CONSOLIDATED FINANCIAL STATEMENTS

Instituto Costarricense de Electricidad and Subsidiaries

ICE GROUP
ICE
CNFL
RACSA
CRICSA
Cable Visión

September 2016
Financial Management

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

Consolidated Balance Sheets
(In millions of colones)

As of September 30, 2016 and December 31, 2015

		2016 (Without audit)	2015 (Audit) (Restated)*
Assets			
Property, machinery and equipment:			
Operating assets, net		3,585,450	3,698,525
Construction work in progress		475,362	412,325
Materials in transit for investment		54,004	19,169
Inventory for investment		95,706	125,523
Total property, machinery and equipment, net		**4,210,522**	**4,255,542**
Long-term assets:			
Long-term investments		323,259	206,049
Notes receivable		8,121	8,325
Total long-term assets		**331,380**	**214,374**
Current assets:			
Cash and cash equivalents		205,934	181,160
Temporary investments, net		162,025	106,525
Restricted funds		5,962	11,333
Accounts receivable, net		133,405	123,158
Notes receivable		2,369	2,276
Operating inventory, net		44,050	49,798
Prepaid expenses		64,014	89,829
Total current assets		**617,759**	**564,079**
Other assets:			
Non-operating assets, net		47,638	47,342
Service agreements		5,020	35,608
Project design and execution		96,047	92,965
Technical service centers		3,643	131
Amortizable items, net		3,737	4,019
Intangible assets, net		62,265	65,846
Securities received as guaranty deposits		6,451	7,292
Valuation of financial instruments		8,688	2,901
Guarantee and Savings Fund (restricted fund)		208,604	214,567
Transfer to Guarantee and Savings Fund		50	-
Operating inventory		33,694	30,584
Total other assets		**475,837**	**501,255**
Total assets	¢	**5,635,498**	**5,535,250**

* See note 26.

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

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

Consolidated Balance Sheets
(In millions of colones)

As of September 30, 2016 and December 31, 2015

		2016 (Without audit)	2015 (Audit) (Restated)*
Liabilities and equity			
Long-term liabilities:			
Securities payable	¢	1,125,834	1,105,467
Loans payable		859,152	797,217
Obligations derived from credit		158	153
Obligations for long-term finance leases		32,689	25,811
Security deposits		57,784	56,407
Accounts payable		9,476	7,398
Prepaid income		6,148	6,378
Provision for severance benefits		115,686	145,692
Total long-term liabilities		**2,206,927**	**2,144,523**
Short-term liabilities:			
Securities payable		15,000	26,891
Loans payable		87,765	90,945
Obligations for short-term finance leases		857	735
Accounts payable		143,228	113,197
Accrued finance expenses payable		41,178	25,268
Prepaid income		19,596	16,759
Deposits from private individuals or companies		4,130	5,322
Provision for severance benefits		26,302	21,877
Accrued expenses for employer obligations		55,168	43,484
Total short-term liabilities		**393,224**	**344,478**
Other liabilities:			
Valuation of financial instruments		9,966	15,130
Accounts payable		2,044	1,988
Legal provisions		9,635	11,071
Guarantee and Savings Fund (restricted fund)		208,604	214,567
Total other liabilities		**230,249**	**242,756**
Total liabilities		**2,830,400**	**2,731,757**
Equity:			
Paid-in capital		156	156
Development reserve		1,596,037	1,592,560
Asset revaluation reserve		1,076,175	1,083,980
Profit or loss on valuation of financial instruments		(1,270)	(3,563)
Legal reserve		11,376	10,142
Project development reserve		71	71
Forest development reserve		1,132	548
Restricted earnings from capitalization of stake in subsidiary		62,380	62,380
Retained earnings		58,965	52,255
Minority interest		4,652	4,964
Net loss		(4,576)	-
Total equity and minority interest		**2,805,098**	**2,803,493**
Total liabilities and equity	¢	**5,635,498**	**5,535,250**
Memoranda accounts	¢	**208,392**	**339,579**

* See note 26.

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

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 September 30, 2016 and 2015

		2016 (Without audit)	2015 (Without audit) (Restated)*
Operating income:			
Electricity services	¢	607,373	563,760
Telecom services		430,594	428,127
Supplemental services		-	2,213
Government services		9	28
Total operating income		**1,037,976**	**994,128**
Operating costs:			
Operation and maintenance		168,604	171,705
Operation and maintenance of leased equipment		68,269	74,079
Depreciation of operating assets		205,741	210,069
Supplemental services and purchases		147,675	144,105
Production management		56,284	56,951
Technical service center		8,531	9,028
Total operating costs		**655,104**	**665,937**
Gross profit		**382,872**	**328,191**
Operating expenses:			
Administrative		78,104	78,731
Marketing		165,408	191,484
Preinvestment studies		3,516	3,396
Preliminary studies		17,462	17,676
Other		6,573	3,350
Total operating expenses		**271,063**	**294,637**
Operating profit		**111,809**	**33,554**
Other income:			
Finance income		24,651	24,925
Foreign exchange differences		10,504	21,003
Income from investments in other companies		359	326
Other income		33,614	49,955
Total other income		**69,128**	**96,209**
Other expenses:			
Interest		86,810	75,174
Commissions		2,957	6,775
Foreign exchange differences		75,593	3,411
Other expenses		19,248	32,100
Total other expenses		**184,608**	**117,460**
Profit (loss) before income tax and minority interest		**(3,671)**	**12,303**
Tax and minority interest:			
Income tax		(1 218)	-
Minority interest 1.4%		313	324
Net loss	¢	**(4,576)**	**12,627**

* See note 26.

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

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 September 30, 2016 and December, 2015

	Note	Paid-in capital	Asset revaluation reserve	Result of valuation of financial instruments	Development reserve	Legal reserve	Project development reserve	Forest development reserve	Restricted earnings from capitalization of stake in subsidiaries	Retained earnings	Minority interest	Net loss	Equity, net
Balance at December 31, 2015, previously reported		₡ 156	1,083,980	(3,563)	1,596,476	10,142	71	548	62,380	52,255	4,964	-	2,807,409
Accumulated effect of changes in accounting policies and adjustments for correction in prior years	26	-	-	-	(3,755)	-	-	-	-	-	-	-	(3,755)
Effect of changes in accounting policies and adjustments for the period	26	-	-	-	(161)	-	-	-	-	-	-	-	(161)
Balance at December 31, 2015, ajusted		156	1,083,980	(3,563)	1,592,560	10,142	71	548	62,380	52,255	4,964	-	2,803,493
Assets revaluation for the period		-	(52)	-	-	-	-	-	-	-	-	-	(52)
Net loss		-	-	-	-	-	-	-	-	-	-	(4,576)	(4,576)
Allocation to legal reserve		-	-	-	-	1,234	-	-	-	-	-	-	1,234
Effect of variations of eliminations reciprocal transactions		-	460	-	3,477	-	-	-	-	291	-	-	4,229
Prior period adjustments		-	(335)	-	-	-	-	-	-	-	-	-	(335)
Effect of appropriation to and realization of forest development		-	-	-	-	-	-	58	-	-	-	-	58
Audit adjustments to be recorded		-	(684)	-	-	-	-	526	-	470	-	-	311
Realization of asset revaluation reserve		-	(6,848)	-	-	-	-	-	-	6,951	-	-	103
Income tax		-	-	-	-	-	-	-	-	(1,218)	-	-	(1,218)
Result of valuation of financial instruments:													
Derivative financial instruments		-	-	2,671	-	-	-	-	-	-	-	-	2,671
Investments		-	-	(378)	-	-	-	-	-	-	-	-	(378)
Retirement of assets for the period		-	(442)	-	-	-	-	-	-	(0)	-	-	(442)
Appropriation to minoritary interest		-	96	-	-	-	-	-	-	217	(312)	-	-
Balance at September 30, 2016		₡ 156	1,076,175	(1,270)	1,596,037	11,376	71	1,132	62,380	58,965 #	4,652	(4,576)	2,805,098

