Fibras Ópticas S.A. (4)		143	143
Other		65	53
Subtotal		**15,616**	**15,604**
Long-term financial investments: (5)			
Government (External Debt Bonds)		61,812	40,522
BCCR (Bonds)		16,233	12,311
Investment costs		819	851
Other		64,143	44,400
Subtotal		**143,007**	**98,084**
Total long-term investments	**¢**	**158,623**	**113,688**

(1) <u>Toro III Hydroelectric Power Project Trust</u>

On March 9, 2006, ICE and JASEC entered into a business partnership agreement for the design, financing, construction, and operation of the Toro III Hydroelectric Power Project, through which both entities keep an equal share regarding rights and obligations. To implement this process, in January 2008 both entities agreed to establish a Trust with Banco de Costa Rica, in which ICE and JASEC act as trustors and beneficiaries and Banco de Costa Rica as trustee. One of the duties of the trustee was to obtain the financing and manage the resources to develop the infrastructure works needed for the generation of electricity, which will be subsequently leased to ICE and JASEC. The construction of the project was awarded under an engineering and construction agreement entered into with ICE. The term of the Trust agreement is 30 years. According to the terms of this partnership agreement, ICE recognizes for JASEC 50% of the national power of the plant while defining a series of responsibilities managed by mutual consent.

(Continues)

On January 26, 2012, ICE and JASEC entered into an addendum to the aforementioned trust agreement, whereby both entities agree to provide at least 20% of the resources necessary to finance the Project, so that the trust obtained the necessary funds to finance the remaining amount. Therefore, ICE made an in-kind contribution (construction materials and labor), equal to ¢11,203. This contribution accounts for 10% of the resources necessary to finance Toro 3 Hydroelectric Project; the remaining 10% required to comply with the provisions contained in the addendum, was provided by JASEC. The estimated initial value of the project amounted to US$214 million, which was financed with loans granted by Banco de Costa Rica and Banco Popular de Desarrollo Comunal and by ICE and JASEC in a total amount of US$44 million. Upon the completion of the works, the Trust entered into a lease agreement with ICE and JASEC, under an operating agreement.

(2) <u>Empresa Propietaria de la Red, S.A.</u>

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

EPR's share capital is comprised of 58,500 ordinary shares of US$1.000 par value each; ICE owns 6.061 shares of US$1.000 (one thousand dollars and no cents) par value and CNFL owns 439 shares of US$1.000 (one thousand dollars and no cents) par value each, respectively, for a total of US$6,5 million equivalent to ¢3.124 (11.11% interest) for ICE Group. The shares are valued at acquisition cost.

In June 2016, EPR made payments to ICE Group for returns on investments.

(3) <u>Tecomunica, S.A. - Nicaragua</u>

ICE and ENATREL agreed to organize a company in Nicaragua, referred to as Tecomunica, S.A., to sell and commercialize telecom services.

The first contribution for US$1 million was approved by ICE'S Board of Directors in meeting No. 6069 on December 2, 2013.

(Continues)

In meeting No. 6157 on November 30, 2015, ICE's Board of Directors approved a second contribution for US$1 million. The total contributions authorized by the Board of Directors as of December 31, 2015 amounted to US$2 million equal to ¢1.081.

The extraordinary General Shareholders' Meeting of Tecomunica, S.A. on December 4, 2015, agreed to increase the capital stock to 1.000 nominative shares amounting to a total of C$101.000.000 (one hundred one million córdobas) equal to US$4 million, at a par value of C$101.000 (one hundred one thousand córdobas, net) each is equal to US$4.000 (four thousand dollars) of which 500 shares are held by ICE (50% interest) for a total of C$50.500.000 (fifty million five hundred thousand córdobas, net) equal to US$2 million.

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

In 2013, ICE Group acquired ownership interest in Red Centroamericana de Fibras Ópticas S.A. (REDCA S.A.), which is dedicated to developing, financing, constructing, operating, and commercially exploiting and providing maintenance to telecom services or services related to IT and communications. REDCA's share capital consists of 2,700 of US$1,000 (one thousand dollars and no cents) par value each, and the Group owns 300 shares (11.11% interest), of which 93.24% are owned by ICE and 6.76% by CNFL.

(5) Long-Term Financial Investments

They mainly comprise investments in bonds (debt securities), with yields ranging from 5,16 % and 11,46 % per annum for investments in colones and 4,06% and 5,84 per annum for investments in US dollars (between 5,16% and 11,46% annual in colones and 4,06% and 5,84% per annum in US dollars in 2016). The total value of these assets comprises investments denominated in colones amounting to ¢116.012 and securities denominated in US dollars amounting to ¢26.995 (US$48 million) (¢84.880 denominated in colones and ¢13.204 denominated in US dollars, equivalent to US$24 million, in 2016), with a maturity between May 2017 and April 2028 (May 2017 and April 2028 in 2016).

(Continues)

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

Note 7. Cash and Cash Equivalents

		As of March 31, 2017	As of December 31, 2016
Cash on hand and in banks	¢	32,949	74,888
Cash equivalents		155,578	99,336
Total	**¢**	**188,527**	**174,224**

(Continues)

(In millions of colones)

A detail of cash equivalents is shown as follows:

	Currency	Issuer	Type of financial instrument	As of March 31, 2017 Balance	Face value	Rate of return	Term in months
Uncommitted:							
Available-for-sale	**Colones**	Repurchase operations	Repurchase operations	¢ 39,685	39,907	4.15% - 5.52%	Apr 2017 - May 2017
		Grupo Mutual Alajuela-La Vivienda de Ahorro y Préstamo	Mortgage participation certificate	1,000	1,000	5.05%	Jun 17
		Repurchase operations	Repurchase operations	5,312	-	4.19% - 4.38%	Apr 17
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	16	-	-	Demand
	US Dólares	Banco Internacional de Costa Rica	Overnight deposit	20,266	-	0.20%	Demand
		Repurchase operations	Repurchase operations	1,914	1,902	2.78% - 2.97%	May 17
		Banco Internacional Costa Rica	Overnight deposit	3,263	-	0.20%	Demand
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Short-term investment	6,290	6,290	3.60%	Apr 17
		Govermment	Zero-coupon Central Bank global bond (over the counter)	14,018	14,030	2.00%	Apr 17
		Banco Nacional de Costa Rica	Short-term investment	7,874	2,974	3.60%	Apr 17
		Banco de Costa Rica	Term certificate of deposit	1,000	1,000	0.80%	Mar 2017- Apr 2017
		Banco Popular y Desarrollo Comunal	Investment funds	500	500	2.65%	Demand
		Banco Popular y Desarrollo Comunal	Investment funds	1,000	1,000	2.65%	Demand
		Banco Nacional de Costa Rica	Term certificate of deposit	8	8	3.60%	Mar 2017 - Jun 2017
		Banco Nacional de Costa Rica	Term certificate of deposit	24	24	3.60%	Mar 2017 - Jun 2017
	US Dólares	Banco de Costa Rica	Term certificate of deposit	6,750	6,677	0.28%	Apr 17
		Banco de Costa Rica	Term certificate of deposit	277	277	0.20%	Mar 2017 - Apr 2017
		Banco Internacional de Costa Rica	Term certificate of deposit	2,390	2,390	1.50%	Jan 2017 - Apr 2017
		Banco Nacional de Costa Rica	Term certificate of deposit	780	780	1.67%	Feb 2017 - May 2017
		Banco Popular y Desarrollo Comunal	Investment funds	277	277	1.85%	Demand
		Banco Popular y Desarrollo Comunal	Investment funds	333	333	1.85%	Demand
Fair value	**Colones**	SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones	8,626	-	2.37% - 3.07%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR	7,667	-	2.05% - 2.09%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity	5,984	-	2.91% - 3.60%	Demand
		Banco Popular y Desarrollo Comunal	I.F. non-diversified BP money market - colones	3,205	-	3.17%	Demand
		SAFI BAC San José	I.F non-diversified BAC San José - liquidity - colones	2,242	-	2.86%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	518	-	3.37%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified Superfondo - colones	3,296	-	2.37% - 3.07%	Demand
		Banco de Costa Rica	Investment funds	3,396	-	3.12% - 3.41%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	221	-	2.91% - 3.60%	Demand
		Banco Popular y Desarrollo Comunal	I.F. non-diversified BP money market - colones	2,883	-	3.17%	Demand
		SAFI BAC San José	I.F. non-diversified BAC San José - liquidity - colones	265	-	2.86%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	80	-	3.37%	Demand
	US Dólares	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN DinerFondo - U.S. dollars	2	-	1.55% - 1.98%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified BCR - public liquidity	2,867	-	3.12% - 3.41%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity	1,127	-	1.91% - 2.07%	Demand
		SAFI Scotiabank de Costa Rica	F.I. No diversificado público Scotiabank	-	-	1.55%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - U.S. dollars	3	-	1.55% - 1.98%	Demand
		Banco de Costa Rica	I.F. non-diversified - public liquidity - U.S. dollars	167	-	2.05% - 2.09%	Demand
		Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity	4	-	1.91% - 2.07%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	6	-	1.55%	Demand
Investment costs	**Colones**	Costs of investment transactions	Costs of investment transactions	42	-	-	-
Total				**¢ 155,578**	**-**		

(Continues)

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

	Currency	Issuer	Type of financial instrument		As of December 31, 2016 Balance	Face value	Rate of return	Term in months
Uncommitted:								
Available-for-sale	**Colones**	BAC San José	Term certificate of deposit (global bond)	¢	4,000	4,000	4.80%	Mar 17
		Repurchase operations	Repurchase operations		29,558	29,733	3,61% - 4,22%	Jan 17
		Grupo Mutual Alajuela	Mortgage participation certificate		3,000	3,000	5.75%	Feb 17
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds		16	-	-	Demand
	US Dólares	Banco Internacional de Costa Rica	Overnight deposit		16,304	-	0.20%	Demand
		Repurchase operations	Repurchase operations		653	657	3,06% - 3,07%	Feb 17
		Banco Internacional Costa Rica	Overnight deposit		728	-	0.20%	Demand
Held-to-maturity	**Colones**	Banco Nacional de Costa Rica	Short-term investment		452	452	0.20%	Jan 17
		Banco Nacional de Costa Rica	Short-term investment		877	848	0.20%	Jan 17
		Banco de Costa Rica	Term certificate of deposit		2,500	2,500	1.08%	Dec 2016 - Jan 2017
	US Dólares	Banco de Costa Rica	Term certificate of deposit		3,958	3,958	1.15%	Jan 17
		Banco de Costa Rica	Term certificate of deposit		1,370	1,370	1.20%	Dec 2016 - Jan 2017
		BICSA	Term certificate of deposit		2,357	2,357	0.50%	Nov 2016 - Jan 2017
Fair value	**Colones**	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - colones		8,575	-	2,53% - 2,69%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR		7,619	-	2,81% - 3,13%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		5,950	-	2,12% - 3,12%	Demand
		SAFI Banco Popular	I.F. non-diversified BP money market - colones		3,185	-	2.78%	Demand
		SAFI BAC San José	I.F non-diversified BAC San José - liquidity - colones		2,227	-	2.23%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		514	-	2.98%	Demand
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN DinerFondo - colones		783	-	2,52% - 2,71%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR		383	-	2,81% - 3,13%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		219	-	2,66% - 3,32%	Demand
		Banco Popular	I.F. non-diversified BP money market - colones		371	-	2.78%	Demand
		SAFI BAC San José	I.F non-diversified BAC San José - liquidity - colones		259	-	2.23%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		80	-	2.98%	Demand
	US Dólares	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN DinerFondo - U.S. dollars		1	-	1,42% - 1,88%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR		2,718	-	1,78% - 2,11%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity		337	-	1,75% - 1,80%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		-	-	1.51%	Demand
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN DinerFondo - U.S. dollars		3	-	1,44% - 1,88%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR		286	-	1,78% - 2,11%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity		4	-	1,82% - 1,91%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		6	-	1.48%	Demand
Investment costs	**Colones**	Costs of investment transactions	Costs of investment transactions		43	-	-	-
Total				¢	**99,336**	-		

(Continues)

(In millions of colones)

Note 8. <u>Temporary Investments</u>

As of March 31, 2017, ICE Group has held-to-maturity investments (time deposit certificates, with a zero coupon) amounting to ¢10.156, of ¢10.013 are in colones and ¢143 in US dollars (¢15.603 in 2016, comprised by ¢11.013 denominated in colones and ¢4.590 in US dollars) and available for sale (time deposit certificates, Scotiabank bonds, Monetary Stabilization Bonds, commercial paper and Monetary Stabilization Bonds) for ¢86.113 (¢95.002 in 2016) of which ¢84.426 are in colones and ¢1.687 are in US dollars (¢88.604 in colones and ¢6.398 in US dollars in 2016), with interest rates ranging from 2,90% and 6% per annum (2,72% and 7,99% per annum in 2016) and maturity dates from 4 and 12 months (between 3 and 12 months in 2016).

		As of March 31, 2017	As of December 31, 2016
Held-to-maturity and available-for-sale investments	¢	96,269	110,605
Valuation of investments		1,727	2,034
Net total	**¢**	**97,996**	**112,639**

Valuation of Investments

As of March 31, 2017 and as a result of the valuation of short-term investments, ICE Group recognized a net unrealized gain for the sum of ¢1.727 (¢2.034 in 2016), which is presented as part of the entry "*Results of the Valuation of Financial Instruments*," in the equity section.

(Continues)

(In millions of colones)

Note 9. **Restricted Use Funds**

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

		As of March 31, 2017	As of December 31, 2016
Guarantees received fron third parties:			
In U.S. dollars	¢	646	508
In colones		900	767
Specific purpose funds:			
BCR Platinum (¢) - Cash for payments services (1)		26,986	25,668
BNCR Gold - Cash for amortization of short-term debt		541	1,575
Total	**¢**	**29,073**	**28,518**

(1) Cash from Payments of Services

There are enough funds for the most relevant operations such as energy purchase payments, loan payments, securities, materials purchases, payroll, social security contributions, among others.

(Continues)

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

Note 10. Notes Receivable

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

		As of March 31, 2017		As of December 31, 2016	
		Long-term	**Short-term**	**Long-term**	**Short-term**
Loan to autonomous entities (1)	¢	7,318	498	7,294	497
Private individuals or companies		-	1,578	-	1,595
Payment arrangement with suppliers		-	4,371	-	4,374
Payment arrangements		180	132	180	69
CNFL-MINAET Agreement (Olivier Hydroelectric Project)		622	17	619	17
Other		150	37	149	46
Total	**¢**	**8,270**	**6,633**	**8,242**	**6,598**

(1) Loan to autonomous entities

911 Emergency System

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

On November 30, 2015, the 911 Emergency System was established to meet this financial obligation by making 30 semi-annual payments, with the first payment on April 30, 2016 and the last on October 31, 2030. This balance will earn an interest rate equal to the borrowing rate of BCCR in force in the week prior to the payment date. The balance of the note receivable as of March 31, 2017 amounts to ¢5.422 (¢5.422 in 2016).