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

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 September 30, 2016 and 2015
(In millions of colones)

		2016 (Whitout audit)	2015 (Whitout audit) (Restated)*
Sources (uses) of cash:			
Operating activities:			
Deficit, net.	¢	(4,576)	12,627
Adjustment:			
Depreciation		222,658	242,135
Legal provisions		11,070	13,120
Bonus		13,859	14,912
School salary		12,972	13,628
Accumulated vacations		11,384	18,923
Contingent liabilities Provision		-	383
Allowance for doubtful accounts		7,719	6,381
Allowance for valuation of inventory		3,283	10
Asset retirement expense		4,286	8,300
Absorption of amortizable and intangible items		10,543	8,658
Foreign exchange differences		62,967	(15,356)
Valuation of financial instruments		(8,658)	(1,084)
		352,083	310,010
Changes in:			
Notes and accounts receivable		(17,230)	20,368
Operating inventory		2,465	(19,576)
Other assets		66,510	16,452
Accounts payable		32,165	15,344
Security deposits		1,377	(259)
Other liabilities		(44,575)	(29,977)
Cash provided by operating activities		388,219	324,989
Investing activities:			
Increase in long-term investments		(117,210)	(13,878)
Additions to property, machinery and equipment		(184,726)	(208,930)
Increase in other assets		(17,279)	(29,767)
Increase committed temporary investments		(55,499)	(28,662)
Net cash used in investing activities		(374,714)	(281,237)
Financing activities:			
Increase in securities payable		9,667	7,448
Amortization of securities payable		(27,493)	(591)
Increase in loans payable		108,408	67,873
Amortization of loans payable		(86,318)	(98,820)
Increase (Decrease) in obligations derived from credit		5	(2)
Increase in finances leases		7,883	-
Amortization in finances leases		(883)	(457)
Net cash provided by financing activities		11,269	(24,549)
Increase in cash and cash equivalents		24,774	19,203
Cash and cash equivalents at beginning of the year		181,160	133,143
Cash and cash equivalents at end of the year	¢	205,934	152,346

* See note 26.

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

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 Executive Order No. 449 of April 8, 1949 and Law No. 3226 of October 28, 1963. The address of its registered office and main domicile is Sabana Norte, Distrito Mata Redonda, San José, Costa Rica.

Its main activity consists of developing 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 and, until 2010, had the exclusive right to operate and provide mobile telecom services in the country. ICE Group offers a wide range of integrated telecom services, including fixed and mobile telecom and data transmission.

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

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

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

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

Compañía Nacional de Fuerza y Luz, S.A. (hereinafter, CNFL) is a corporation created under Law Number 21 of April 8, 1941, referred to as "Electrical Contract", amended by Law Number 4977 of May 19, 1972 and current until August 8, 2008. Accordingly, CNFL is subject to the regulations established by CGR, Articles 57 and 94 of Law No. 8131 "Public Administration and Budgets," ARESEP, and the framework of the General Internal Control Law and the Law against Corruption and Illicit Enrichment, among others. The 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). The main objective is to provide energy services to the domestic market.

- *Radiográfica Costarricense, S.A.*

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

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

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

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

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- *Cable Visión de Costa Rica S.A.*

Cable Visión de Costa Rica, S.A. (CVCRSA) is a corporation domiciled in Moravia, San José, Republic of Costa Rica and is wholly-owned (100% ownership interest) by ICE since December 5, 2013. CVCRSA was organized on January 19, 2001 and its main activity is providing cable television services; subsequently, the subsidiary added Internet and digital signal services to the activities offered. With the acquisition of this entity, ICE will be able to provide Triple Play services.

Composition of Capital

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

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

Note 2. Accounting Bases

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles included in ICE's Accounting Policy Manual and its addenda (version 6) accepted by the National Accounting Department of the Ministry of Finance of the Republic of Costa Rica–the Lead Agency of the National Accounting Subsystem. ICE's Accounting Policy Manual includes the accounting policies applicable to booking transactions. Such policies were formally prepared and issued using "accounting criteria" with the stewardship and binding criteria of the Budget Accounting Directorate, the approval of the Corporate Management and Finance Department, and acceptance of the National Accounting Department of the Ministry of Finance.

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

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

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

The National Accounting Office through Executive Order Nº 39665-MH, published in the Official Gazette on June 23, 2016 (thereby amending Executive Order 35616-H), extended the term of application of the IFRSs to the accounting period starting on January 1st, 2017.

ICE is abiding by the extension granted by the National Accounting Directorate to apply the International Financial Reporting Standards (IFRSs) as of January 1, 2017; therefore, 2016 would be the transition year to such IFRSs.

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

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

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

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Los Management of ICE Group authorized the issue of the consolidated financial statements and notes thereto on November 29, 2016.

Note 3. <u>Significant Accounting Policies</u>

The following accounting policies, set forth in ICE's Accounting Policy Manual (Version 6) and its addenda effective for 2015, have been consistently applied in the years presented these interim consolidated financial statements by all the entities of ICE Group corresponding to the quarter ended on June 30, 2016, are the same ones applied by ICE Group in preparing their consolidated financial statements as of December 31, 2015 and for the year then ended, except for the ones detailed below:

(a) <u>Annual Accounting Policies Not Applied for Interim Periods</u>

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

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

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

Asset Revaluation:

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

The balances of operating assets and other operating assets and their respective accumulated depreciations with a cut-off date as of December 31 last year, are revalued on an annual basis using the ratios established by ICE Group for each type of assets to keep their fair value1 in accordance with the Accounting Principles of the Costa Rican

[1]Restated updated value as per the index price

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Public Sector, which could increase or decrease the carrying amount of the assets. If the variations in the resulting values of such revaluations are insignificant, such frequent revaluations are deemed unnecessary, or they could be done every three or five years.

The balances of land and buildings of Other operating assets under financial lease and their respective accumulated depreciation, with a cutoff date as of December 31 of the previous year are annually revalued based on indexes established by ICE to keep their fair value in accordance with the Accounting Principles of the Costa Rican Public Sector, which could increase or decrease the carrying amount of the assets. If the variations in the values resulting from such revaluations are insignificant, such frequent revaluations are deemed unnecessary and are not recorded; or they could be done every three or five years.

The revaluation is done as of the second accounting period according to its recording date, using independent accounts of revalued cost and revalued accumulated depreciation.

In the cases in which pursuant to the expert criteria, revaluations are deemed unnecessary, but due to the policies set forth above, the assets were revalued, the competent technical areas must conduct a study to define if it keeps or adjusts the value of the assets. Should there be an adjustment of the revalued value, it must be quantified and applied retrospectively to present the consolidated financial statements to ensure the comparability of figures.

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

(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.

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(b) Consolidation Bases

(i) Business Combinations

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

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

Goodwill is measured at cost based on the financial statements of the acquiree on the acquisition date and considering the following transaction costs directly attributable to the acquisition process are recognized as part of the value of the investment.

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

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

"Goodwill" arises from the acquisition of subsidiaries and represents the excess of the acquisition cost over the carrying amount (net equity) of the acquiree, it is recognized under "Intangible assets" in ICE Group's consolidated financial statements. Goodwill is systematically amortized (straight-line) to expenses over the term it is expected to generate income. The amortization period is determined based on financial criteria in accordance with expectations of obtaining the expected benefits from the business.

"Goodwill" is recognized at cost less accumulated amortization.

(ii) Subsidiaries

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

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

		Ownership interest as of	
		As of September 30	As of December 31
Subsidiaries	**Country**	**2016**	**2015**
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%

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

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

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(In millions of colones)

Note 4. Operating Assets

		As of September 30, 2016	As of December 31, 2015 (Restated) *
Cost:			
Operating assets	¢	3,987,673	3,900,875
Operating assets under finance lease agreements		37,823	31,211
Other operating assets		449,822	446,033
Total operating assets - cost		**4,475,318**	**4,378,119**
Revaluation:			
Operating assets		2,745,631	2,751,957
Operating assets under finance lease agreements		4,822	4,822
Other operating assets		65,720	65,402
Total operating assets - revaluation		**2,816,173**	**2,822,181**
Total cost - revaluation		**7,291,491**	**7,200,300**
Accumulated depreciation:			
Cost:			
Operating assets	¢	1,604,158	1,462,668
Operating assets under finance lease agreements		4,393	3,421
Other operating assets		296,191	287,869
Total accumulated depreciation of operating assets - cost		**1,904,742**	**1,753,958**
Revaluation:			
Operating assets		1,764,685	1,712,324
Operating assets under finance lease agreements		486	415
Other operating assets		36,128	35,078
Total accumulated depreciation of operating assets - revaluation		**1,801,299**	**1,747,817**
Total accumulated depreciation - cost and revaluation		**3,585,450**	**3,501,775**
Operating assets, net	¢	**3,585,450**	**3,698,525**

* See note 26.

(Continues)

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

Operating Assets – Cost

The operating assets at cost are detailed as follows:

Cost		As of December 31, 2014	Additions and capitalizations	Disposals	Transfers	As of December 31, 2015 (Restated) *	Additions and capitalizations	Disposals	Transfers	As of September, 30, 2016
Plant and equipment - Electricity:										
Hydraulic power generation (1)	¢	828,899	154,327	(931)	(968)	981,327	4,493	(21)	(841)	984,958
Thermal power generation		83,952	97	(162)	-	83,887	515	(157)	-	84,245
Geothermal power generation		175,333	4,183	(115)	-	179,401	-	-	894	180,295
Wind power generation		7,425	-	(397)	-	7,028	-	-	-	7,028
Solar power generation		10,032	345	-	-	10,377	93	-	-	10,470
Micro hydro power generation		166	-	-	-	166	-	-	-	166
Substations		216,847	19,770	(561)	-	236,056	635	(157)	-	236,534
Transmission lines (1)		157,331	39,774	-	-	197,105	22,698	-	-	219,803
Distribution lines (2)		337,275	47,056	(4,276)	-	380,055	14,096	(1,016)	-	393,135
Street lighting		19,893	3,501	(112)	-	23,282	990	(56)	-	24,216
Communication, control and infrastructure equipment		44,727	6,479	(67)	-	51,139	7,898	(57)	-	58,980
General equipment		26,522	1,315	(1,617)	-	26,220	1,146	(1,066)	-	26,300
Other		55,076	2,339	(4)	-	57,411	751	-	-	58,162
Equipment - Telecom:										
Transport		642,186	27,644	(7,442)	-	662,388	11,524	(236)	-	673,676
Access (3)		488,964	44,433	(6,740)	-	532,855	14,697	(555)	(5)	540,794
Civil and electromechanical		229,461	6,399	(29)	-	235,831	10,070	-	-	245,901
Platforms		179,839	16,780	(2,082)	17,087	211,624	4,247	(127)	-	215,744
Communication equipment		26,815	99	(2,253)	-	24,661	167	(3,840)	-	20,988
General equipment		5,275	20	(6)	-	5,289	21	(289)	-	5,021
Other		971	-	-	-	971	286	-	-	1,257
Subtotal operating assets	**¢**	**3,536,989**	**374,561**	**(26,794)**	**16,119**	**3,900,875**	**94,327**	**(7,577)**	**48**	**3,987,673**
Operating assets and other operating assets under finance leases: (4)										
Access		-	2,593	-	-	2,593	6,589	-	5	9,187
Land		1,151	-	-	-	1,151	-	-	-	1,151
Buildings		25,315	-	-	-	25,315	-	-	-	25,315
Furniture and equipment		1,166	847	-	139	2,152	42	-	(24)	2,170
Subtotal Operating assets and other operating assets under finance leases	**¢**	**27,632**	**3,440**	**-**	**139**	**31,211**	**6,631**	**-**	**(19)**	**37,823**
Other operating assets		435,357	47,767	(21,145)	(15,946)	446,033	14,030	(10,221)	(20)	449,822
Subtotal Other operating assets	**¢**	**435,357**	**47,767**	**(21,145)**	**(15,946)**	**446,033**	**14,030**	**(10,221)**	**(20)**	**449,822**
Total ICE Group	**¢**	**3,999,978**	**425,768**	**(47,939)**	**312**	**4,378,119**	**114,988**	**(17,798)**	**9**	**4,475,318**

* See note 26.

(Continues)

Below is a description of the main transactions during the period in the item of operating assets, other operating assets, and the nature of operating assets and other assets under financial lease:

(1) Transmission Lines:

Additions amount to ¢22.698, mainly from the capitalizations in the transmission structures and conductors.

(2) Distribution:

Additions amount to ¢14.096, mainly from the capitalizations in the components of civil works, distribution and lighting distribution works, among others.

ICE Telecom Sector

(3) Access

Additions amount to ¢14.697 as a result of capitalizations, mainly the components, cellular telephony services, channeling of access fiber network, primary networks, and fiber optics, among others.

As of June 30, in accordance with the “Optimization of the Telephone Park,” pay phones were disposed of due to technological changes and terminal modifications. See note 26.

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

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

In December 2015, due to the recording of the commissioning of the RANGE asset of the Telecom Sector in the access component, there is a partial capitalization of 60 sites, as of September 30, amounting to ¢6.589.