Empresa Propietaria de la Red

It corresponds to the loan agreement entered into between ICE and Empresa Propietaria de la Red, S.A. (EPR) to repay loan IDB No. 1908 for a total of US$4,5 million equivalent to ¢2.394 in 2017 (¢2.369 in 2016). The total debt term is 25 years effective as of November 24, 2010, with a 5-year grace period, paid on a semiannual basis, at a variable interest rate (as of March 2017, LIBOR 3-month of 1,02% plus a funding margin of 0,12% plus a IDB loan margin of 0,85% for a total of 1,99%) (LIBOR 3-month of 0,88% plus a funding margin of 0,11% plus a IDB loan margin of 1,15%, in 2016).

(Continues)

(In millions of colones)

Note 11. Accounts Receivable, Net

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

		As of March 31, 2017	As of December 31, 2016
Receivables for services rendered:			
Private individuals or companies	¢	47,074	45,350
In administrative and legal collections		57,293	55,159
Electricity services - consumers		19,862	23,273
Electricity cooperatives and municipal electricity distribution companies		13,958	10,855
Operators and service suppliers		5,333	6,045
Telephone administrations		2,177	2,439
Public agencies		4,953	5,558
Other		3,969	2,629
Subtotal		**154,619**	**151,308**
Allowance for doubtful accounts		(56,891)	(55,336)
Accounts receivable for services rendered, net		**97,728**	**95,972**
Non-trade receivables:			
Private individuals or companies (1)		24,070	22,745
Government taxes		9,093	7,510
Agreements, paid services and other		3,338	3,293
Damage to electrical installations		565	516
Sundry government services		674	678
Other		1,599	2,245
Subtotal		**39,339**	**36,987**
Allowance for doubtful accounts		(7,177)	(7,186)
Non-trade receivables, net		**32,162**	**29,801**
Total receivables		**193,958**	**188,295**
Allowance for doubtful accounts		(64,068)	(62,522)
Receivables, net	¢	**129,890**	**125,773**

(Continues)

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

(1) Non-Trade Receivables - Private Individuals

As of March 31, 2017, the balance includes advance payments made by ICE to purchase fuel to generate power in thermal power plants for ¢781 (¢1.094 in 2016); advance payments to private individuals with guarantees for ¢5.541 (¢3.458 in 2016); interest and commissions for ¢3.140 (¢3.051 in 2016), balances receivable for unpriced services for ¢4.595 (¢5.973 in 2016), and the amount of ¢2.758 (¢2.758 in 2016) for deposits made by ICE Group in court.

Movement in the allowance for doubtful accounts is as follows:

		As of december 31						
Allowance for doubtful accounts		**2015**	**Used**	**Expense**	**2016**	**Used**	**Expense**	**As of March 31, 2017**
Receivables for services rendered	¢	52,717	(7,144)	9,763	55,336	(75)	1,630	56,891
Non-trade receivables		7,193	(8)	1	7,186	(9)	-	7,177
Total	¢	**59,910**	**(7,152)**	**9,764**	**62,522**	**(84)**	**1,630**	**64,068**

Note 12. Operating Inventory

Operating inventory is as follows:

		As of March 31, 2017	As of December 31, 2016
Operating inventory	¢	67,858	69,148
Materials and equipment held in custody		18,994	21,302
Materials in transit for operations		10,240	5,698
Subtotal		**97,092**	**96,148**
Allowance for valuation of inventory		(32,070)	(32,465)
Total inventory	¢	**65,022**	**63,683**

(Continues)

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

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

		As of December 31						
		2015	**Used**	**Expenses**	**2016**	**Used**	**Expenses**	**As of March 31, 2017**
Allowance for valuation of inventory	¢	43,695	(12,022)	792	32,465	(395)	-	32,070
Total	**¢**	**43,695**	**(12,022)**	**792**	**32,465**	**(395)**	**-**	**32,070**

In December 2015, the allowance for valuation of inventory was increased based on a study conducted by an inter-disciplinary group created by the Inventory Commission." The analysis conducted by such a Commission considered the following variables:

- Lack of turnover: Inventory with no movements for more than 24 months.
- Overstock: Inventory that will last more than 48 months based on the consumption pattern and current stock.
- Risk of lack of turnover: Inventory with no movements for more than 13 months but less than 24 months.
- Buffer inventory: Inventory that according to the technical criteria of the sector is critical to business continuity.

This review process considered the risk of technological obsolescence to which the Group's inventory is exposed. The scope of the review was broader than the scope of the analyses conducted in previous years and which were based on the "ABC Methodology" defined by the Supply Chain Division. The study conducted in 2015 involved the analysis of evidence in the light of ICE Group's current market and competition conditions; therefore, its accounting treatment consisted of changing an accounting estimate with prospective effects.

(Continues)

(In millions of colones)

Note 13. **Prepaid Expenses**

Prepaid expenses are detailed as follows:

		As of March 31, 2017	As of December 31, 2016
Mobile terminals and devices	¢	37,150	33,472
Use agreements (1)		17,232	19,937
Finance costs-Reventazón (2)		4,673	14,476
ING-0008 (U-500) insurance policy, net (3)		61	2,724
Other		2,505	2,416
Total	**¢**	**61,621**	**73,025**

(1) Use Agreements–Garabito Geothermal Power Plant

On November 5, 2007, ICE and BCR (trustee) entered into a lease agreement under a Securitization Trust for construction of a thermal power plant called Garabito Thermal Power Plant (see note 29). The lease term of the aforementioned thermal power plant according to that trust is 142 months (11 years and 10 months) starting June 2010. Since the plant did not start commercial operations on the anticipated date (June 2010), management of the Executing Unit of the Garabito Thermal Power Plant and ICE agreed on November 19, 2010 that ICE would begin to amortize prepaid expenses starting January 2011 corresponding to lease payments made by ICE from June to December 2010, applying the first payment (made in June 2010) in January 2011 and so on until March 2022, which is the expiration date of the lease agreement.

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

(2) Reventazón Financial Costs

As of November 2016, the first amortization was made and interest expenses generated by the Reventazón Hydroelectric Project Trust were booked (see note 14).

(Continues)

(In millions of colones)

(3) <u>ING-0008 (U-500) Insurance Policy</u>

The ING-0008 (U-500) all-risk policy is a replacement value agreement adjusted to the ICE's requirements that cover all risks of physical damage to property, such as: fire, landslides, floods, hurricanes, lightning, etc. This policy includes other types of coverage like equipment breakdown, business interruption, additional expenses, inland transit, robbery, wire theft, debris removal, errors and omissions, construction work in progress, sabotage, terrorism and catastrophic risks, among others.

The movement of ING-0008 (U-500) insurance policy during the period of March 31, 2017 and December 31, 2016 is as follows:

ING-0008 (U-500) insurance policy		**As of March 31, 2017**	**As of December 31, 2016**
Opening balance	¢	2,724	3,077
Amount of premium		-	10,246
Amortization of premium		(2,663)	(10,599)
Total	**¢**	**61**	**2,724**

(Continues)

(In millions of colones)

Note 14. Service Agreements

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

Project		As of March 31, 2017	As of December 31, 2016
Reventazón Hidroeléctric Project	¢	633	603
Service Sales Project		985	618
Other		40	17
Subtotal		**1,658**	**1,238**
* Elimination of Government services		(5)	(23)
Total	¢	**1,653**	**1,215**

* Internal consumption for services by the different areas of ICE

Note 15. Design and Planning of Project Implementation

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

Project		As of March 31, 2017	As of December 31, 2016
El Diquís Hydroelectric Power Project (1)	¢	85,883	85,364
Refitting of south-center transmission line		4,991	4,991
Verbena transmission line		2,240	2,218
Transmission lines		323	251
Power transformers renewal		150	175
Others		98	57
Subtotal		**93,685**	**93,056**
* Elimination of Government services		(20)	(104)
Total	¢	**93,665**	**92,952**

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

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

(Continues)

(1) El Diquís Hydroelectric Project (PHED):

As part of the plan to expand the electricity generation by ICE, as derived from the legal mandate to study and find out the energy potential of the watersheds of the country, in 2000 ICE started conducting a study to establish additional alternatives aimed at using such watersheds, by analyzing options with a generation capacity to optimize the energy supply in the light of the future needs of the country in the Electricity Sector. Therefore, a major potential was determined in the Southern region of the country, specifically the Brunca Region, leading to a series of technical and feasibility studies that gave rise to the investment referred to as El Diquís Hydroelectric Project, which seeks to use the flow of Rio General for the generation of an estimated hydroelectric power of 650 megawatts (MW), and a generation of 3.050 gigawatts hour (GWh/year).

The decision to develop El Diquís was the result of an evaluation of the expansion plans. These studies take into account the existing system and the available options to meet future electric power needs. Based on the simulation models developed for such purpose, it was determined that El Diquís is part of the lower economic-cost plans. These programs minimize the costs of investment, operation, and failure probability, while guaranteeing the compliance with the minimum reliability requirements.

El Diquís is expected to start operating in 2026. The expansion plan will be adjusted according to new demand forecasts, but the initial start-up date for El Diquís is kept due to its strategic nature. If the new demand forecasts indicated a higher growth of electricity consumption, the plan would be adjusted by adding fast-implementation projects, and otherwise, the adjustment is made by delaying or suspending minor projects, so that the date of El Diquís is not changed and the expansion plan is still optimized.

El Diquís is a strategic project for the development of the electricity system because it plays two key economic roles: meet the increasing demand and offset the variations in the variable generation sources. By 2026, when El Diquís is expected to start operating, the demand of the country will be higher than 14.000 GWh, an increase of 50% over the current electricity consumption. The long-term planning studies have determined that El Diquís is the economically optimal option to meet the increasing demand of future decades. Moreover, the reservoir and the high installed capacity of the plant will allow offsetting the fast variations of wind and solar power generation, which would be otherwise unacceptable in the generation system. The energy storage capacity at El Diquís makes it possible to increase the penetration of these variable sources without compromising the quality of the service.

(Continues)

El Diquís Hydroelectric Project was declared a matter of national interest in Executive Order No. 34312-MP MINAE in 2008. Such declaration means that every process needed to implement it, including financing procedures, environmental studies, and others, will be a priority for every governmental institution involved, by submitting the related activities to fast and effective procedures.

Therefore, as previously indicated, as of 2000, ICE started conducting a series of technical and feasibility studies to justify the feasibility and relevance of the project, which led to an investment amounting to ¢85.883 million (¢85.364 million in 2016) as of March 31, 2017. This investment includes the costs incurred for a series of activities to implement the Environmental Impact Assessment, which as of the date of this report is at an advanced stage, followed by its submission to the National Technical Environmental Secretariat (SETENA), the body in charge of reviewing, approving, and issuing the Environmental License. The purpose of this study is to identify, forecast, and assess the environmental impacts that might have positive and negative effects on the environment and to develop an Environmental Management Plan Forecast aimed at preventing, correcting, mitigating, or offsetting such effects by seeking the sustainable development of the project. In implementing such a study, ICE has not only considered the requirements established by the local laws and regulations, but also, as a benchmark, the requirements of some international financial institutions as part of the terms and conditions to finance projects of this nature.

Together with this environmental study, and as part of the elements needed to meet the aforementioned local and international regulatory requirements, as well as those established by the United Nations (UN) in ILO Convention 169 on Indigenous and Tribal Peoples in Independent Countries, ratified by our country in 1992, a process known as Indigenous Consultation was included, and due to the location of the aforementioned hydroelectric project, it takes into consideration indigenous territories that will be affected by the construction of the reservoir. In light of this situation and under the responsibility of the Government of Costa Rica, the aforementioned consultation was started to establish a dialogue platform between the Government and the indigenous peoples and develop a regulatory instrument to regulate the activities to be defined regarding the effects of the implementation of El Diquís Project. The completion of the agreements involved in this consultation process, which are a binding element to grant the aforementioned Environmental License, is foreseen for 2017. Initially and due to the deficiencies in the dialogue process, some legal proceedings were filed by Asociación de Desarrollo Integral de la Reserva Indígena de Térraba, which are being settled as part of the Indigenous Consultation.

(Continues)

Based on the feasibility studies conducted, an amount of about US$4.000 million (including scaling and financial expenses) was estimated as the value of the investment to implement such a hydroelectric project. To finance such investment, ICE has relied upon a work team, known as Financing Commission, which has been exploring financing plans in the light of the foreseen business model, which may have, at the beginning, local and regional impacts by meeting the energy requirements of the country and Central America, in which the Regional Electricity Market (MER) operates. As a significant element of the process to search for the financing of such project, it must be taken into account that this is a project of public interest, as indicated above, and since it is a renewable energy project, it strengthens the negotiations that might be required for this financing.

In general, in the opinion of ICE's Corporate Governance Division, El Diquís Hydroelectric Project is essential to implement the plan to expand the energy generation capacity to meet the foreseen energy demand in the future, when there are projections for a strong national electricity market. Moreover, the activities performed by ICE before the implementation of the project represent proactive efforts to make the aforementioned financing process easier.

(Continues)

(In millions of colones)

Note 16. <u>Intangible Assets</u>

Intangible assets are detailed as follows:

		As of March 31, 2017	As of December 31, 2016
Intangible assets:			
Licences, sytems, and applications (1)	¢	105,909	104,461
Rights of way and easements		28,885	28,740
Goodwill (2)		2,813	2,813
Rights guaranteed by law		2	2
Total		**137,609**	**136,016**
Accumulated amortization:			
Licenses, systems and applications		85,632	83,012
Goodwill		-	444
Total amortization		**85,632**	**83,456**
Net total	**¢**	**51,977**	**52,560**

The movement of intangible assets is shown as follows:

		Licences, sytems, and applications (1)		Rights of way and easements		Rights guaranteed by law		Goodwill (2)		Total	
		As of March 31, 2017	As of December 31, 2016	As of March 31, 2017	As of December 31, 2016	As of March 31, 2017	As of December 31, 2016	As of March 31, 2017	As of December 31, 2016	As of March 31, 2017	As of December 31, 2016
Cost:											
Opening balance	¢	104,461	105,497	28,740	25,576	2	2	2,813	5,863	136,016	136,938
Additions		3,282	19,096	151	3,164	-	-	-	-	3,433	22,260
Transfers		(566)	(10,909)	-	-	-	-	-	-	(566)	(10,909)
Retirements		(1,268)	(9,223)	(6)	-	-	-	-	-	(1,274)	(9,223)
Adjustments		-	-	-	-	-	-	-	(3,050)	-	(3,050)
Total cost	**¢**	**105,909**	**104,461**	**28,885**	**28,740**	**2**	**2**	**2,813**	**2,813**	**137,609**	**136,016**
Accumulated amortization:											
Opening balance	¢	83,012	72,451	-	-	-	-	444	601	83,456	73,052
Amortization - expense		3,273	14,984	-	-	-	-	-	(157)	3,273	14,827
Amortization - investment		132	408	-	-	-	-	-	-	132	408
Reclassifications		-	-	-	-	-	-	(444)	-	(444)	-
Transfers		-	(3,584)	-	-	-	-	-	-	-	(3,584)
Retirements		(785)	(1,247)	-	-	-	-	-	-	(785)	(1,247)
Total amortization		**85,632**	**83,012**	**-**	**-**	**-**	**-**	**-**	**444**	**85,632**	**83,456**
Net total	**¢**	**20,277**	**21,449**	**28,885**	**28,740**	**2**	**2**	**2,813**	**2,369**	**51,977**	**52,560**

(Continues)

Amortization Method

For calculating the amortization of licenses, software, and applications, ICE applies the straight-line method from the date the assets were first used, over a useful life, based on a useful life to be established and reviewed by the technical area.