Currently, the Trust is authorized to issue public debt and as of September 30, 2016 and December 2015, it recorded liabilities for this concept.

The trust, as the owner of “Centro Empresarial La Sabana” and office furniture and equipment within that property, leases such property to ICE for a 12- year term, at the end of which ICE may exercise a purchase option for US$1 (one U.S. dollar).

ICE has classified this lease as a finance lease. In accordance with ICE Group's accounting policies, this trust is not required to be included as an entity in the financial statements of ICE Group.

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

- The objectives of the trust are:

    a) Acquire the products and services necessary for the operation and maintenance of the building object of the contract, according to the purchasing plans provided by the Trust, as applicable.

    b) Lease the equipped building to ICE, manage the cash flows to repay financing and provide preventive and corrective maintenance to the facilities, under the agreed terms.

    c) Become a vehicle to issue and place securities, pursuant to the conditions and characteristics set forth in the issuance prospect and the current contract, upon prior authorization of the General Superintendence of Securities (SUGEVAL), regulatory entity for the issuance of debt securities. Issuance and placement of the securities may be performed at different intervals, according to payment, terms and conditions projected. Also, it may execute credit contracts to obtain the necessary resources for financing, in accordance with the financial conditions present in the market.

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

- The term of this Trust will be of 30 years.

- The Trust's assets will be used solely and exclusively to comply with and accomplish the objectives of the Trust agreement.

(Continues)

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

Accumulated Depreciation - Cost

The accumulated depreciation of operating assets is as follows:

Accumulated depreciation - cost		**As of December 31, 2014**	**Depreciation**	**Disposals**	**Transfers**	**As of December 31, 2015 (Restated) ***	**Depreciation**	**Disposals**	**Transfers**	**As of September, 30, 2016**
Plant and equipment - Electricity:										
Hydraulic power generation	¢	118,187	22,566	(171)	(386)	140,196	20,368	(27)	(13)	160,524
Thermal power generation		26,644	4,038	(111)	-	30,571	2,932	(53)	-	33,450
Geothermal power generation		52,189	6,557	(35)	-	58,711	4,899	-	-	63,610
Wind power generation		3,740	452	(217)	-	3,975	322	-	-	4,297
Solar power generation		1,585	466	-	-	2,051	393	-	-	2,444
Micro hydro power generation		29	6	-	-	35	4	-	-	39
Substations		48,040	9,263	(249)	-	57,054	6,648	(33)	-	63,669
Transmission lines		22,948	5,375	-	-	28,323	4,949	-	-	33,272
Distribution lines		106,350	17,551	(876)	-	123,025	13,236	(593)	-	135,668
Street lighting		5,137	814	(52)	-	5,899	677	(28)	-	6,548
Communication, control and infrastructure equipment		11,981	1,611	(25)	-	13,567	1,390	(20)	-	14,937
General equipment		15,315	2,071	(1,142)	163	16,407	1,505	(969)	15	16,958
Other		3,970	1,069	-	11	5,050	824	-	-	5,874
Equipment - Telecom:										
Transport		365,413	40,587	(4,769)	-	401,231	26,462	(289)	-	427,404
Access		243,887	43,083	(4,689)	-	282,281	29,999	(594)	-	311,686
Civil and electromechanical		144,135	12,172	(48)	-	156,259	8,808	-	-	165,067
Platforms		76,045	30,011	(934)	5,150	110,272	24,083	(6)	-	134,349
Communication equipment		25,687	567	(2,250)	-	24,004	307	(3,841)	-	20,470
General equipment		3,001	455	(8)	-	3,448	401	(287)	-	3,562
Other		285	24	-	-	309	21	-	-	330
Subtotal operating assets	**¢**	**1,274,568**	**198,738**	**(15,576)**	**4,938**	**1,462,668**	**148,228**	**(6,740)**	**2**	**1,604,158**
Operating assets and other operating assets under finance leases: (4)										
Access		-	-	-	-	-	400	-	-	400
Buildings		2,280	506	-	-	2,786	380	-	-	3,166
Furniture and equipment		500	135	-	-	635	192	-	-	827
Subtotal Operating assets and other operating assets under finance leases	**¢**	**2,780**	**641**	**-**	**-**	**3,421**	**972**	**-**	**-**	**4,393**
Other operating assets (1)		283,860	26,691	(17,918)	(4,764)	287,869	16,273	(7,975)	24	296,191
Subtotal Other operating assets	**¢**	**283,860**	**26,691**	**(17,918)**	**(4,764)**	**287,869**	**16,273**	**(7,975)**	**24**	**296,191**
Total ICE Group	**¢**	**1,561,208**	**226,070**	**(33,494)**	**174**	**1,753,958**	**165,473**	**(14,715)**	**26**	**1,904,742**

* See note 26.

(Continues)

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

	Useful life (in years)
Buildings	40 to 50
Operaing assets - ICE Electricity	20 to 40
Operating assets - ICE Telecom	3 to 40
Machinery and equipment	1 to 20

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

(1) Depreciation from Use:

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.

(Continues)

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

Operating Assets – Revaluation

The revalued operating assets are detailed as follows:

Revaluation		As of December 31, 2014	Revaluation	Disposals	Transfers	As of December 31, 2015	Revaluation	Disposals	Transfers	As of September, 30, 2016
Plant and equipment - Electricity:										
Hydraulic power generation	¢	1,397,450	(30,018)	(4,590)	(4,065)	1,358,777	-	(2,019)	-	1,356,758
Thermal power generation		101,142	(2,566)	(25)	-	98,551	-	(22)	-	98,529
Geothermal power generation		360,774	(6,636)	(198)	-	353,940	-	-	-	353,940
Wind power generation		5,856	(185)	(269)	-	5,402	-	-	-	5,402
Solar power generation		2,454	(88)	-	-	2,366	-	-	-	2,366
Micro hydro power generation		17	(3)	-	-	14	-	-	-	14
Substations		204,986	(5,059)	(1,102)	-	198,825	-	(330)	-	198,495
Transmission lines		110,558	(2,218)	-	-	108,340	-	-	-	108,340
Distribution lines		428,898	(9,070)	(4,985)	-	414,843	-	(1,490)	-	413,353
Street lighting		19,061	(430)	(134)	2	18,499	-	(80)	-	18,419
Communication, control and infrastructure equipment		43,708	(981)	(126)	-	42,601	-	(87)	-	42,514
Other		47,979	(833)	-	-	47,146	-	-	-	47,146
Equipment - Telecom:										
Civil and electromechanical		100,355	-	-	-	100,355	-	-	-	100,355
Communication equipment		7,632	-	(7,634)	2	-	-	-	-	-
Other		2,298	-	-	-	2,298	(2,298)	-	-	-
Subtotal operating assets	**¢**	**2,833,168**	**(58,087)**	**(19,063)**	**(4,061)**	**2,751,957**	**(2,298)**	**(4,028)**	**-**	**2,745,631**
Operating assets and other operating assets under finance leases: (4)										
Buildings		196	-	-	-	196	-	-	-	196
Furniture and equipment		4,626	-	-	-	4,626	-	-	-	4,626
Subtotal Operating assets and other operating assets under finance leases	**¢**	**4,822**	**-**	**-**	**-**	**4,822**	**-**	**-**	**-**	**4,822**
Other operating assets		61,250	-	(3)	4,155	65,402	(54)	(2)	374	65,720
Subtotal Other operating assets	**¢**	**61,250**	**-**	**(3)**	**4,155**	**65,402**	**(54)**	**(2)**	**374**	**65,720**
Total ICE Group	**¢**	**2,899,240**	**(58,087)**	**(19,066)**	**94**	**2,822,181**	**(2,352)**	**(4,030)**	**374**	**2,816,173**