ICE's rights of way and easements have no defined term over which they generate future benefits to ICE; accordingly, they are not amortized.

(1) Easements and Rights of Way

Easements and rights of way correspond to the payments made to the owners of lands which ICE Group requires to access to develop different projects and provide electricity and telecom service; however, these rights are mainly originated in the transmission lines. According to the terms of the agreements, ICE Group is only entitled to easements or rights of way, but this does mean the purchase of lands or transfer of ownership to ICE Group.

(2) Goodwill

This is excess acquisition cost over the carrying amount (net equity) of the subsidiary acquired in 2013: Eólico Valle Central, S.A (merged in 2014 with CNFL).

Impairment Test for Cash-Generating Units that Include Goodwill:

For the purposes of the goodwill impairment test related to the acquisition of Eólico Valle Central, S.A., we determined as the cash-generating unit, the entity as a whole (CNFL), including systems such as generation, distribution, commercialization, and street lighting, which represent the lowest level in which the goodwill is distributed and monitored for management purposes.

The Subsidiary (CNFL) follows the policy of submitting such goodwill to the impairment test annually or more frequently if there are impairment signs.

The value of recovery is determined based on the calculations of the value in use by discounting the future cash flows to be generated by a continuous use.

The values allocated to the key assumptions represent the Management's opinion and expectations regarding the future business and market trends. The key assumptions to determine the value in use for the purposes of the aforementioned impairment test were as follows:

(Continues)

(In millions of colones)

Key variable	Forecast assumptions
Cash flows	Foreseen in colones.
Forecast term	5 fiscal years ended December 31. From 2017 to 2021.
Income growth	By 2017, a decrease of 5,8% in the income is foreseen. Increase of 6,1% per annum in colones throughout the forecast period.
Operating margin	Between 2,8% and 10,2% throughout the forecast period.
Discount rate	An estimated 7,8% per annum in colones (8,20% in 2015).
Terminal value	It is calculated in perpetuity at the end of the period.
Operating expense increase	Throughout the forecast period, there is an increase of 4% per annum.
Investment in working capital	It is not considered in the analysis conducted by the Company.
Investment in property, machinery and equipment	Included in the maintenance expenses; therefore, it is forecasted separately.

According to the aforementioned analysis, the estimated value of recovery is higher than the carrying amount of the cash-generating unit and, consequently, it was determined that there is no impairment of the value of the assets as of December 31, 2016.

The estimate of the value in use of the cash-generating unit is particularly sensitive to the annual growth of the income and the variations in the discount rate. Management has determined that a change in two key assumptions might make the carrying amount surpass the recoverable amount. The following table shows the value by which these two key assumptions must change individually so that the estimated recoverable amount of the cash generating unit (CNFL) is the same as the carrying amount:

	Required change so that the carrying amount is equal to the recoverable amount December 31,	
	2016	2015
Discount rate	1,2%	1,55%
Income growth rate	(0,71%)	(0,94%)

(Continues)

The estimated recoverable amount as of December 2016 of the cash generating unit surpasses the carrying amount by about ¢224.311 million (¢235.276 million in 2015).

(Continues)

(In millions of colones)

Note 17. <u>Guarantee and Savings Fund (Restricted Fund)</u>

The balance of this account shows the total value of the economic contributions made by ICE to the Guarantee and Savings Fund and the Supplemental Pension Plan, as well as the value of the capitalizations recognized by such funds on these contributions net of the applications due to early withdrawals, pension rights, settlements, and actuarial adjustments. A detail of this account is as follows:

		As of March 31, 2017	As of December 31, 2016
Aporte al Régimen de Pensión Complementaria	¢	125,033	124,725
Aporte al Régimen de Garantía y Ahorro		85,492	84,101
Total	**¢**	**210,525**	**208,826**

The contributions made by ICE to these regimes are aimed at achieving the objective or activities related to the origin of such regimes. The benefit plans derived from these two regimes are managed by the fund known as Guarantee and Savings Fund. The assets, liabilities and equity of such regimes are managed separately and are not included in the separate financial statements of ICE.

Furthermore, the Supplemental Pension Regime was established to manage the contributions or economic resources aimed at covering the obligation of ICE to recognize additional employee pension benefits.

The financial statements of ICE Group do not show the liabilities or the obligation related to the pensions being paid or the available net assets to cover future employee pension benefits because ICE's accounting policy has been to show only the contributions made to such regime, as indicated above. Such an obligation and net assets are managed and shown separately in the accounting records of the Supplemental Pension Fund-Regime.

(Continues)

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

Note 18. Securities Payable (Bonds)

The balances of the securities (debt securities) issued by ICE are as follows:

	Currency	Interest rate	Year of maturity	As of March 31, 2017			As of December 31, 2016		
				Long-term	Short-term	Total	Long-term	Short-term	Total
Internal debt:									
Bond issue	¢	Variable between 3,21% y el 9,10% and fixed between 10,87% and 11,45%, in 2017 and 2016	2021-2036	255,230	25,076	280,305	255,206	25,000	280,206
Bond issue	US$	Fixed between 5,97% and 7,65%, in 2017 and 2016	2019-2027	313,924	-	313,924	310,547	-	310,547
External debt:									
Bond issue	US$	Fixed between 6,38% and 6,95%, in 2017 and 2016	2021-2043	562,490	-	562,490	556,440	-	556,440
Other:									
Premium bond issue	¢	Variable between 6,49% and 8,70% and fixed between 6,95% and 11,41%, in 2017 and 2016	2020-2027	6,230	-	6,230	6,481	-	6,481
Discount bond issue	¢	Variable 7,10% and fixed between 5,97% y el 11,41%, in 2017 and 2016	2017-2043	(5,126)	-	(5,126)	(5,185)	-	(5,185)
				1,132,748	**25,076**	**1,157,824**	**1,123,489**	**25,000**	**1,148,489**

The securities payable (bonds) denominated in dollars amount to US$1.558 million.

(Continues)

(In millions of colones)

Note 19. Notes Payable

The balances of notes payable are detailed as follows:

		As of March 31, 2017	As of December 31, 2016
Internal debt:			
In colones	¢	176,602	173,074
In U.S. dollars		49,144	49,464
External debt:			
In U.S. dollars		668,804	668,155
In yens		79,594	70,577
		974,144	**961,270**
Short-term		93,696	91,351
Long-term		880,448	869,919
	¢	**974,144**	**961,270**

A detail of notes payable by creditor is as follows:

		As of March 31, 2017	As of December 31, 2016
Internal debt:			
State-owned banks	¢	216,990	213,170
Private banks		8,755	9,367
External debt:			
Private banks		732,482	718,426
Other creditors		15,917	20,307
	¢	**974,144**	**961,270**

Notes payable in dollars correspond to US$1.270 million in and Yens to ¥15.806 million.

(Continues)

(In millions of colones)

The general characteristics of notes payable, classified into internal and external debt in 2017 se are summarized as follows:

General characteristics of debt (U.S. dollars and colones, as indicated)			
	Interest rate	**Currency**	**Term**
Internal debt:	Variable between 2,00% and 14,00%, in 2016 and 2015.	¢	Maturing between January 31, 2018 and October 21, 2045
	Variable between 2,65% y el 6,25%, in 2016 and 2015. Fixed between 1,95% and 8,50% (fixed between 1,95% and 8,50%, in 2016)	US$	Maturing between November 11, 2016 and December 15, 2022
External debt:	Variable between 1,85% and 6,40% (Variable between 1,85% and 6,40%, in 2016) Fixed between 0,70% and 6,40%, in 2016 y 2015.	US$	Maturing between February 15, 2018 and September 15, 2040
	Fixed between 0,60% and 2,20%, in 2016 and 2015.	JPY	Maturing between April 20, 2026 and August 20, 2054

Enforcement Clauses (Covenants):

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

Some of the loan agreements also establish clauses called:

a) *Cross Default:* these indicate that upon execution of the agreement, ICE expressly and irrevocably accepts that noncompliance of the obligations, payment and/or any other credit terms and conditions, and/or the credits ICE maintains in force with other creditors, constitute causes of acceleration of the credit for which the “Cross Default” clause was established, and for all the credits in force from the same creditor.

b) *Pari Passu Obligations:* whereby ICE agrees that its obligations under the corresponding agreement and its guarantees constitute, in every moment, obligations with a priority on payment right, at least equivalent (pari passu) to any other obligations, current or future, arising from any ICE´s debt (different from any preferred debt as mandated by law.)

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

a) It will not merge or consolidate with any person, or will allow that any of its subsidiaries does, except that: (a) any subsidiary of the Borrower (ICE) might merge or consolidate with any other subsidiary of the Borrower, and (b) any subsidiary of the Borrower merges with the Borrower, and (c) any merge or consolidation approved by the Creditor (Bank), provided that, in each case, noncompliance had not occurred and continued at the moment of such proposed transaction, or that noncompliance arises from it.

b) It will not sell, lease, transfer or dispose otherwise, nor will it allow that any subsidiaries sell, lease, transfer or dispose otherwise of assets, nor will it grant any option or any other right to buy, lease or otherwise acquire assets, except by (1) inventory sales in the ordinary course of business, (2) a transaction authorized by the Bank, and (3) sales of assets for its fair value for a total amount of not more than US$20 million (or its equivalent in other currencies) in any year.

c) It will not enter into any agreement by virtue of which it agrees or is required to share with third parties the income, directly or indirectly derived, from the works built with financing obtained from the entities shown on the previous table.

d) It will not create or accept the existence, nor will it allow that any subsidiaries create or accept any encumbrance regarding any of its property, owned by ICE now or subsequently acquired, nor will it transfer or let any subsidiaries transfer any right to receiving income from the works that will be financed by obligations incurred with the Bank.

e) It will have and make each of its subsidiaries acquires insurance with responsible or reputable insurance associations or companies, in the amounts and with the risk coverage usually taken by the companies in similar businesses, and that have similar properties in the same general areas in which the Borrower or such subsidiary operates.

f) It will comply and make that each of its subsidiaries comply with, substantially, the Laws, Rules, Regulations and applicable orders, and such compliance shall include, among others, compliance with Environmental Laws, except when it is not reasonably expected that noncompliance has a Substantial Negative Effect.

As of March 31, 2017, financial covenants regarding debt agreements comply with the established limits, except for the following cases that have the respective waivers:

<u>Non-compliance with the conditions of the IDB loan agreement No. 1931</u>

Due to the non-compliance as of March 31, 2017 with clause 6.2.11.4 “Financial Ratios” set forth in the loan agreement with the Inter-American Development Bank (IDB) for US$159 million entered into in July 2010, which states that the financial ratio of the “Net Adjusted Debt/Total Adjusted Assets” must be 0,42 times, and ICE obtained an indicator of 0,47 times as of March 31, 2017, ICE carried out the procedures in November 2016 to ask for the respective waiver, which was granted by the IDB through an official letter dated December 14, 2016.

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

Note 20. **Financial Lease Obligations**

As of March 31, 2017 and 2016, financial lease obligations are detailed below:

	Interest rate	Year of maturity	As of March 31, 2017			As of December 31, 2016		
			Long term	Short term	Total	Long term	Short term	Total
Trust in colones								
Telecommunications building	Variable 7,35%, in 2017 and 2016)	2030	18,902	718	19,620	19,066	778	19,844
Range	Variable 11,10%, in 2017 and 2016)	2034	14,930	283	15,213	14,176	153	14,330
Reventazón Hydroelectric Powe	Variable 8,75%, in 2017 and 2016)	2033	229,585	6,753	236,338	229,585	6,753	236,338
Trust in US dóllars								
Reventazón Hydroelectric Powe	Variable 6,15% (variable 8,75%, in 2016)	2033	234,555	6,933	241,488	231,923	6,933	238,856
			497,972	**14,688**	**512,660**	**494,750**	**14,618**	**509,368**

Notes payable in US dollars amount to US$435 million.

The balances detailed herein are related to obligations derived from the financial lease agreements entered into with the Trusts in charge of financing the implementation of the aforementioned projects.

In the case of the Reventazón Hydroelectric Project, the liabilities resulting from accounting for the respective assets are related to the obligations assumed by the Trust in colones and US dollars.

(In millions of colones)

Note 21. Accounts Payable

Accounts payable are as follows:

		As of March 31, 2017	As of December 31, 2016
Materials suppliers	¢	58,508	57,373
Taxes		14,017	15,940
Payroll and employee withholdings		7,204	7,752
Other creditors		76,880	60,080
Total		**156,609**	**141,145**
Less reclassification of long-term portion	**¢**	**(9,260)**	**(9,241)**
Short-term	**¢**	**147,349**	**131,904**

Note 22. Income Received in Advance

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

		As of March 31, 2017		As of December 31, 2016	
		Long term	Short term	Long term	Short term
Prepaid mobile services (1)	¢	-	8,169	-	5,443
Government grants (2)		7,211	308	6,071	308
Transfer in Property Spare Parts - Materials (3)		-	8,923	-	8,958
Other		-	2,205	-	1,489
Total	**¢**	**7,211**	**19,605**	**6,071**	**16,198**

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

(Continues)

(1) Prepaid mobile:

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

(2) Government subsidies:

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

Additionally, funds from the Project Management Trust and Programs from the National Telecommunications Fund (FONATEL) are booked. The funds are aimed at directly subsidizing the voice and broadband Internet services rendered to Public Services Rendering Centers in a specific Service Area.

(3) Transfer of ownership of spare parts – materials:

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

(Continues)

(In millions of colones)

Note 23. Accrued Expenses for Employer Obligations

Accrued expenses for employer obligations are as follows:

		As of March 31, 2017	As of December 31, 2016
Back-to-school bonus	¢	5,123	20,684
Vacations		30,904	32,457
Statutory Christmas bonus		8,724	1,733
Occupational hazards		474	485
Work mobility compensation		8	8
Third and fifth biweekly salary payment		772	-
Total	**¢**	**46,005**	**55,367**

Movement of accrued expenses for employer obligations is as follows:

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Occupational hazards	Third and fifth biweekly salary payment	Work mobility compensation	Total
2017								
Opening balance	¢	1,733	20,684	32,457	485	-	8	55,367
Expensed - investments		1,339	462	906	662	1,689	-	5,058
Expensed - operations		5,708	4,572	4,633	-	-	-	14,913
Used		(56)	(20,595)	(7,092)	(674)	(917)	-	(29,333)
Total	**¢**	**8,724**	**5,123**	**30,904**	**474**	**772**	**8**	**46,005**

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Riesgos Profesionales	Third biweekly and fifth	Work mobility compensation	Total
2016								
Opening balance	¢	2,102	22,144	27,156	8,862	-	-	60,264
Expensed - investments		10,084	3,709	6,796	2,957	8,489	878	32,913
Expensed - operations		17,508	17,631	21,361	-	-	-	56,500
Used		(27,961)	(22,800)	(22,856)	(11,334)	(8,489)	(870)	(94,310)
Total	**¢**	**1,733**	**20,684**	**32,457**	**485**	**-**	**8**	**55,367**

(Continues)

(In millions of colones)

Note 24. <u>Employees' Legal Benefits</u>

Employees' legal benefits are as follows:

		As of March 31, 2017			As of December 31, 2016		
		Long term	**Short term**	**Total**	**Long term**	**Short term**	**Total**
Severance benefits	¢	107,067	25,679	132,746	106,829	26,650	133,479
Total	**¢**	**107,067**	**25,679**	**132,746**	**106,829**	**26,650**	**133,479**

The movement of the employees' legal benefits is detailed as follows:

		Severance benefits
<u>2017</u>		
Opening balance	¢	133,479
Expensed - investment		790
Expensed - operation		3,147
Used		(4,670)
Total	**¢**	**132,746**

		Severance benefits
<u>2016</u>		
Opening balance	¢	144,658
Expensed - investment		15,405
Expensed - operation		19,923
Used		(58,304)
Adjustments due to effect of actuarial study		11,797
Total	**¢**	**133,479**

(Continues)

(In millions of colones)

Note 25. **Legal Provisions**

Legal provisions are as follows:

		As of March 31, 2017	As of December 31, 2016
Provision for contingent liabilities	¢	2,674	2,708
Total	**¢**	**2,674**	**2,708**
Less: current portion		**2,497**	**2,476**
Long-term legal provisions		**177**	**232**

The movement of legal provisions is detailed as follows:

		Provision for contingent liabilities
2017		
Opening balance	¢	2,708
Expensed - investment		297
Expensed - operation		34
Used		(365)
Total	**¢**	**2,674**

		Provision for contingent liabilities
2016		
Opening balance	¢	3,735
Expensed - investment		1,924
Expensed - operation		255
Used		(3,206)
Total	**¢**	**2,708**

(Continues)

(In millions of colones)

Note 26. **Memoranda Accounts**

		As of March 31, 2017	As of December 31, 2016
Guarantees received:			
Performance bonds (1)	¢	178,682	146,357
Collection agentes (2)		3,604	3,762
Bid bonds (3)		704	559
Tenders		8	8
Guaranty deposits		386	178
Subtotal		183,384	150,864
Other guarantees received - Sundry services		1,706	1,949
Credit memoranda accounts - Other - Surety		1,680	1,522
Consigned assets		26	34
Contingent assets:			
Savings and loan fund		29,860	28,756
CNFL Employees Association (ASEFYL)		13,815	13,549
Performance bonds - procurement		1,646	2,323
Materials in transit		109	1,624
Bid bonds		831	834
Collection of electricity services		1,113	1,131
Materials loan		59	63
Employee guarantees		59	46
Rental of posts		760	785
Performance bonds - labor		27	19
Guaranty deposits (electricity consumption)		3,442	266
Valle Central Wind Power Plant		82	81
CNFL performance bonds		849	840
Subtotal		52,652	50,317
Contingent liabilities:			
Payment arrangement - financing of appliances		122	144
Total	¢	**239,570**	**204,830**

(1) Performance Bonds

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

(Continues)

(2) Collection agents

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

(3) Bid bonds - received

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

Note 27. Income from Services

Regulation of Electricity Services

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

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

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

Telecom Service Regulation

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

(Continues)

(In millions of colones)

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

Note 28. Operation and Maintenance Costs

Operation and maintenance costs include costs related to fuel consumption to generate power by its own or leased thermal power plants; a detail of such costs incurred in thermal power generation is as follows:

		For the period ended on March 31,	
		2017	**2016**
Thermic plant:			
Moín I		-	292
Moín II		74	-
Moín III		3	2
Others		76	255
Total	**¢**	**153**	**549**

Besides the fuel costs indicated in the chart above, ICE Group incurred in such costs related to the Garabito plant amounting to ¢1.245 (¢4.326 in 2016), which are registered in the account referred to as operation and maintenance of leased equipment (see note 29).

(Continues)

(In millions of colones)

Note 29. **Operation and Maintenance Costs of Leased Equipment**

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

		For the period ended on March 31,	
		2017	**2016**
Thermic generation	¢	9,936	13,135
Hydraulic generation		5,567	4,236
Geothermal generation		2,444	2,507
Substations		1,402	1,322
Telecommunications rented		1,233	979
Transmission lines		545	558
Sub total		**21,127**	**22,737**
*Elimination of institutional services		(29)	(449)
Total		**21,098**	**22,288**

* Corresponds to the elimination of internal consumption of telephone and electricity.

(1) Includes fuel costs amounting to ¢1.245 (¢4.326 in 2016).

Costs for the operating leases of the plants mentioned above amounts to ¢15.874 in 2017 (¢15.534 in 2016).

Notes to the Consolidated Financial Statements

(In millions of colones)

The lease agreement for telecom equipment, transmission equipment, and power plants, excluding agreements that comply with the policy on operating assets and other operating assets under financial leases, are booked and classified as operating leases for financial and tax purposes, as follows:

General features of the agreement					In millions of U.S. dollars												
Service order No.	**Lessor**	**Date of agreement**	**Starting date**	**Approximate expiration date**		**Amount of agreement**	**Total paid**	**Service order balance at March 31, 2017**	**Paid in 2017**	**No. of installments**	**Amount of installment**	**Purchase option**		**Expense in 2017**	**Expense in 2016**	**Frequency**	**Subject of the agreement**
ICE Group																	
Without order	Garabito Thermal Project Trust (1)	05-nov-07	01-jul-10	31-mar-22	US$	743	429	314	10	144	5	213	¢	8,504	8,507	Monthly	Lease for Cariblanco Hydroelectric Power Plant
Without order	Cariblanco Securitization Trust (1)	16-ago-00	29-feb-08	31-dic-19		304	234	70	4	149	2	8		2,304	2,227	Monthly	Lease for Garabito Thermal Power Plant
333059	Las Pailas Geothermal Power Plant (2)	07-mar-07	28-mar-12	31-dic-23		240	89	152	-	24	8	-		2,527	2,369	Half-yearly	Lease for Las Pailas Geothermal Power Plant
Without order	Toro 3 Power Plant Trust (1) and (4)	01-jun-13	30-jun-13	30-nov-24		131	36	95	2	144	$1	-		1,311	1,267	Monthly	Infrastructure for Tejar Step-down Substation/Easements and expansion tower sites for Río Macho Transmission Line
351643	Administrative Board of Cartago's Electricity Service (JASEC) (3)	14-abr-10	04-dic-13	14-abr-22		25	9	16	-	20	Between US$1 637 and US$854 (in thousands)	-		319	221	Half-yearly	Lease for Toro 3 Power Plant
Subtotal - Operating leases - U.S. dollars					**US$**	**1,562**	**916**	**647**	**20**				**¢**	**14,964**	**14,591**		
						In millions of colones											
General features of the agreement																	
ICE Group																	
350702	Cooperativa de Electrificación Rural Guanacaste (5)	16-feb-10	06-abr-10	06-sep-21	¢	87,848	40,497	46,441	910	140	Variable between ¢617 and ¢473	Approximately ¢3,541	¢	910	944	Monthly	Infrastructure for electricity transmission line Liberia, Papagayo - Nuevo Colón
Subtotal - Operating leases - colones					**¢**	**87,848**	**40,497**	**46,441**	**910**				**¢**	**910**	**944**		
Total - Operating leases													**¢**	**15,874**	**15,534**		

Source: Financial-Liquidity Management Process

(Continues)

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

(1) Securitization Trusts:

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

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization.

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.

(Continues)

b) Tangible and intangible assets of the trustor, which are essential to the object of the contract, will be transferred as trust property to the Trust; the civil works, equipment, facilities, workshops, vehicles, equipment and materials inventory, office equipment, computer equipment, including software, licenses, and any others that have been acquired with the trust's resources for the development of the projects and for the operation and maintenance of the plants, as well as the right to use the land owned by the trustor, as required for the development of the projects, and all the intellectual information and studies produced for and during the development of the project's works in charge of the trusts.

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

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

- The trustee may only use the trust assets according to the provisions expressly contained in the trust agreements and pursuant to the instructions issued by the trustor. Both, the trustee's powers of disposal over the trust assets as well as the trustor's powers to issue instructions on such assets, are limited to the execution of those acts that are strictly necessary to fulfill the purpose of the trust.

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

- The trustor must appoint a Manager from the Execution Unit, who should be accepted by the trustee, and who shall act as the superior, with the inherent rights and duties.

- The trustor and the trustee agree that ICE Group will be hired by the Trust to assume the responsibility of the construction of the projects, through an engineering and construction agreement.

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

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

(Continues)

(2) Las Pailas Geothermal Power Plant:

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

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

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

- A lease is set for a term of 12 years with a purchase option for Las Pailas Geothermal Plant, starting upon the satisfactory receipt of the works by ICE Group.
- The total amount of the lease amounts to US$240 (in millions), including lease installments and maintenance fees.
- At the end of the lease term, the purchase option may be executed in the amount of 15% of the total investment accrued during the construction stage.
- CABEI will invest in the construction of the plant in an amount of up to US$130 (in millions.)

(Continues)

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

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

- ICE Group 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 Group 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 Group may exercise the purchase option prior to expiration of the agreement for an amount equivalent to CABEI's investment not yet recovered.

(3) <u>Tejar Step-down Substation - JASEC:</u>

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

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

(4) Toro III Hydroelectric Power Project:

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

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

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

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

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

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

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

(In millions of colones)

Note 30. Supplemental Services and Purchases

Supplemental services and purchases are as follows:

		For the period ended on March 31, 2017	2016
Telecommunications:			
National traffic operators	¢	3,601	3,953
Telephone participation		1,023	1,442
Others		1,460	1,000
Total Telecommunications		**6,084**	**6,395**
Electricity:			
Import:			
Regional Operating Entity (EOR)		555	1,668
Others		7	587
Subtotal import		**562**	**2,255**
Private generators:			
Consorcio Eólico Chiripa, S.A. (Contrato B.O.T)		5,169	6,550
Planta Eólica Orosi, S.A. (Contrato B.O.T)		5,121	6,277
Unión Fenosa Generadora La Joya, S.A. (Contrato B.O.T)		4,867	5,198
Hidroenergía Del General (HDG), S.R.L. (Contrato B.O.T)		3,452	4,421
Planta Eólica Guanacaste, S.A. (Contrato B.O.T)		3,408	4,924
Unión Fenosa Generadora Torito		2,472	3,548
Hidroeléctrica Doña Julia, S.A.		1,995	2,430
Inversiones Eólicas Campos Azules S.A.		1,990	-
Fila de Mogote		1,936	
Azucares el Viejo, S.A.		1,861	1,728
Planta Eólica Tilawind, S.A.		1,784	2,079
Hidroeléctrica Platanar, S.A.		1,775	1,920
Proyecto Hidroeléctrico Chucás, S.A.		1,725	
Eólicas Guanacaste S.A.		1,636	
Ingenio Taboga, S.A.		1,457	1,578
Hidroeléctrica Río Lajas, S.A.		1,331	1,427
Plantas Eólicas, S.A.		1,255	1,697
Molinos de Viento Del Arenal, S.A.		1,210	1,761
Proyecto Hidroeléctrico Río Volcán, S.A.		1,108	1,286
Proyecto Hidroeléctrico Pedro, S.A.		1,067	1,244
Planta El Angel, S.A.		1,031	-
Planta Eolica Vientos del Este, S.A.			1,049
Others		3,740	3,874
Subtotal cogeneradores		**51,390**	**52,991**
Purchases for export:			
Regional Operating Entity (EOR)		2,366	2,744
Total Electricity		**54,318**	**57,990**
Total ICE Group	**¢**	**60,402**	**64,385**

(Continues)

(1) Private generators*:*

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

As of December 31, 2016, ICE Group has entered into six power purchase agreements under Chapter II that correspond to BOT agreements (Built, Operate, and Transfer) with the following private generators: Unión Fenosa Generadora La Joya S.A.; Hidroenergía del General (HDG), S.R.L.; Planta Eólica Guanacaste, S.A.; Consorcio Eólico Chiripa S.A. Unión Fenosa Generadora Torito S.A., Eólicas de Orosi Dos, S.A., and PH Chucás, S.A. and Capulín Wind Project is in the construction phase. During the life of the agreements, those independent power producers must build, operate, and provide maintenance to the corresponding plants. The power generated will be sold exclusively to ICE Group. 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 private generators or ICE Group may request the early transfer of the power generation plants.

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

- The private generators shall be responsible for the financing, design, procurement of supplies, construction, evidence, startup and maintenance of the plants. The private generators also agree to deliver all the energy produced to ICE Group during the term of the contract.

- The private generators shall produce energy with the quality and standards of operation set forth in each contract and will fully deliver it to ICE, with the exception of that required to feed the auxiliary equipment and for servicing of the plants, pursuant to the contracts.

(Continues)

- The private generators take the risk for damage, loss or destruction of the equipment and facilities, during the term of the contract, due to any reason or cause whatsoever that is directly attributable to the private generators, its contractors, subcontractors or suppliers, excluding force majeure.

- The purchase price for electricity generated is established in each agreement based on the bid price and the price awarded in the corresponding tender processes. The agreements include price adjustment forms for variations due to inflation, and which apply on the operating and maintenance cost component.

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

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

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

The current agreements are in effect for terms that range between 15 and 20 years and expire between December 2016 and March 2035.

For private generators who have entered into agreements under Chapter I of Law No. 7200, the following three types of agreements are in effect:

- Class A: Applicable to hydroelectric power plants with a power output of less than 5 MW.
- Class B: Applicable to hydroelectric power plants with a power output greater than 5 MW.
- Class C: applicable to wind power generation plants.

(Continues)

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

ICE will not make any payments for the power delivered by the private generator exceeding of the maximum power output agreed. Electricity received in light of these agreements is paid at the rates in effect set by ARESEP upon delivery.

Under Chapter I of Law N° 7200, ICE Group signed agreements as of the date the law was enacted, in 1990. As of 2009, once the agreements executed in the nineties started to expire (which maximum term was 15 years), ICE Group proceeded to renewal, for the remaining term of the concessions (which were granted for 20 years.) Currently, agreements are being renewed once the companies obtain new concessions, both for use of water forces, in case of hydroelectric projects, and the generation public service granted by ARESEP. Moreover, new plants are being included and their agreements were entered into a result of the bidding processes 2012 and 2014. Currently, agreements have been entered into with 28 company: 8 wind plants, 2 sugar factories, and 18 hydroelectric plants.

In addition, as of 2012, once ARESEP published the rates for new plants, and the new regulation for Chapter I of Law No. N° 7200 was published, ICE started the selection process of projects with which new agreements will be signed. In June 2012, Bid No. 01-2012 was published, through which five wind projects and six hydroelectric projects were selected, of which agreements were entered into with the wind power projects of Tilawind, Campos Azules and Altamira in Tilarán, and Vientos de la Perla and Vientos de Miramar in Liberia, which became operational in the first quarter of 2015 and the first quarter of 2017. Of the hydroelectric projects, only El Ángel Ampliación executed an agreement and it is currently operational.