(Continues)

Notes to the Consolidated Financial Statements

(In millions of colones)

Accumulated Depreciation – Revaluation

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

Depreciation-Revaluation		As of December 31, 2014	Revaluation	Depreciation	Disposals	Transfers	As of December 31, 2015	Revaluation	Depreciation	Disposals	Transfers	As of September, 30, 2016
Plant and equipment - Electricity:												
Hydraulic power generation	¢	827,482	(13,410)	35,206	(3,148)	(2,427)	843,703	(1)	25,946	(1,636)	(196)	867,816
Thermal power generation		61,777	(1,223)	2,597	(19)	-	63,132	-	1,756	(7)	-	64,881
Geothermal power generation		161,929	(2,634)	12,045	(89)	-	171,251	-	8,854	-	-	180,105
Wind power generation		2,973	(93)	327	(155)	-	3,052	-	226	-	-	3,278
Solar power generation		781	(18)	108	-	-	871	-	80	-	-	951
Micro hydro power generation		5	-	1	-	-	6	-	-	-	-	6
Substations		135,514	(2,134)	6,992	(842)	1	139,531	-	4,701	(273)	-	143,959
Transmission lines		73,671	(527)	2,392	-	-	75,536	-	1,582	-	-	77,118
Distribution lines		275,527	(4,451)	15,588	(3,476)	-	283,188	(296)	10,988	(902)	-	292,978
Street lighting		13,035	(205)	422	(98)	-	13,154	(37)	312	(9)	-	13,420
Communication, control and infrastructure equipment		31,741	(425)	860	(95)	-	32,081	(66)	633	-	-	32,648
Other		11,921	(122)	524	-	19	12,342	-	414	-	-	12,756
Equipment - Telecom:												
Civil and electromechanical		70,656	-	2,491	-	-	73,147	-	1,622	-	-	74,769
Communication equipment		7,631	(6,718)	-	(913)	-	-	-	-	-	-	-
Other		1,282	-	49	-	-	1,331	-	(1,331)	-	-	-
Subtotal operating assets	**¢**	**1,675,925**	**(31,960)**	**79,602**	**(8,835)**	**(2,408)**	**1,712,324**	**(400)**	**55,784**	**(2,827)**	**(196)**	**1,764,685**
Operating assets and other operating assets under finance leases: (4)												
Buildings		321	-	94	-	-	415	-	71	-	-	486
Subtotal Operating assets and other operating assets under finance leases	**¢**	**321**	**-**	**94**	**-**	**-**	**415**	**-**	**71**	**-**	**-**	**486**
Other operating assets		31,574		1,077	-	2,427	35,078	(2)	857	-	195	36,128
Subtotal Other operating assets	**¢**	**31,574**	**-**	**1,077**	**-**	**2,427**	**35,078**	**(2)**	**857**	**-**	**195**	**36,128**
Total ICE Group	**¢**	**1,707,820**	**(31,960)**	**80,773**	**(8,835)**	**19**	**1,747,817**	**(402)**	**56,712**	**(1,375)**	**(1)**	**1,801,299**

(Continues)

(In millions of colones)

Note 5. Works in Progress

Works in progress as of September 30, 2016 and December 31, 2015 are as follows:

Construction work in progress		As of September 30, 2016	As of December 31, 2015
Reventazón Hydroelectric Project (1)	¢	124,839	148,896
Las Pailas II Geothermal Project (2)		78,947	57,993
Cachí Hydroelectric Project (3)		25,439	24,301
Borinquen Geothermal Power Project (4)		24,351	22,648
Advanced Cell Evolution		21,758	630
Anillo Sur Transmission Line		21,197	14,563
Cóbano Transmission Line		18,416	15,773
New Power Control Center		11,824	11,276
Jacó Transmission Line		11,816	9,570
Coyol Transmission Line		10,504	10,564
Advanced mobile services		9,077	2,764
Management of network elements		8,953	8,517
Acquisition of assets - senior management		8,944	2,365
Reinforcement of distribution system		8,661	3,378
Real property management installation		8,402	2,638
Reventazón Transmission Line		5,742	920
Capillary network		5,635	4,312
Río Macho Hydroelectric Project		5,343	3,219
Sustainability and Growth		5,025	5,025
Hydropower plant Ventanas		4,985	3,559
Oingoing quality improvement (distribution)		4,975	4,839
Improvements in electricity transportation network		4,179	2,093
Improvements to Telecom transpor networks		4,169	7,659
FONATEL		3,339	-
Modernization of lightning, tests		3,073	737
Integral business customer services		2,977	1,782
Expansion and modernization of transport system		2,615	1,549
Expansion of platform and renewal of technological infrastructure		2,452	1
Siepact Transmission Line		2,308	2,308
Cariblanco-Trapiche Transmission Line		2,024	6,367
Technical services for distribution projects		2,019	1,079
Advanced public terminals		1,962	43
Network Development Project		1,914	2,365
Basic engineering studies		1,702	1,226
Advanced internet segurity network		1,676	195
Modernization of the platform IPTV		1,461	11
Advanced connectivity fiber optic (FOCA)		1,055	1,759
National IP voice		1,013	118
Sundry projects		11,754	28,331
Less: Goverment services*		(1,163)	(3,048)
Total ICE Group	**¢**	**475,362**	**412,325**

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

(Continues)

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

(1) Reventazón Hydroelectric Project

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

As of September 30, 2016, the works were transferred to the Reventazón Trust thereby increasing the long-term investments in the amount of ¢95.130 (see note 6).

(2) Las Pailas II Geothermal Power Plant

This project consists of the implementation of several construction works required to build a geothermal power plant with a power output of 55 MW. The project is located in Guanacaste and is being built on the foothills Rincón de la Vieja Volcano. It will complement the capacity generated by Las Pailas I plant.

(3) Cachí Hydroelectric Project

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

The works consist of the expansion of the current engine room, construction of an additional tunnel that will provide the plant with an additional power output of 20 MW, a surge tank, and two inspection openings.

(4) Borinquén Geothermal Plant

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

In December 2015, the accumulated costs of this project booked in the Design and Planning account, were transferred to the Works in Progress account in the amount of ¢22.209.