(Continues)

In February 2014, Bid No. 02-214 was published, which results appeared in La Gaceta of June 25, and it was final on August 29, once the General Management rejected the motion of appeal filed by one of the participants. In this second bid, 2 wind projects and 4 hydroelectric projects were selected, one of which refused the selection. In December 2015, Vientos del Este Wind Power Generation Plant became operational with a generation of 9 MW, and in July 2016, Mogote Wind Power Generation Plant became operational with a generation of 20 MW. The hydroelectric projects are planning to enter into agreements in the second semester of 2017.

Rate Adjustment for Private Generation Plants

On March 19, 2015, Ruling RIE 027-2015 dated March 13, 2015 was published in La Gaceta to authorize a rate setting for the new wind power plants pursuant to the "Model to set benchmarking rates for new private wind power plants."

Ruling RIE 124-2015 dated December 16, 2015, was published in La Gaceta on December 11, 2015, which authorizes a rate setting for the company Hidroeléctrica Platanar, S.A. and the rest of existing private independent hydroelectric and wind power producers pursuant to the "Rate setting methodology for private independent power producers" (Law N° 7200) that enter into new electricity purchase agreements with ICE Group."

On November 22, 2016, Ruling RIE- 099-2016 dated November 17, 2016 was published in La Gaceta to authorize a rate setting for biomass plants (bagasse) pursuant to the "Rate setting methodology according to the typical costing structure of an electrical power generation plant using sugarcane bagasse to be sold to *Instituto Costarricense de Electricidad* and its indexation formula."

Transfer of Geoenergía de Guanacaste Ltda. Plant to ICE Group

On March 25, 2015, Miravalles III Geothermal Plant, which operated under the modality of agreement of B.O.T. (build, operate, transfer), for a period of 15 years from its startup is transferred to ICE.

(Continues)

(In millions of colones)

An increase in energy purchases from private generators according to Law Number 7200 is mainly due to the weather conditions favorable for the generation with hydroelectric sources and a higher wind power generated by the strong winds in the period; moreover, ARESEP according to Ruling RIE-107-2015 dated October 23, 2015, authorized ICE to recognize expenses from energy purchases from private generators (see note 13 (1)).

Note 31. **Administrative Expenses**

Administrative expenses are detailed below:

		For the period ended on March 31,	
		2017	**2016**
Remunerations	¢	19,376	17,548
Services		4,376	3,798
Use of service centers		1,047	1,112
Current transfers		256	617
Depreciation of other assets in operation		5	416
Others		960	2,437
Subtotal Grup ICE		**26,020**	**25,928**
* Elimination of institutional services		-166	-80
Total Grup ICE	**¢**	**25,854**	**25,848**

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

(Continues)

(In millions of colones)

Note 32. Commercialization Expenses

Commercialization expenses are detailed as follows:

		For the period ended on March 31,	
		2017	**2016**
Remunerations	¢	14,761	14,928
Materials and supplies		13,629	14,519
Services		13,338	12,802
Use of service centers		3,163	3,289
Current transfers		1,418	1,088
Depreciation of other assets in operation		892	1,016
Others		5,993	4,816
Subtotal		**53,194**	**52,458**
* Elimination of institutional services		-577	-423
Total	**¢**	**52,617**	**52,035**

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

(Continues)

(In millions of colones)

Note 33. Preliminary Studies

The expenses of preliminary studies are as follows:

		For the period ended on March 31,	
		2017	**2016**
Remunerations	¢	2,826	2,933
Use of service centers		991	1,224
Services		154	432
Current transfers		88	91
Depreciation		35	36
Materials and supplies		10	7
Others		351	348
Subtotal ICE Group		**4,455**	**5,071**
* Elimination of Government services		(9)	(28)
Total ICE Group	**¢**	**4,446**	**5,043**

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

(Continues)

(In millions of colones)

Note 34. <u>Pre-Investment Studies</u>

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

		For the period ended on March 31,	
		2017	**2016**
Los Llanos Study (1)	¢	405	681
Others		339	122
Total	**¢**	**744**	**803**

(1) Los Llanos Study

Los Llanos Hydroelectric Project is located in the Basin of Naranjo River. Should the project be implemented, there is a possibility of adding the waters of Brujo River and increasing the generation power to 126 MW provided that its environmental issues under analysis are solved.

(Continues)

(In millions of colones)

Note 35. <u>Other Operating Expenses</u>

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

		For the period ended on March 31,	
		2017	**2016**
Administrative services	¢	1,038	226
Transmission works for private generation		49	7
Capulin Hydroelectric Proyect		46	52
Chucas Hydroelectric Proyect		44	121
Design		17	-
Advance mobile services		16	3
Integral Customer Care		15	7
Other		35	71
Total	¢	**1,260**	**487**
* Elimination of Government services		(10)	-
Total		**1,250**	**487**

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

(Continues)

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

Note 36. Other Interest and Other Expenses

Other interests and other expenses are detailed below:

Other income		**For the period ended on March 31, 2017**	**2016**
Interests and other financial income (1)	¢	6,677	7,067
Foreign exchange differences (2)		718	813
Construction services (3)		2,874	(21)
Other products (4)		10,767	5,580
Total	¢	**21,036**	**13,439**

Other expenses		**For the period ended on March 31, 2017**	**2016**
Interests and other financial expenses(5)	¢	42,292	28,915
Foreign exchange differences (2)		24,392	5,840
Agreements for civil and electromechanical works (3)		1,289	188
Other expenses		(919)	980
Total	¢	**67,054**	**35,923**

A description of the main transactions is as follows:

(1) Interest includes income on securities of the external sector.

(2) As a result of the foreign currency transactions of the valuation of assets and liabilities denominated in foreign currency during the period ended March 31, 2017, there was a recognition of the income and expense from foreign exchange fluctuation in the amount of ¢718 and ¢24.392, respectively (¢813 and ¢5.840 respectively, in 2016). For a valuation of such monetary assets and liabilities at year-end, an exchange rate of ¢562,49 (¢538,31 in 2016) was used.

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(3) Construction services include invoices for percentage of completion or completed works related to agreements entered into for engineering, design, construction, or other specialized services provided to ICE Group by third parties for projects under construction. The costs related to these construction agreements are registered under "Agreements for civil and electromechanical works."

(4) During the period ended March 31, 2017, ICE Group recognized the following significant income:

- Collection of administrative penalties in the amount of ¢4.954 (¢898 in 2016).
- Third-party lease and maintenance of generation plants in the net amount of ¢431 (¢282 in 2016).
- Others.

(5) During the period ended December 31, 2016, ICE Group recognized financial expenses mainly from interest on bank obligations and loans and fees and commissions on management of derivative financial instruments in the amount of ¢42.292 (¢28.915 in 2016).

Note 37. Tax Regulations

(a) Tax Obligations

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

(b) Income Tax

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

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

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

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

(c) General Sales Tax

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

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

(d) <u>Special parafiscal contribution for telecommunications carriers and providers to the National Telecommunications Fund (FONATEL) (General Telecommunications Law Number 8642)</u>

Article 39 of the General Telecommunications Law Nº 8642 sets forth a quasi-fiscal tax to finance the National Telecommunications Fund (FONATEL) to ensure compliance with the principles of universal access, universal service, and cooperation. The quasi-fiscal tax will levy on the gross income directly earned by the operators of public telecommunications networks and telecommunications service providers available to the public who generated the taxable event by performing the aforementioned activities and receiving the specific benefit from State activities.

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

The tax rate is set annually by SUTEL no later than November 30 of the corresponding tax year. The percentages established for this tax range between 1.5% and 3%, and the definition of the final rate will be based on SUTEL's estimates of the income and costs of the projects to be executed in the following budget year. In the event that the tax rate is not defined by SUTEL in a timely manner, the applicable rate for the immediately preceding tax period will be used.

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(e) <u>Parafiscal contribution to telephony services</u>

Law N° 9355 published on May 27, 2016 “Amendments to Several Laws to Finance the Costa Rican Red Cross” created a parafiscal contribution for the Costa Rican Red Cross.

This contribution has 1% rate of the amounts paid by the owners of a conventional, mobile, prepaid, or postpaid telephone line or any other type of telephony service. The amounts collected must be paid not later than the fifteenth calendar day of each month. Such Law derogates Law 8690, which defines the Red Tax allocated to the financing of the Costa Rican Red Cross.

(f) <u>Tax in favor of the Firefighter Department of Costa Rica</u>

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

(g) <u>Customs Duties</u>

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

(h) <u>Other Obligations</u>

ICE also acts as a tax withholding agent for income tax, pursuant to the provisions contained in the Income Tax Law. Under this scheme, the taxpayer is the withholder, and ICE is jointly and severally liable. As withholding agent, ICE is

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responsible for withholding the respective tax and for reporting the Tax Authorities on behalf of beneficiaries of income of the types specified below:

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

Note 38. Institutional Financial Risk Management

ICE Group is exposed to the following risks from financial instruments: *credit* risk (noncompliance by customers or counterparties), *liquidity* risk (inability to meet obligations due to lack of liquidity), and *market* risk (currency, interest rate, and commodity risks). All these risks have an impact on the management of ICE Group; however, each risk is handled individually. For example, in the case of ICE Group, credit risk is regulated through the Investment Committee through a rigorous analysis of issuers and camels cards and the liquidity risk is managed by controlling treasury's cash flows of the telecom and electricity sector and regarding market risks through financial hedges or with financial derivatives. As a result, risk exposure is controlled through the Investment Committee.

ICE's Investment Committee is vested with the authority to monitor and control management of the temporary investments of ICE Group's electricity and telecom sectors. This is the body to which the Corporate Financial Division delegates responsibility for defining investment policies and procedures. Therefore, this committee establishes the guidelines (restrictions) in respect of investment decisions, which include investment limits, currency, sector as well as the risk levels for the portfolio composition.

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The Investment Committee approves the Investment Strategy document (which is reviewed on a yearly basis) and the Management Limits document for ICE Group's investment portfolios (which is reviewed as determined by the Committee). It also has the Financial Investment Policy Manual and the procedure for making international investments, which seeks greater and better diversification of temporary investments. Moreover, there is a follow-up of the risk level through indicators of the value in risks, duration, modified duration, concentration indicators, credit risk indicator, liquidity, among others. Moreover, stress testing and back testing are used to measure the effectiveness of the model used.

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

The Corporate Policy for Financial Risk and Financial Hedging Management, effective since 2011, was updated in 2016.

The purpose of the 2016 update is "*to provide ICE with a financial risk management framework in accordance with the strategic objective of cost and expense optimization included in the business strategy, through an effective management of financial risks using market opportunities, based on available financial instruments in accordance with the Risk Management and Financial Risk Hedging Strategy*."

Risk management policies and systems are revised annually to ensure that they reflect changes in market conditions and in ICE Group's activities. This review is performed by the Financial Corporate Division through the Financial Risk Process.

The use of financial derivatives is in accordance with ICE Group's policies and meets international accounting best practices, which provide written principles on foreign currency, interest rate, and credit risks, the use of derivative and non-derivative financial instruments and excess liquidity investments.

Each year, Corporate Finance Division develops a financial risk map for ICE together with other ICE departments and management of ICE Group and follows-up on action plans and control, some indicators are indicators of the financial risk management.

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

(a) <u>Credit Risk</u>

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

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

(i) <u>*Accounts receivable*</u>

Accounts receivable are controlled directly in the energy and telecommunication sectors. The process followed in each Sector to recover accounts receivable can be summarized as follows:

- Issuance of invoice and collection process through messengers in the telecommunications sector, with reminders of outstanding payments.

- Immediate suspension of electric and telephone services, after expiration date shown on the invoice, where the average collection period in the Telecommunications Sector is 29 days and 31 days for the Electricity Sector. The terms are established per sector (Collection Management Policy).

- Online collection process, through contracts with external collectors and banks, or internal collection through ICE Group cashiers.

- In the event that the balance outstanding is not recovered, the administrative collection process begins 35 days after the services have been suspended. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protector thereof so that the situation is included in the customer’s credit history. For such purposes, ICE Group uses companies dedicated to collection or coordinating payment arrangements with customers to mitigate arrears.

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- As a last resort, any residual past due accounts are processed by the Corporate Legal Division and collection is pursued by legal action.

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

(ii) *Investments*

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

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

An agreement by the Board of Directors during Meeting 6148 on September 07, 2015, approved a guideline to Authorize the Corporate Division so that in compliance of the Risk Policy and Financial Hedge Strategy, to contract financial derivatives to mitigate the exchange rate and/or interest rate effects in financial transactions, thereby nullifying the agreement issued by the Board of Directors during Meeting Number 6063 on October 23, 2013, to establish a limit of US$970 million and only for colón/dollar hedges.

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

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(In millions of colones)

(iii) *Impairment Losses*

Ageing of trade account receivables is as follows:

		As of March 31, 2017	As of December 31, 2016
Current	¢	97,326	96,149
Administrative and legal collection		57,293	55,159
Total	¢	**154,619**	**151,308**

Movement in the allowance for accounts receivable is as follows:

		As of March 31, 2017	As of December 31, 2016
Opening balance	¢	62,522	59,910
Allowance booked during the period		3,378	15,455
Allowance used during the period		(1,832)	(12,843)
Closing balance	¢	**64,068**	**62,522**

(b) Liquidity Risk:

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

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

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

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

Similarly, inputs and coordination with businesses regarding the behavior of income and the areas responsible for managing financing that allow a better matching are important, in order to optimize Treasury Management and obtain a better and timely attention of the payment obligations.

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

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

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

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income and the date of payment of obligations and other liabilities, typical of cash flow management.

(c) Market Risk:

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

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

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

The following risks have been determined for financial operations: variations in the interest rate (domestic and foreign) and foreign currency exchange rate, which affect the cash flow results, the value of instruments, and others. For such purpose, thirteen derivative financial instruments have been acquired: two to cover interest rate risk (interest rate swaps), two to cover Japanese yen exchange rate to the US dollar, called Cross Currency Swap, and nine Non Delivery Currency Swap to cover part of the colon/dollar exposure.

Notes to the Consolidated Financial Statements

(In millions of colones)

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

Detail	PR002 Tranche B D080172	PPF017 Dollar/colon Tranche B-1 E14-92583	PR003 Tranche A D091319	PFI-019 Dollar/colon Tranche A-1 E15-96556	PR004 Yens NEM120618ICE	PF-021 Yenes C34569	PR007 Dollar/colón seven year E11-92296
Hedged debt:	BID-1931 B/OC-CR	PR002	BID-1931 A/OC-CR	PR003	JIBC-CR-P3	JIBC-CR-P3	BID-1908
Principal amount	USD 30	USD 30	USD 99.75	USD 106.88	JPY 4,632.90	JPY 4,722.36	USD 40.00
Hedged amount	USD 30	CRC 23,978.00	USD 99.75	CRC 49,369.00	USD 50.90	USD 38.30	CRC 20,132.00
Exchange rate	N/A	CRC 532.85	N/A	CRC 533.00	USD 91	USD 123	CRC 503
Hiring date	08/05/2008	28/04/2014	27/01/2009	18/09/2015	18/06/2012	03/12/2015	29/03/2011
Hedge starting date of first payment	15/08/2008	15/08/2008	14/01/2010	18/09/2015	20/10/2012	20/10/2015	02/05/2011
Hedge expriration date	15/02/2018	15/02/2018	14/07/2023	14/07/2023	20/04/2026	20/04/2026	02/11/2017
Term	10 years	4 years	15 years	8 years	14 years	10,5 year	7 years
Base rate	Libor 6 months	Libor 6 months	Libor 6 months	3.23%	2.2%	2.2%	Libor 6 months
Spread over/under base rate	4.37%	5.75%	-	-	5.11%	5.01%	2.95 pb
Fixed rate	-	-	3.23%	-	-	-	Base Rate
Total Fixed rate	4.37%	5.75%	3.23%	4.23%	5.11%	5.01%	Base Rate +2,95 pb
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Hedged risk	Interest rate	Exchange rate Dollar/colón	Interest rate	Exchange rate Dollar/colón	Exchange rate Yen/dollar	Exchange rate Yen/dollar	Exchange rate Dollar/colón
Hedge Type	Cash flow hedge	Cash flow hedge	Cash flow hedge	Cash flow hedge	Fair value hedge accounting	Fair value hedge accounting	Fair value hedge accounting
Hired instrument	Interest rate swap	Non deliverable currency swap	Interest rate swap	Non deliverable currency swap	Cross currency swap	Cross currency swap	Non deliverable currency swap

Detail	PFI022 Dollar/colón three year C3489721003	PFI024 Dollar/colón three year C38910	PFI026 Dollar/colón three year C39164	PFI027 Dollar/colón three year C3489850286	PFI023 Dollar/colón three year C3489721052	PFI025 Dollar/colón three year C38912
Hedged debt:	BID-1908	BID-1908	Bonds 2021	Bonds 2021	Bonds 2043	Bonds 2043
Principal amount	USD 50.00	USD 50.00	USD 100.00	USD 200.00	USD 50.00	USD 50.00
Hedged amount	CRC 27,814.50	CRC 27,715.50	CRC 55,200.00	CRC 110,850.00	CRC 27,814.50	CRC 27,716
Exchange rate	CRC 556.29	CRC 554.31	CRC 552.00	CRC 554.00	CRC 556.29	CRC 554
Hiring date	23/11/2016	23/11/2016	09/12/2016	09/12/2016	23/11/2016	23/11/2016
Hedge starting date of first payment	25/05/2017	25/05/2017	10/05/2017	10/11/2016	14/05/2017	14/05/2017
Hedge expriration date	25/11/2019	25/11/2019	10/11/2019	10/11/2019	14/11/2019	14/11/2019
Term	3 years	3 years	3 years	3 years	3 years	3 years
Base rate	Libor 6 months	Libor 6 months	6.95%	6.95%	6.375%	6.38
Spread over/under base rate	0.90%	0.90%	7.94%	7.72%	6.96%	7.29%
Fixed rate	-	-	-	-	-	-
Total Fixed rate	2.92%	3.05%	7.94%	7.72%	6.96%	7.29%
Strategy	Hedge	Hedge	Hedge	Hedge	Hedge	Hedge
Hedged risk	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón	Exchange rate Dollar/colón
Hedge Type	Fair value hedge accounting	Fair value hedge accounting	Fair value hedge accounting	Fair value hedge accounting	Cash flow hedge	Fair value hedge accounting
Hired instrument	Non deliverable currency swap	Non deliverable currency swap	Non deliverable currency swap	Non deliverable currency swap	Non deliverable currency swap	Non deliverable currency swap

(Continues)

(In millions of colones)

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

Millions of colones		**Expected cash flows derived**	**less than 12 months**	**over 12 months**
Forward staring swap	¢	4,972	1,336	3,636
Plain vanilla swap		1,411	990	421
Total	¢	6,383	2,326	4,057

Millions of colones		**Expected cash flows from liabilities**	**less than 12 months**	**over 12 months**
BID-1931A/OC-CR	¢	47,576	7,929	39,646
BID-1931B/OC-CR		16,693	16,693	-
Total	¢	64,269	24,622	39,646

Capital Management

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

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

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

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

During the first quarter of 2017, there has been no change in the way ICE Group's capital is managed because the institution is not subject to external capital requirements.

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(In millions of colones)

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

Index Debt - Capital		**Up to March 31, 2017**	**Up to December 31, 2016**
Total liabilities	¢	3,329,076	3,280,390
(-) Cash and equivalent to cash		(188,527)	(174,224)
Debt, net		3,140,549	3,106,166
Total patrimony		2,593,179	2,625,599
Minus:			
Amount accumulated in patrimony in relation to coverage of cash flow		(11,300)	(7,412)
Capital adjusted		2,604,479	2,633,011
Index debt		**1.207**	**1.181**

Exposure to Credit Risk

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

Value in books of financial assets		**Up to March 31, 2017**	**Up to December 31, 2016**
Banks	¢	188,527	174,224
Transitory investments		97,996	112,639
Long term investments		158,623	113,688
Funds of restricted use		29,073	28,518
Documents and account payable		208,861	203,135
Total	**¢**	**683,080**	**632,204**

(Continues)

(In millions of colones)

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

By geographical region		**Up to March 31, 2017**	**Up to December 31, 2016**
National	¢	203,528	197,091
External		5,333	6,044
Total by geographical region	**¢**	**208,861**	**203,135**

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

By type of client		**Up to March 31, 2017**	**Up to December 31, 2013**
Private people	¢	96,955	97,337
Telephonic administrators		2,177	2,439
Distributing companies s		13,958	10,855
Government		14,720	13,746
Operators and suppliers of services		5,334	6,046
Others		75,718	72,712
Total by type of client	**¢**	**208,861**	**203,135**

(Continues)

(In millions of colones)

The risk ratings for ICE Group reported as of March 31, 2017, are shown as follows:

Transmitter	ISIN	Instrument	Rate risk
SAFI SCOTIABANK	ITFCPPU$FI	F.I. No Diversified Public D Scotia	SCR AAF3
BAC Bank San José, S.A.	CRBSJ00B1913	BSJ Bond	AAA(cri)
BAC Bank San José, S.A.	CRBSJ00B1921	BSJ Bond	AAA(cri)
BAC Bank San José, S.A.	CRBSJ00B1970	BSJ Bond	AA+(cri)
BAC Bank San José, S.A.	00BSJ00E0560	Repurchase	F1+ (cri)
BAC Bank San José, S.A.	CRBSJ00B1640	BSJ Bond	AAA (cri)
BAC Bank San José, S.A.	CRBSJ00B1640	BSJ Bond	AAA (cri)
BAC Bank San José, S.A.	00BSJ00E0552	Repurchase	(en blanco)
Bank Cathay	00CATAYE4096	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE0797	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE0417	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE3809	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE3874	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE0664	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE4872	Term Certificate of Deposit (global notes)	SCR2
Central Bank of Costa Rica	CRBCCR0B4270	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4767	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B3330	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4767	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B3322	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4221	Repurchase	F1+ (cri)
Central Bank of Costa Rica	CRBCCR0B4882	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4320	Repurchase	F1+ (cri)
Central Bank of Costa Rica	CRBCCR0B4080	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4080	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4080	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4080	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4395	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4221	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4221	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4403	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4403	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4726	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4726	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4080	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4403	Monetary Stabilization Fixed Rate bono	BB
Central American Bank for Economic Integration	CRBCIE0C0272	Commercial Paper (Private)	F1+ (cri)
Agricultural Credit Bank of Carthage	CRBCAC0B1561	BCAC Bond	AA+(cri)
Agricultural Credit Bank of Carthage	CRBCAC0B1512	BCAC Bond	SCR AA+
Agricultural Credit Bank of Carthage	CRBCAC0B1520	BCAC Bond	SCR AA+
Agricultural Credit Bank of Carthage	CRBCAC0B1538	BCAC Bond	SCR AA
Agricultural Credit Bank of Carthage	CRBCAC0B1546	BCAC Bond	SCR AA
Agricultural Credit Bank of Carthage	CRBCAC0B1587	BCAC Bond	AA+(cri)
Agricultural Credit Bank of Carthage	00BCAC0E5397	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Agricultural Credit Bank of Carthage	00BCAC0C78N0	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Agricultural Credit Bank of Carthage	CRBCAC0B1181	BCAC Bond	AA+(cri)
Agricultural Credit Bank of Carthage	CRBCAC0B1256	BCAC Bond	AA+(cri)
Agricultural Credit Bank of Carthage	00BCAC0C13N7	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Agricultural Credit Bank of Carthage	CRBCAC0B1496	BCAC Bond	AA+(cri)
Agricultural Credit Bank of Carthage	00BCAC0C90N5	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Agricultural Credit Bank of Carthage	00BCAC0C26O7	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Agricultural Credit Bank of Carthage	00BCAC0C56N6	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Bank Davivienda (Costa Rica) S.A.	CRBDAVIB0088	Davivienda Bond	AAA(cri)
Bank Davivienda (Costa Rica) S.A.	00BDAVIC1866	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00748	Certificate of time deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00749	Certificate of time deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	CRBCR00B3552	BCR bond	AA+(cri)
Bank of Costa Rica	00BCR00CMM30	Certificate of Time Deposit (Macroletter)	F1+ (cri)

(Continues)

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

Transmitter	ISIN	Instrument	Rate risk
Mortgage Bank of Housing -BANHVI-	CRBANVIB0094	BANHVI Bond	SCR AA+
Mortgage Bank of Housing -BANHVI-	CRBANVIC0085	Commercial paper	SCR AA+
Bank Improsa	00BIMPRE0344	Certificate of Time Deposit (Macroletter)	SCR2
Bank Improsa	00BIMPRE0484	Certificate of Time Deposit (Macroletter)	SCR2
Bank Improsa	00BIMPRC8984	Certificate of Time Deposit (Macroletter)	SCR2
International Bank of Costa Rica -Miami-	0NR0ICE00051	Overnight	BB
International Bank of Costa Rica -Miami-	0NR0ICE00046	Overnight	BB
Bank Lafise	00BLAFIE3357	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE0817	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE4033	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE5477	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIC35K1	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE0825	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE0684	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIE0841	Certificate of Time Deposit (Macroletter)	SCR2
Bank Lafise	00BLAFIC37K7	Certificate of Time Deposit (Macroletter)	SCR2
National Bank of Costa Rica	CRBNCR0B1737	BNCR bond	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1737	BNCR bond	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1745	BNCR bond	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1745	BNCR bond	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1752	BNCR bond	AA+(cri)
National Bank of Costa Rica	CRBNCR0B1752	BNCR bond	AA+(cri)
National Bank of Costa Rica	00BNCR0C09Z7	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C71Y0	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C20Z4	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C13Z9	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0E3724	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0E0498	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0E5091	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0E5729	Certificate of Time Deposit (Macroletter)	F1+ (cri)
National Bank of Costa Rica	0NR0ICE00750	Short Term Investment (Electronic Window)	F1+ (cri)
National Bank of Costa Rica	CRBNCR0B1695	BNCR bond	AA+(cri)
National Bank of Costa Rica	00BNCR0C56Y1	Certificate of Time Deposit (Macroletter)	F1+ (cri)
National Bank of Costa Rica	0NR0ICE00751	Short Term Investment (Electronic Window)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C09Z7	Certificate of Time Deposit (Macroletter)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C11Z3	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7309	BPDC Bond	AA+(cri)
Popular Bank And Community Development	CRBPDC0B6954	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0E0139	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEU71	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEZ27	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFA58	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEU97	Repurchase	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7226	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFG86	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEU71	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEU71	Repurchase	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7218	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0E0113	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7325	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7317	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7168	BPDC Bond	AA+ (cri)
Popular Bank And Community Development	CRBPDC0B7341	BPDC Bond	AA+(cri)
Popular Bank And Community Development	CRBPDC0B7341	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEE22	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEE22	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0E0139	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFN95	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFN95	Repurchase	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7275	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEZ27	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFI68	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFG45	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CDU49	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFI68	Repurchase	F1+ (cri)

(Continues)

(In millions of colones)

Transmitter	ISIN	Instrument	Rate risk
Popular Bank And Community Development	00BPDC0CDX95	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEO61	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFD89	Repurchase	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7218	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFG86	Repurchase	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7275	Repurchase	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFM96	Repurchase	F1+ (cri)
Popular Bank And Community Development	0NR0ICE00739	Certificate of time deposit (Electronic Window NB)	F1+ (cri)
Popular Bank And Community Development	00BPDC0CDW96	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	00BPDC0CFH77	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7259	BPDC Bond	F1+ (cri)
Popular Bank And Community Development	00BPDC0CDD99	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7275	BPDC Bond	F1+ (cri)
Popular Bank And Community Development	CRBPDC0B7275	BPDC Bond	F1+ (cri)
Popular Bank And Community Development	00BPDC0E0139	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	00BPDC0CDM23	Certificate of Time Deposit (Macroletter)	F1+ (cri)
Popular Bank And Community Development	00BPDC0CEC24	Certificate of Time Deposit (Macroletter)	F1+ (cri)
PRIVAL Bank,S.A. (Old BANSOL Solutions Bank)	00PRIVAE0690	Certificate of Time Deposit (Macroletter)	SCR2
PRIVAL Bank,S.A. (Old BANSOL Solutions Bank)	00PRIVAC1054	Certificate of Time Deposit (Macroletter)	SCR2
Promérica Bank	CRBPROMB1359	Promérica Bond	SCR AA +
Promérica Bank	00BPROME1427	Certificate of Time Deposit (Macroletter)	SCR AA +
Promérica Bank	CRBPROMB1284	Promérica Bond	SCR AA +
Promérica Bank	00BPROMC68F1	Certificate of Time Deposit (Macroletter)	SCR AA +
Bank Scotiabank of Costa Rica, S.A.	CRSCOTIB1292	Scotiabank Bond	AAA(cri)
Bank Scotiabank of Costa Rica, S.A.	CRSCOTIB1292	Scotiabank Bond	AAA(cri)
National Company of Force and Light -CNFL-	CRCFLUZB0207	CNFL Bond	AAA (cri)
Trust Distinguished Fire Brigade	CRFTBCBB0044	FTBCB Bond	SCR AA
Trust Distinguished Fire Brigade	CRFTBCBB0051	FTBCB Bond	SCR AA
Financial Desyfin	00FDESYE3123	Certificate of Time Deposit (Macroletter)	SCR3
Financial Desyfin	00FDESYE4766	Certificate of Time Deposit (Macroletter)	SCR2
Financial Desyfin	CRFDESYB0218	FDESY Bond	SCRAA
Financial Desyfin	00FDESYE3610	Certificate of Time Deposit (Macroletter)	SCR2
Financial Desyfin	00FDESYE3966	Certificate of Time Deposit (Macroletter)	SCR3
Florida ICE & Farm Company S.A.	CRFIFCOB0972	Fifco Bond	SCR AAA
Florida ICE & Farm Company S.A.	CRFIFCOB0998	Fifco Bond	SCR AAA
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B36H9	Property title	BB
Government	CRG0000B56H7	Property title	BB
Government	CRG0000B56H7	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B56G9	Property title	BB
Government	CRG0000B82H3	Property title	BB
Government	CRG0000B82H3	Property title	BB
Government	CRG0000B78H1	Repurchase	BB
Government	CRG0000B78H1	Repurchase	BB
Government	CRG0000B78H1	Repurchase	BB
Government	CRG0000B43H5	Repurchase	F1+ (cri)
Government	CRG0000B11H2	Repurchase	F1+ (cri)
Government	CRG0000B27H8	Repurchase	F1+ (cri)
Government	CRG0000B29H4	Repurchase	BB
Government	CRG0000B96G5	Repurchase	BB
Government	CRG0000B93G2	Repurchase	BB
Government	CRG0000B96G5	Repurchase	BB