(Continues)

(In millions of colones)

The following chart indicates the movements regarding works in progress, material in transit, and inventory - investment as of September 30, 2016 and December 31, 2015:

Account	As of December 31, 2014	Additions	Capitalizations	Depreciation capitalizable	Interests and commissions	Warehoused	Used in works	As of December 31, 2015 *(Restated)**	Additions	Capitalizations	Depreciation capitalizable	Interests and commissions	Warehoused	Used in works	As of Setember 30, 2016
Construction work in progress	¢ 582,131	327,828	(535,712)	1,121	40,005	-	-	415,373	224,300	(189,163)	1,308	24,707	-	-	476,525
Less: Elimination of Government services*	(3,617)	569	-	-	-	-	-	(3,048)	1,885	-	-	-	-	-	(1,163)
Subtotal construction work in progress	**578,514**	**328,397**	**(535,712)**	**1,121**	**40,005**	**-**	**-**	**412,325**	**226,185**	**(189,163)**	**1,308**	**24,707**	**-**	**-**	**475,362**
Materials in transit for investment	34,184	18,200	(434)	-	-	(18,406)	(14,375)	19,169	54,365	-	-	-	(19,528)	(2)	54,004
Inventory for investment	159,871	21,495	-	-	-	78,181	(134,024)	125,523	46,877	-	-	-	-	(76,694)	95,706
Total ICE Group	**¢ 772,569**	**368,092**	**(536,146)**	**1,121**	**40,005**	**59,775**	**(148,399)**	**557,017**	**327,427**	**(189,163)**	**1,308**	**24,707**	**(19,528)**	**(76,696)**	**625,072**

* See note 26.

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

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

(Continues)

(In millions of colones)

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

Long-term investments are detailed as follows:

		As of September 30, 2016	As of December 31, 2015
Investments in shares valued at cost:			
Reventazón Hydroelectric Power Project (1)	¢	232,999	137,869
Toro 3 Hydroelectric Power Project Trust (2)		11,203	11,203
Empresa Propietaria de la Red, S.A. (3)		3,124	3,124
Tecomunica, S.A. (4)		1,081	1,081
Red Centroamericana de Fibras Ópticas S.A. (5)		143	143
Cooperativa de Electrificación Rural, R.L.		43	43
Red Centroamericana Telecomunicaciones S.A.		10	10
Subtotal investments in shares valued at cost		**248,603**	**153,473**
Long term financial investments:			
Government (External Debt Bonds)		36,642	30,773
Central Bank of Costa Rica (Bond)		10,811	13,561
Other		27,203	8,242
Subtotal long term investments		**74,656**	**52,576**
Total long term investments - ICE Group	¢	**323,259**	**206,049**

(1) <u>Reventazón Hydroelectric Power Project Trust</u>

The cost of investment of the Reventazón Hydroelectric Power Project (PHR) was estimated at US$1.379 million. The financing plan divided the project into two parts: one in which the assets and liabilities of that part of the project belong to ICE Group, which entails direct financing to the entity in the amount of US$475 million. The second part of the project involves the creation of a trust to raise funds and allocate them to the construction of the works of the project in the amount of US$904 million.

The direct financing for US$475 million includes external loans for US$298 (US$73 million from IDB and US$225 million from CABEI), and a direct contribution of ICE Group to the project amounting to US$177 million. According to the constitution of the Trust assets, the works financed by ICE Group will be contributed to the Trust as investments in the construction of the project. As of September 30, 2016 and according to the financing plan, a partial recognition of the investment was made as per the liquidation of works and service centers in the amount of ¢232.999; balance as of December 2015 was 2015 ¢137.869
(See note 5).

(2) Toro 3 Hydroelectric Power Project Trust

On March 9, 2006, ICE and JASEC entered into a business partnership agreement for the joint construction of the Toro 3 Hydroelectric Power Project whereby both entities will have equal participation (50% each) in respect of rights and obligations, with the purpose of designing, financing, constructing, operating, and maintaining such project. In January 2008, under the business partnership agreement, ICE and JASEC entered into a Trust agreement with BCR whereby ICE and JASEC act as trustors and beneficiaries and BCR is named as the trustee. The purpose of the trust is the independent generation and management of the necessary financial resources to build the Toro 3 Hydroelectric Power Project. In addition, the trust will construct the project within the established term, lease the plant to ICE and JASEC, purchase the required construction goods and services, provide maintenance services, and manage the cash flows to repay the financing and make timely payments in relation thereto (see note 30). The trust agreement is for a term of 30 years.

On January 26, 2012, the trustors (ICE and JASEC) entered into an addendum to the aforementioned trust agreement, whereby both entities agree to provide at least 20% of the resources necessary to finance Toro 3 Hydroelectric Project, so that the trust obtained the necessary funds to finance the remaining amount. In accordance to the addendum, ICE made an in-kind contribution (construction materials and labor), equal to ¢11,203. This contribution accounts for 10% of the resources necessary to finance Toro 3 Hydroelectric Project; the remaining 10% required to comply with the provisions contained in the addendum, was provided by JASEC.

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

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

(Continues)

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

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

EPR's share capital is comprised of 58,500 ordinary shares of US$1.000 par value each; ICE 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 and 2015, EPR made payments to ICE Group for returns on investments.

(4) Tecomunica, S.A. - Nicaragua

ICE and ENATREL agreed to organize a company in Nicaragua, referred to as Tecomunica, S.A., to sell and commercialize telecom services. The capital stock of Tecomunica, S.A. comprises 100 registered shares for a total of C$10.100.000 (ten million one hundred thousand córdobas) equal to US$400.000 (four hundred thousand dollars), with a par value of C$101.000 (one hundred one thousand córdobas, net) each equal to US$4.000 (four thousand dollars), of which 50 shares are held by ICE (50% interest) for a total of C$5.050.000 (five million fifty thousand córdobas, net) equal to US$200.000 (two hundred thousand dollars).

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

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.

(Continues)

(In millions of colones)

(5) 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 6.75% by CNFL. Currently, this Company is commercially operational.

(6) Long-Term Financial Investments

They mainly comprise investments in bonds and securities, with yields ranging from 5,16% and 11,46 % per annum for investments in colones and 4,69% and 5,84% per annum for investments in US dollars (between 6,58 % and 11,46 % per annum in colones and 4,69% and 5,84% per annum in US dollars in 2015). Investments amount to ¢69.498 denominated in colones and ¢5.158 denominated in US dollars (equal to US$9) (¢51.501 denominated in colones and ¢1.075 denominated in US dollars equal to US$2, in 2015), with a maturity between December 2016 and April 2028 (February 2016 and April 2028, in 2015.)

Note 7. Cash and Cash Equivalents

		As of September 30, 2016	As of December 31, 2015
Cash in vaults and banks	¢	8,540	10,160
Cash equivalents		197,394	171,000
Total ICE Group	**¢**	**205,934**	**181,160**

(Continues)

(In millions of colones)

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

				As of September 30, 2016			
	Currency	**Issuer**	**Type of financial instrument**	**Balance**	**Face value**	**Rate of return**	**Term in months**
Uncommitted:							
Available-for-sale	**Colones**						
		Repurchase operations	Repurchase operations	¢ 91,255	91,816	3.25% - 4.39%	Oct 2016 - Dec 2016
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds	16	-	-	Demand
	US Dólares						
		Banco Internacional de Costa Rica	Overnight deposit	22,779	-	0.20%	Demand
		Repurchase operations	Repurchase operations	4,255	8	2.86% - 3.16%	Oct 2016
		Banco Lafise	Term certificate of deposit (global bond)	2,236	2,151	3.00%	Nov 2016
		Banco Internacional Costa Rica	Overnight deposit	1,097	-	0.20%	Demand
Held-to-maturity	**Colones**						
		Banco de Costa Rica	Term certificate of deposit	1,623	5,680	1.15%	Oct 2016
		Govermment	Treasury note (electronic over the counter)	7,010	7,005	1.68%	Oct 2016
		Banco de Costa Rica	Term certificate of deposit (electronic over the counter)	5,830	5,831	1.25%	Oct 2016
		Banco de Costa Rica	Term certificate of deposit	1,950	1,950	0.20%	Sep 2016 - Oct 2016
		Banco de Costa Rica	Term certificate of deposit	6,800	6,800	0.90%	Sep 2016 - Oct 2016
	US Dólares						
		Banco de Costa Rica	Term certificate of deposit	137	137	0.28%	Oct 2016
		Banco Internacional Costa Rica	Term certificate of deposit	2,569	2,568	0.50%	Sep 2016 - Oct 2016
Fair value	**Colones**						
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones	8,520	-	2.46% - 2.56%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR	9,060	-	2.21% - 2.66%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity - colones	7,405	-	2.12% - 3.12%	Demand
		SAFI Banco Popular	I.F. non-diversified BP money market - colones	3,162	-	2.41%	Demand
		SAFI BAC San José	BAC San José líquidity in colones - non-diversified	2,200	-	1.83%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	512	-	1.67%	Demand
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - colones	3,267	-	2.46% - 2.56%	Demand
		SAFI Banco de Costa Rica	Investment funds	2,371	-	2.21% - 2.66%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones	1,212	-	2.26% - 2.62%	Demand
		Banco Popular	I.F. non-diversified BP money market - colones	1,364	-	2.41%	Demand
		SAFI BAC San José	BAC San José líquidity in colones - non-diversified	1,736	-	1.83%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity	79	-	1.61%	Demand
	US Dólares						
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars	1,413	-	1.36% - 1.93%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified BCR - public liquidity	4,075	-	1.54% - 1.88%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - U.S. dollars	954	-	1.75% - 1.80%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity - U.S. dollars	-	-	1.33%	Demand
		SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - U.S. dollars	3	-	1.36% - 1.93%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified - public liquidity - U.S. dollars	2,494	-	1.54% - 1.88%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - U.S. dollars	4	-	1.62% - 1.79%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity - U.S. dollars	6	-	1.24%	Demand
Total ICE Group				**¢ 197,394**	-		

(Continues)

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

	Currency	Issuer	Type of financial instrument		As of December 31, 2015 Balance	Face value	Rate of return	Term in months
Uncommitted:								
Available-for-sale	**Colones**	Repurchase operations	Repurchase operations	¢	25,054	25,233	4.22% - 4.91%	Nov 2015 - Jan 2016
		Banco Citibank (CMB Costa Rica)	Term certificate of deposit (global bond)		6,000	6,000	4.00% - 4.50%	Oct 2015 - Feb 2016
		Financiera Desyfin	Term certificate of deposit (global bond)		500	500	4.72%	Nov 2015 - Feb 2016
		Grupo Mutual Alajuela-La Vivienda de Ahorro y Prestamo	Mortgage participation certificate		2,000	2,022	4.00%	Dec 2015 - Feb 2016
		Banco de Costa Rica	Term certificate of deposit (global bond)		6,500	6,571	3.62% - 4.29%	Oct 2015 - Jan 2016
		Banco Popular y de Desarrollo Comunal	Term certificate of deposit (global bond)		1,500	1,500	4.17%	Nov 2015 - Feb 2016
		BN Sociedad de Fondos de Inversión, S.A.	Investment funds		15	-	-	Demand
	US Dólares	Banco Internacional de Costa Rica	Overnight deposit		31,835	-	0.20%	Demand
		Repurchase operations	Repurchase operations		2,715	2,725	2.59% - 3.20%	Nov 2015 - Jan 2016
		Banco Internacional Costa Rica	Overnight BICSA in U.S. dollars		2,187	-	0.20%	Demand
Held-to-maturity	**Colones**	Banco de Costa Rica	Term certificate of deposit		4,431	4,431	0.69%	Dec 2015 - Jan 2016
		Banco de Costa Rica	Term certificate of deposit		1,870	1,870	1.47%	Dec 2015 - Mar 2016
		Banco de Costa Rica	Term certificate of deposit		1,000	1,000	0.65%	Dec 2015 - Jan 2016
		Banco de Costa Rica	Term certificate of deposit		450	450	1.25%	Dec 2015 - Jan 2016
		Banco Nacional de Costa Rica	Short-term investment		12,786	12,786	0.75%	Dec 2015 - Jan 2016
		Govermment	Treasury note (electronic over the counter)		10,000	10,016	2.00%	Dec 2015 - Jan 2016
		Govermment	Zero-coupon Central Bank global bond (over the		10,047	10,050	2.42%	Oct 2015 - Jan 2016
		Banco Nacional de Costa Rica	Short-term investment		18,871	18,871	0.75%	Dec 2015 - Jan 2016
		Banco de Costa Rica	Term certificate of deposit		1,475	1,475	0.69%	Dec 2015 - Jan 2016
	US Dólares	Banco de Costa Rica	Term certificate of deposit		91	91	1.60%	Jun 2016 - Aug 2016
		BICSA	Term certificate of deposit		2,487	2,487	2.00%	Dec 2015 - Mar 2016
Fair value	**Colones**	SAFI Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones		8,359	-	2.72% - 3.06%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified short-term BCR		6,310	-	2.55% - 3.30%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - Public liquidity - colones		2,959	-	2.74% - 3.10%	Demand
		SAFI Banco Popular	I.F. non-diversified BP money market - colones		2,615	-	2.74%	Demand
		SAFI BAC San José	BAC San José líquidity in colones - non-diversified		682	-	2.23%	Demand
		SAFI Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		9	-	1.52%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones		10	-	2.65% - 3.04%	Demand
		Banco de Costa Rica	Investment funds		5	-	2.54% - 3.32%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		8	-	2.64% - 3.04%	Demand
		Banco Popular	I.F. non-diversified BP money market - colones		2	-	2.74%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity		79	-	1.77%	Demand
	US Dólares	SAFI Banco Nacional de Costa Rica	I.F. non-diversified BN - U.S. dollars		827	-	0.69% - 1.30%	Demand
		SAFI Banco de Costa Rica	I.F. non-diversified BCR - public liquidity		3,050	-	0.84% - 1.35%	Demand
		SAFI Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - colones		2,105	-	0.69% - 0.95%	Demand
		Banco Nacional de Costa Rica	I.F. non-diversified Superfondo BN - colones		406	-	0.70% - 1.29%	Demand
		Banco de Costa Rica	I.F. non-diversified - public liquidity - U.S. dollars		1,754	-	0.82% - 1.35%	Demand
		Instituto Nacional de Seguros	I.F. non-diversified INS - public liquidity - U.S. dollars		1	-	0.69% - 0.95%	Demand
		Scotiabank de Costa Rica	I.F. non-diversified Scotia - public liquidity - U.S.		5	-	0.94%	Demand
Total ICE Group				¢	**171,000**	-		