(Continues)

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Transmitter	ISIN	Instrument	Rate risk
Government	CRG0000B41H9	Repurchase	BB
Government	CRG0000B93G2	Repurchase	BB
Government	0NR0ICE00747	Title of property zero coupon (Window)	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B51H8	Property title	BB
Government	CRG0000B11H2	Property title	BB
Government	CRG0000B27H8	Property title	BB
Government	CRG0000B27H8	Property title	BB
Government	CRG0000B76H5	Title of sovereign real estate adjustable	BB
Government	CRG0000B76H5	Title of sovereign real estate adjustable	BB
Government	CRG0000B76H5	Title of sovereign real estate adjustable	BB
Government	CRG0000B76H5	Title of sovereign real estate adjustable	BB
Government	CRG0000B43H5	Repurchase	F1+ (cri)
Government	CRG0000B45H0	Repurchase	F1+ (cri)
Government	CRG0000B45H0	Repurchase	F1+ (cri)
Government	CRG0000B55G1	Repurchase	F1+ (cri)
Government	CRG0000B75G9	Repurchase	F1+ (cri)
Government	CRG0000B93G2	Repurchase	F1+ (cri)
Government	CRG0000B27H8	Repurchase	F1+ (cri)
Government	CRG0000B75H7	Repurchase	F1+ (cri)
Government	CRG0000B75H7	Repurchase	F1+ (cri)
Government	CRG0000B72G6	Repurchase	BB
Government	CRG0000B97G3	Repurchase	F1+ (cri)
Government	CRG0000B89G0	Repurchase	BB
Government	CRG0000B25H2	Repurchase	BB
Government	CRG0000B43H5	Repurchase	F1+ (cri)
Government	CRG0000B43H5	Repurchase	BB
Government	CRG0000B27H8	Repurchase	BB
Government	CRG0000B61H7	Repurchase	F1+ (cri)
Government	USP3699PAA59	Foreign debt bond Costa Rica	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B72G6	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B89G0	Property title	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B60G1	Property title	BB
Government	CRG0000B60G1	Property title	BB
Government	CRG0000B60G1	Property title	BB
Government	CRG0000B60G1	Property title	BB
Government	CRG0000B97G3	Property title	BB
Government	CRG0000B97G3	Property title	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B55G1	Property title	BB
Government	CRG0000B81G7	Property title	BB
Government	CRG0000B27H8	Property title	BB

(Continues)

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

Transmitter	ISIN	Instrument	Rate risk
Government	CRG0000B42H7	Property title	BB
Government	CRG0000B42H7	Property title	BB
Government	CRG0000B27H8	Property title	BB
Government	CRG0000B72G6	Property title	BB
Government	CRG0000B27H8	Property title	BB
Government	CRG0000B29H4	Property title	BB
Government	CRG0000B29H4	Property title	BB
Government	CRG0000B29H4	Property title	BB
Government	CRG0000B29H4	Property title	BB
Government	CRG0000B96G5	Property title	BB
Government	CRG0000B29H4	Property title	BB
Government	CRG0000B48H4	Property title	BB
Government	CRG0000B57H5	Property title	BB
Government	CRG0000B57H5	Property title	BB
Government	CRG0000B27H8	Repurchase	BB
Government	CRG0000B42H7	Repurchase	BB
Government	CRG0000B60G1	Repurchase	BB
Government	CRG0000B43H5	Repurchase	BB
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2475	MADAP Bond	SCR AA+
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2475	MADAP Bond	AA+(cri)
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2400	MADAP Bond	SCR2
Mutual Group Alajuela-Savings and Loan Housing	00MADAPCQ275	Certificate of mortgage participation	SCR2
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2525	MADAP Bond	SCR AA+
Mutual Group Alajuela-Savings and Loan Housing	00MADAPCQ754	Certificate of mortgage participation	SCR2
Mutual Group Alajuela-Savings and Loan Housing	00MADAPCQ846	Certificate of mortgage participation	SCR2
Mutual Group Alajuela-Savings and Loan Housing	CRMADAPB2467	MADAP Bond	SCR AA
Mutual Group Alajuela-Savings and Loan Housing	00MADAPCQ705	Certificate of mortgage participation	SCR2
La Nación S.A.	CRNACIOB0167	Repurchase	F1+ (cri)
La Nación S.A.	CRNACIOB0142	La Nación S.A. Bond	SCR AAA
La Nación S.A.	CRNACIOB0175	La Nación S.A. Bond	SCR AAA
Mutual Cartago of Savings and Loan	CRMUCAPB1458	Mucap Bond	AA+(cri)
Mutual Cartago of Savings and Loan	CRMUCAPB1474	Mucap Bond	AA+(cri)
Mutual Cartago of Savings and Loan	00MUCAPC7970	Certificate of mortgage participation	SCR2
Mutual Cartago of Savings and Loan	00MUCAPC8028	Certificate of mortgage participation	SCR2
Mutual Cartago of Savings and Loan	CRMUCAPB1441	Mucap Bond	SCR2
Mutual Cartago of Savings and Loan	00MUCAPE0452	Certificate of mortgage participation	SCR2
Mutual Cartago of Savings and Loan	00MUCAPE3738	Certificate of mortgage participation	SCR2
Mutual Cartago of Savings and Loan	00MUCAPE4702	Certificate of mortgage participation	AA+(cri)
Mutual Cartago of Savings and Loan	00MUCAPC8044	Certificate of mortgage participation	SCR2
Costa Rican Oil Refinery	CRRECOPB0012	Standard Recope Bonus	AAA (cri)
Costa Rican Oil Refinery	CRRECOPB0020	Standard Recope Bonus	AAA (cri)
SAFI BAC San José	SAJCPcFI	F.I. Bac San Jose Liquido C No Diversified	SCR AA+F2
SAFI BAC San José	SAJCPcFI	F.I. Bac San Jose Liquido C No Diversified	SCR AA+F2
SAFI Bank of Costa Rica	FI-000000022	F.I. Bcr Liquidity Dollars Non-Diversified	SCR AA+F2
SAFI Bank of Costa Rica	FI-000000066	F.I. Bcr Mixed Dollars Non-Diversified	SCR AAF2
SAFI Bank of Costa Rica	BCRLIcFI	F.I. Bcr Short Term Colones Not Diversified	SCR AA+F2
SAFI Bank of Costa Rica	BCRMX¢FI	F.I. Bcr Mixed Colones Not Diversified	SCR AAF2
SAFI Bank of Costa Rica	FI-000000022	F.I. Bcr Liquidity Dollars Non-Diversified	SCR AA+F2
SAFI Bank of Costa Rica	FI-000000066	F.I. Bcr Mixed Dollars Non-Diversified	SCR AAF2
SAFI Bank of Costa Rica	BCRLIcFI	F.I. Bcr Short Term Colones Not Diversified	SCR AAF2
SAFI Bank of Costa Rica	BCRMX¢FI	F.I. Bcr Mixed Colones Not Diversified	SCR AAF2
SAFI National Bank of Costa Rica	FI-000000002	F.I. Bn Dinerfondo Dollars Not Diversified	F1+ (cri)
SAFI National Bank of Costa Rica	BNASUPER$FI	F.I. Bn Superfund Dollars Not Diversified	F1+ (cri)
SAFI National Bank of Costa Rica	FI-000000001	F.I. Bn Dinerfondo Colones Not Diversified	SCR AA+F2
SAFI National Bank of Costa Rica	BNASUPERcFI	F.I. Bn Superfund Colones Not Diversified	SCR AAF2
SAFI National Bank of Costa Rica	FI-000000002	F.I. Bn Dinerfondo Dollars Not Diversified	F1+ (cri)
SAFI National Bank of Costa Rica	BNASUPER$FI	F.I. Bn Superfund Dollars Not Diversified	F1+ (cri)
SAFI National Bank of Costa Rica	FI-000000001	F.I. Bn Dinerfondo Colones Not Diversified	SCR AA+F2
SAFI National Bank of Costa Rica	BNASUPERcFI	F.I. Bn Superfund Colones Not Diversified	SCR AAF2
SAFI Popular Bank	FI-000000006	F.I. Popular Money Market Colones (Non Diversified)	SCR AAF2
SAFI Popular Bank	FI-000000006	F.I. Popular Money Market Colones (Non Diversified)	SCR AAF2
SAFI National Insurance Institute	BANCREDILASD$FI	F.I. Non-Diversified INS- Public Liquidity D	SCR AAF 2
SAFI National Insurance Institute	BACLAD$FI	F.I. Non-Diversified INS- Liquidity D	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASC¢FI	F.I. Non-Diversified INS- Public Liquidity C	SCR AAF 2
SAFI National Insurance Institute	BACLACcFI	F.I. Non-Diversified INS- Liquidity C	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASD$FI	F.I. Non-Diversified INS- Public Liquidity D	SCR AAF 2
SAFI National Insurance Institute	BACLAD$FI	F.I. Non-Diversified INS- Liquidity D	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASC¢FI	F.I. Non-Diversified INS- Public Liquidity C	SCR AAF 2
SAFI National Insurance Institute	BACLACcFI	F.I. Non-Diversified INS - Liquidity C	SCR AAF 2
SAFI SCOTIABANK	ITFCPPUcFI	F.I. No Diversified Public Scotia	SCR AAF2
SAFI SCOTIABANK	ITFCPPU$FI	F.I. No Diversified Public D Scotia	SCR AAF 3
SAFI SCOTIABANK	ITFCPPUcFI	F.I. No Diversified Public Scotia	SCR AAF2
The Bank of Nova Scotia (Costa Rica)	00BNSCRE5279	Certificate of Time Deposit (Macroletter)	F1+ (cri)
The Bank of Nova Scotia (Costa Rica)	CRBNSCRB0021	Nova Scotiabank Bond	AAA(cri)
The Bank of Nova Scotia (Costa Rica)	00BNSCRE4116	Certificate of Time Deposit (Macroletter)	F1+ (cri)

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(In millions of colones)

Estimation of Potential Losses:

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

	International rating			
Term	Moody´s	Standard & Poor´s	Fitch	Weighting
Short term	-	A1+	F1+	0%
	P1	A1+	F1	1%
	P2	A2	F2	2.5%
	P3	A3	F3	5%
	-	B	B	7.5%
	C and other	C and other	C and other	10%
Long term	Aaa	AAA	AAA	0%
	Aa	AA	AAA	1%
	A	A	AAA	2.5%
	Baa	BBB	BBB	5%
	BA	BB	BB	7.5%
	B	B	B	9%
	Caa and other	CCC and other	CCC and other	10%

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

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

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

(Continues)

(In millions of colones)

Exposure to Liquidity Risk

The following are the contractual maturities of the financial liabilities, including interest:

Liabilities	Value on Books	Expected Cash Flow	12 months or less	1-2 years	2-5 years	More than 5 years
Long Term Liabilities						
Securities payable	¢ **1,132,748**	1,149,163	-	23,065	658,025	468,072
Documents payable	**880,448**	896,221	-	110,356	344,364	441,501
Financial Lease Obligations	**497,972**	906,049	-	104,582	275,350	526,117
Accounts payable	**9,260**	9,260	-	7,881	1,379	-
Total Long Term Liabilities	**2,520,428**	**2,960,694**	**-**	**245,885**	**1,279,118**	**1,435,690**
Circulating						
Securities payable	**25,076**	38,703	38,703	-	-	-
Documents payable	**93,696**	125,673	125,673	-	-	-
Financial Lease Obligations	**14,688**	56,256	56,256	-	-	-
Accounts payable	**147,349**	147,349	147,349	-	-	-
Financial expenses payable	**35,849**	35,849	35,849	-	-	-
Total Short Term Liabilities	**316,658**	**403,829**	**403,829**	**-**	**-**	**-**
Total	**¢ 2,837,086**	**3,364,523**	**403,829**	**245,885**	**1,279,118**	**1,435,690**

(Continues)

Notes to the Consolidated Financial Statements

(In millions of colones)

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

Millions Dollar		**Book Value**	**Expected Cash Flows**	**6 months or less**	**6-12 months**	**1-2 year**	**2-5 years**	**More than 5 years**
Cross currency swap								
Liabilities	¢	(5,484)	7,344	732	1,352	1,207	2,659	1,393
Cross currency swap								
Liabilities		2,377	5,416	540	997	891	1,962	1,027
Forward staring swap								
Liabilities		(2,161)	2,180	466	694	440	545	36
Plain vanilla swap								
Liabilities		(370)	369	254	115	-	-	-
Non delivery currency swap Tramo b-1								
Liabilities		(126)	165	109	56	-	-	-
Non delivery currency swap Tramo a-1								
Liabilities		(714)	2,335	326	595	487	849	78
Non delivery currency swap 7 años								
Liabilities		1,439	1,400	719	681	-	-	-
Cupon swap 3 años								
Liabilities		(32)	3,751	665	1,319	1,206	561	-
Cupon swap 3 años								
Liabilities		(876)	2,571	428	857	857	428	-
Cupon swap 3 años								
Liabilities		(125)	488	81	163	163	81	-
Cupon swap 3 años								
Liabilities		(131)	524	123	243	131	26	-
Cupon swap 3 años								
Liabilities		(606)	1,653	275	551	551	275	-
Cupon swap 3 años								
Liabilities		(379)	848	133	283	283	150	-
Total		(7,188)	29,045	4,852	7,906	6,216	7,537	2,534

From December 2016 to March 2017, no new commitments for credit lines with financial institutions used for working capital were booked.

(Continues)

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

Market Risk

Exposure to Currency Risk

As of March 31, 2017, ICE Group's exposure to foreign currency risk is the following:

	Balances in foreign currency					
	U.S. dollars		Yens		Euros	
	2017	2016	2017	2016	2017	2016
Assets						
Materials in transit for investment	45	44	5,118	5,118	2	2
Long-term investments	48	24	-	-	-	-
Notes receivable	5	6	-	-	-	-
Banks and temporary investments	92	71	-	-	-	-
Restricted funds	1	1	-	-	-	-
Receivables for services rendered	23	21	-	-	-	-
Non-trade receivables	20	18	-	-	-	-
Securities received as guaranty deposits	1,115	0	-	-	-	-
Materials in transit for operations	10	3	-	-	-	-
Valuation of derivative financial instruments	0	12	-	-	-	-
Total assets in foreign currency	**1,359**	**200**	**5,118**	**5,118**	**2**	**2**
Liabilities						
Securities payable	1,558	1,558	-	-	-	-
Long-term and short-term loans payable	1,270	1,289	15,806	14,846	-	-
Long- term Financial leases	435	429	-	-	-	-
Guaranty deposits	-	-	-	-	-	-
Accounts payable	96	87	5,118	5,055	4	5
Accrued finance expenses	50	32	-	-	-	-
Deposits from private individuals or companies	-	-	-	-	-	-
Valuation of derivative financial instruments	7	23	-	-	-	-
Result of the valuation of financial instruments	-	20	-	-	-	-
Total liabilities in foreign currency	**3,416**	**3,438**	**20,924**	**19,901**	**4**	**5**
Excess liabilities over assets	**2,057**	**3,238**	**15,806**	**14,783**	**2**	**3**

Items in U.S. dollars were updated using the sell exchange for the colón with respect to the U.S. dollar established by the Central Bank of Costa Rica for operations with the non-banking public sector, which of March 31, 2017, was ¢562,49 (¢556,44 as of December 31, 2016).

(Continues)

(In millions of colones)

The main exchange rates used are as follows:

	Exchange rate with U.S. dollar	
Currency name	**As of March 31, 2017**	**As of December 31, 2016**
Swedish krona	8.93	9.11
Pound sterling	1.25	1.23
Swiss franc	1.00	1.02
Euro	1.07	1.05
Colon	562.49	556.44
Japanese yen	111.70	116.96

(Continues)

(In millions of colones)

In the case of currency operations, ICE Group adheres to the provisions of Law No. 7558, "Internal Regulations of the Central Bank of Costa Rica", of November 27, 1995. Article 89 of that law states that "Non-banking public sector institutions shall execute their currency buy and sell transactions through the Central Bank of Costa Rica or State-owned commercial banks; these transactions are made at the exchange rate of the day set by the Central Bank.

Sensitivity Analysis

The table below shows the sensitivity as of March 31, 2017 and December 31, 2016; to an increase or decrease in the foreign exchange rate of the US dollar/colon. ICE Group applies a sensitivity index of 10%, which represents its best estimate of foreign exchange rate variations of the US dollar/colón.

dollars		**March 2017**	**December 2016**
Sensitivity to an increase in the exchange rate:			
Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1,157,042	1,716,617
Net dollar position	USD	2,057	3,085
10% increase in the exchange rate	¢	1,272,746	1,888,279
Loss	¢	(115,704)	(171,662)
Sensitivity to a disminuicón in the exchange rate:			
Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1,157,042	1,716,617
Net dollar position	USD	2,057	3,085
10% decrease in the exchange rate	¢	1,041,338	1,544,956
Gain	¢	115,704	171,662

This analysis assumes that all other variables, particularly interest rates and the exchange rates, remain constant.

Exposure to Interest Rate Risk

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

(Continues)

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

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

	Note
Securities payable	18
Temporary investments	8
Notes payable	19
Long-term investments	6
Effects and receivables	10
Financial leasing payables	20

Sensitivity Analysis

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

During the year ended March 31, 2017, it is estimated that an overall increase or decrease of one percentage point in interest rates would have caused the following changes in financial assets and liabilities:

		Effect on income income-expenditure				
		At March 31, 2017			**At December 31, 2016**	
		Strengthening of 1%	**Weakening of 1%**		**Strengthening of 1%**	**Weakening of 1%**
Temporary investments	¢	979	(979)	¢	1,126	(1,126)
Long-term financial investments		1,578	(1,578)		1,137	(1,137)
Long-term receivables		82	(82)		81	(81)
Short-term receivables		68	(68)		24	(24)
Long-term securities payable		11,067	(11,067)		10,965	(10,965)
Short-term securities payable		620	(620)		619	(619)
Long-term payables		6,701	(6,701)		6,351	(6,351)
Short-term payables		937	(937)		2,520	(2,520)
Financial Lease Payable		5,100	(5,100)		5,094	(5,094)
Net effect	¢	**27,133**	**(27,133)**	¢	**27,917**	**(27,917)**

(Continues)

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

Note 39. <u>Contingent Assets and Liabilities</u>

Current judicial proceedings involving ICE Group as of March 31, 2017 are as follows:

Proceedings	Number of cases	Estimated amount of the claim	As of March 31, 2017	As of December 31, 2016
			Litigation provision	
Contingent assets - lawsuits filed by ICE Group:				
Arbitration (1)	2	4,578	-	-
Execution of judgment (Administrative) (2)	1	7,063	-	-
Ordinary (Administrative)	14	52	10	10
Other	145	817	113	113
Total contingent assets	**162**	**12,510**	**123**	**123**

Proceedings	Number of cases	Estimated amount of the claim	As of March 31, 2017	As of December 31, 2016
			Litigation provision	
Contingent liabilities - laswuits filed against ICE Group:				
Administrative proceedings (3)	163	10,702	59	142
Ordinary (Administrative) (4)	34	3,042	1,483	1,342
Administrative and Civil Court of Finance (5)	14	48,294	55	-
Execution of judgment (Administrative)	5	44	37	41
Other	111	2,761	1,040	1,183
Total contingent liabilities	**327**	**64,843**	**2,674**	**2,708**

The following is a definition of the main types of proceedings jurisdictions recognized by ICE:

a) Arbitration: the resolution of a litigation without going to an ordinary jurisdiction. The parties, by mutual consent, decide to appoint a third independent party, referred to as arbitrator, or an arbitral tribunal, who will be in charge of the dispute resolution. The arbitrator will be, in turn, limited to the agreements reached by the parties to issue the arbitrational award in accordance with the laws chosen by the parties, or even based on simple equity, if agreed.

b) Contentious: a judicial proceeding to review a conduct under the guardianship of the Contentious Jurisdiction. The Contentious-Administrative Jurisdiction is aimed at protecting the legal situations of every person, guarantee or reestablish the lawfulness of any conduct of the Public Administration subject to the Administrative law, and to hear and resolve different aspects of the legal-administrative relationship (Article 1 of the Contentious-Administrative Procedural Code).

c) Administrative: an administrative proceeding is processed at an administrative court and must comply with the provisions contained in the General Public Administration Law, article 214 paragraph one, to ensure the best compliance with the purposes of the Government and with the subjective rights and legitimate interests of citizens in accordance with the legal system.

Large claims related to contingent assets and liabilities are as follows:

(1) ICE awarded Verizon, through bidding, the development of the phone books. Due to a breach of contract, ICE filed a complaint at an administrative court in 2005 for damages and requested as interim relief to attach the funds deposited by ICE. The current status of the Proceeding is as follows: “Through a ruling by the First Chamber of the Supreme Court, the defendant is ordered to pay damages caused by the breach of contract, according to the aforementioned estimate.” The estimated amount of the complaint as of March 31, 2017 and 2016 is ¢3.781.

(2) Enforcement of contentious ruling ordering RECOPE to pay to ICE for damages caused by the surcharge resulting from diesel power generation in the Output Centers of Garabito, Orotina and Guápiles due a late delivery of fuel. The amounts awarded in ruling number 133-2016 by the Contentious-Administrative Court. The estimated amount as of March 31, 2017 and as of December 31, 2016, are ¢7.038 and ¢5.723, respectively.

(3) Call My Way NY S.A., filed a complaint at SUTEL against ICE, arguing that ICE is implementing anti-competitive practices that generate entry barriers in the telecom market for new competitors and which encourage the exit of existing competitors. This is based on the fact that the promotions launched by ICE cannot be reproduced by them nor can they be sustainable for ICE because they are below the costs. Currently, the case is pending resolution by SUTEL. The estimated amount of the proceeding as of March 31, 2017, amounts to ¢8.868.

(4) Through Ruling Number 150-2016, dated October 14, 2016, ICE was ordered to pay ¢948 for contingencies in the stock sale agreement of Cable Visión de Costa Rica, S.A. Moreover, ICE filed a petition for cassation at the First Chamber of the Supreme Court.

(5) The main proceedings of a Contentious and Civil Jurisdiction are related to one of the subsidiaries:

i. Instalaciones Inabensa, S.A. – File Number 5-1194-163-CA: proceeding to collect penalties related to the implementation of the underground electrification project in San José, for an estimated amount of ¢10.926. The plaintiff is seeking the collection of claims and refund of penalties submitted during the implementation stage of the aforementioned project.

ii. Ghella Spa Costa Rica - File Number 10-3471-1027-CA: the complaint is aimed at declaring the nullity of the limitations set forth in Addendum No. 01 to the Agreement for the design, construction, equipment, and implementation of El Encanto Hydroelectric Project, at an estimated amount of ¢20.646.

iii. Grupo Corporativo SARET: The plaintiff filed for an early interim relief against Compañía Nacional de Fuerza y Luz, S.A., because the performance bond was enforced to collect penalties. Moreover, the plaintiff filed a formal complaint for actual damages, lost profits and lost opportunities. The estimated amount of the proceeding is ¢7.618.

These legal proceedings are against the subsidiary Compañía Nacional de Fuerza y Luz, S.A. This subsidiary has appealed and as of March 31, 2017, there are not sufficient evidence to establish a final resolution. Due to this uncertainty, the Management of this subsidiary has deemed it necessary to register any accumulations to cover possible losses that might derive from such resolution.

As of March 31, 2017, ICE´s Legal Department is processing 200 lawsuits for expropriations to enter into possession. There are also 60 lawsuits for forced expropriation to enter into possession and legalize the properties needed for the different works under development.

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

Note 40. Balances and Transactions with Related Parties

The balances and transactions with related parties are detailed as follows:

Business and Financial Transactions:

During the year, the Institute performed the following business transactions with related parties:

The sales of goods and services to related parties are made at the list prices of ICE Group. The purchases are made at the market price to reflect the amount of assets purchased the relationships between the parties.

		Sale of goods and services	Purchase of goods and services
		For the year ended March 31, 2017	
Construction services:	¢		
Uno P.H. Reventazón Trust/Scotiabank/2013		499	-
Other related parties		6	-
Advisory services:			
Government entities		175	-
Interest:			
Government entities		1,210	-
State-owned financial entities		1,329	2,649
Other services:			
Autonomous institutions		-	1,068
Other related parties		1,205	577
Total	¢	**4,424**	**4,295**

(In millions of colones)

The following balances receivable and payable were outstanding at the end of the period to be informed about:

The balances do not include expenses from public services (electricity, water, telecommunications, social security, and tax burdens), respectively.

		Balances due from related parties		**Balances due to related parties**	
		31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
Government entities		-	934	-	-
Autonomous institutions		-	103	-	-
Other related parties		839	2,072	132,988	127,248
Total	¢	**839**	**3,109**	**132,988**	**127,248**

The outstanding amounts are not guaranteed and are expected to be settled in cash. No guarantees have been granted or received. No expenses have been recognized in the current period or previous periods regarding doubtful accounts related to the amounts owed by related parties.

As of March 31, 2017, there were notes payable with state-owned financial entities amounting to ¢95.504 (¢91.769 as of December 31, 2016) (note 20).

The following balances are related to financial investments and restricted-use funds placed in or by state-owned financial entities:

		As of March 31, 2017	**As of December 31, 2016**
Cash equivalents	¢	78,579	37,860
Held to maturity		78,045	52,833
Restricted funds		29,073	28,518
Total	¢	**185,697**	**119,211**

As of March 31, 2017, interest receivable from state-owned financial entities on securities amounts to a total of ¢1.361 (¢2.121 as of December 31, 2016).

As of March 31, 2017, there are investments in the interests of autonomous and non-governmental entities amounting to a total of ¢15.352 (¢15.352 in 2016) (note 6).

Note 41. Information by segment

(a) Segmentation bases

ICE Group has the following segments to be reported:

- The Telecom Segment includes ICE-Telecommunications Sector, Radiográfica Costarricense, S.A. (RACSA), Compañía Radiográfica Internacional de Costa Rica, S.A. (CRICSA) and Cable Visión de Costa Rica, S.A. (CVCRSA).

- The Electricity Segment includes the ICE-Electricity Sector and Compañía Nacional de Fuerza y Luz, S.A. (CNFL).

The information by segment is submitted to the highest authority in charge the operational decision making of the Group with the purpose of allocating resources and evaluating the performance of each segment; it is focused on the different sectors of the Institute (business segment) exposed to risks and different yields.

The results, assets, and liabilities of the segment includes items directly attributable to a segment as well as those that can be reasonably attributed. The information related to each segment is shown below.

(b) Products and services that generate income from the segments to be informed

The types of products and services to be provided by each segment are detailed in note 1.

(In millions of colones)

(c) Income and results by segment

An analysis of the income and the results of ICE Group from the operations by segment to be informed is as follows:

		For the year ended March 31,					
		Electricity		Telecom		Consolidated total	
Profit or loss by segment		**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Profit by segment	¢	18,314	199,228	144,021	139,072	327,335	338,300
Depreciation of operating assets		67,437	68,319	190	210	67,627	68,530
Other income		9,003	7,384	9,159	5,241	18,162	12,626
Other foreign exchange income		2,779	759	95	55	2,874	813
Finance expenses		36,494	25,061	3,251	3,853	39,744	28,914
Other expenses		2,109	1,169	809	-	2,918	1,168
Other foreign exchange expenses		22,832	5,449	1,560	391	24,392	5,840
Consolidated profit (loss), net	¢	(42,286)	(9,621)	7,593	(15,504)	19,434	(2,470)

The income by segment as informed in the foregoing paragraphs accounts for the income generated by external clients.

The income of the segments is as follows:

- The income from service sales of the Electricity segment to the Telecommunications segment amounts to ¢1.398 in 2017 (¢1.472 in 2016).

- The income from service sales of the Telecommunications segment to the Electricity segment amounts to ¢473 in 2017 (¢726 in 2016).

The accounting policies of the segments that are informed are the same as the accounting policies of the Group as described in note 3. The profits by segment represent the profits earned by each segment without an interest in the results of the period, the financial income, other profits or losses, as well as the financial costs that cannot be allocated to a specific segment. This represents the measurement informed to the decision maker of the operating area for the purposes of allocating the resources and assessing the performance of the segment.

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

(d) Assets and liabilities by segment

As of March 31,							
		Electricity		Telecom		Consolidated total	
Assets and liabilities by segment		**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Assets	¢	4,658,840	4,659,215	1,263,415	1,246,773	5,922,255	5,905,989
Liabilities	¢	2,829,129	2,778,135	499,947	502,254	3,329,076	3,280,390

To monitor the performance of the segments and allocation of resources among segments:

- there are any assets and liabilities that are not allocated to the segments.

- all the assets and liabilities jointly used by the segments that have to informed are allocated according to the methodology to allocate the expenditures of the Corporation to the Business where the financing percentages are established according to the conductors defined by each unit for the different services provided by the administrative centers and the Service Centers to each business unit. Each service has a specific measurement unit and the allocation is based on the consumption of the services, and the ABC Costing (Activity-Based Costing) is used and approved by the Board of Directors.

(e) Other information on the segment

		Depreciation and			**Additions to non-current**	
		Year ended March 31, 2017	Year ended March 31, 2016		Year ended March 31, 2017	Year ended March 31, 2016
Telecom	¢	31,498	38,102	¢	21,575	16,095
Electricity		43,303	20,654		59,910	9,419
	¢	**74,801**	**58,756**	¢	**81,485**	**25,514**

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(In millions of colones)

(f) Income from the main products and services

The Group's income from the main products and services of the operations are as follows:

		Year ended March 31, 2017	Year ended March 31, 2016
Telphony, data and internet services	¢	126,890	123,105
Electricity services		179,435	193,901
Other services and products		21,010	21,294
Total	**¢**	**327,335**	**338,300**