(Continues)

(In millions of colones)

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

As of September 30, 2016, ICE Group has held-to-maturity investments (time deposit certificates) for an amount of ¢22.391 (¢19.563 in 2015), denominated in colones for ¢16.956 and ¢5.435 in US dollars (¢12.006 in colones and ¢7.557 in US dollars in 2015) and available for sale (time deposit certificates, zero-coupon Monetary Stabilization Bonds, title deeds, fixed-rate Monetary Stabilization Bonds, Mortgage Participation Certificates) for ¢137.070 (¢84.019 in 2015) of which ¢129.044 are colones y ¢8.026 are in US dollars (¢79.850 in colones and ¢4.169 in US dollars in 2015), with interest rates ranging from 1,20% and 7,99% per annum (2,49% and 9,24% per annum in 2015) and maturity dates from 4 and 12 months (4 and 12 months in 2015).

		As of September 30, 2016	As of December 31, 2015
<u>ICE</u>			
Held-to-maturity and available-for-sale investments Valuation of investments	¢	159,461	103,582
Valuation of investments		2,564	2,943
Net total ICE Group	**¢**	**162,025**	**106,525**

Valuation of Investments

As of September 30, 2016 and as a result of the valuation of the short-term investments, ICE Group recognized a net unrealized gain for the sum of ¢2.564 (¢2.943 in 2015), which is presented as part of the entry "*Results of the Valuation of Financial Instruments,*" in the Consolidated Statement of Changes in Equity.

(Continues)

Notes to the Consolidated Financial Statements
(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 September 30, 2016	As of December 31, 2015
Guarantees received fron third parties:			
In U.S. dollars	¢	467	1,078
In colones		919	1,015
Specific purpose funds:			
BCR Platinum (¢) - Cash for payments of ICE		3,812	3,620
BNCR Gold - Cash for amortization of short-term		764	5,620
Total ICE Group	**¢**	**5,962**	**11,333**

(Continues)

(In millions of colones)

Note 10. <u>Notes Receivable</u>

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

		As of September 30, 2016		As of December 31, 2015	
		Long-term	**Short-term**	**Long-term**	**Short-term**
Loan to autonomous entities (1)	¢	7,354	496	7,711	131
Private people		-	1,630	-	1,768
In legal collections		-	20	-	47
Payment arrangements		-	202	-	309
CNFL-MINAET Agreement (Olivier Hydroelectric Project)		621	16	614	16
Other		146	5	-	5
Total ICE Group	**¢**	**8,121**	**2,369**	**8,325**	**2,276**

(1) <u>Loan to autonomous entities</u>

<u>911 Emergency System</u>

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.

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

The new conditions, through the "agreement to restructure the debt from the accounts receivable by ICE from the 911 Emergency System," signed on November 30, 2015, stipulates that the payment arrangement will be of 15 years as of January 01, 2013; therefore, three years of grace are awarded for the interest plus principal.

The 911 Emergency System will fulfill this financial obligation by making 30 semi-annual payments; therefore, the first payment has to be made on April 30, 2016, and the last payment has to be made 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 debt as of September 30, 2016 is ¢5.422 (¢5.422 in 2015).

<u>Empresa Propietaria de la Red</u>

(Continues)

It corresponds to the loan agreement entered into ICE and Empresa Propietaria de la Red (EPR) to repay loan IDB No. 1908 for a total of US$4,5 million, equivalent to ¢2.428 in 2016 (¢2.420 in 2015). 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 2015 Libor 3-month rate of 0.32%, plus a funding margin of 0.05%, plus a IDB loan margin of 1.15%.).

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

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

		As of September 30, 2016	As of December 31, 2015
Private people	¢	48,470	47,310
Judicial and administrative collection		59,906	50,834
Electric services consumers		24,689	20,415
Electric cooperatives and municipal companies of electric distribution		11,573	10,315
Operators and suppliers of services		4,830	5,056
Telephone administrations		2,492	2,596
Public offices		4,153	2,449
Other		2,002	3,860
Subtotal		**158,115**	**142,835**
Allowance for doubtful accounts		(55,615)	(52,717)
Total receivables for services rendered		**102,500**	**90,118**
Private people (1)		20,764	24,544
Government tax		8,154	7,272
Covenants, services cleared and others		3,066	3,157
Damages to electric installations		970	1,087
Various services government		33	112
Other		5,104	4,061
Subtotal		**38,091**	**40,233**
Allowance for doubtful accounts		(7,186)	(7,193)
Total non-trade receivables		**30,905**	**33,040**
Total		**196,206**	**183,068**
Allowance for doubtful accounts		(62,801)	(59,910)
Net total ICE Group	¢	**133,405**	**123,158**

(Continues)

(1) Non-Trade Receivables - Private Individuals

As of September 30, 2016, this item includes advance payments made by ICE to purchase fuel to generate power in thermal power plants for ¢502 (¢1.734 in 2015), advance payments to private individuals with guarantees for ¢3.230 (¢3.763 in 2015), interest and commissions for ¢3.224 (¢4.133 in 2015), receivables for unpriced services for ¢4.961 (¢9.946 in 2015) corresponding to the services provided by the Strategic Business Units,, and the amount of ¢5.423 (¢2.758 in 2015) for deposits made by ICE Group in court.

(Continues)

(In millions of colones)

Movement in the allowance for doubtful accounts is as follows:

Allowance for doubtful accounts		As of December 31, 2014 *(Restated)*	Used	Recoveries	Expense	As of December 31, 2015	Prior period adjustments	Used	Recoveries	Expense	As of September 30, 2016
Receivables for services rendered	¢	40,255	(8,099)	3,696	16,865	52,717	(6,672)	(6,921)	8,773	7,718	55,615
Non-trade receivables		7,274	(82)	-	1	7,193	-	(17)	9	1	7,186
Total ICE Group	**¢**	**47,529**	**(8,181)**	**3,696**	**16,866**	**59,910**	**(6,672)**	**(6,938)**	**8,782**	**7,719**	**62,801**

(Continues)

(In millions of colones)

Note 11. Operating Inventory

Operating inventory is as follows:

		As of September 30, 2016	As of December 31, 2015
Operating inventory	¢	64,448	69,189
Materials and equipment held in custody		8,216	20,766
Materials in transit for operations		6,533	3,538
Subtotal		**79,197**	**93,493**
Allowance for valuation of operating inventory		(35,147)	(43,695)
Total ICE Group	**¢**	**44,050**	**49,798**

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

		As of December 31							
		2014	**Used**	**Expenses**	**2015**	**Prior period adjustments**	**Used**	**Expenses**	**As of September 30, 2016**
Allowance for valuation of inventory	¢	12,258	(2,618)	34,055	43,695	(4,906)	(6,925)	3,283	35,147
Total ICE Group	**¢**	**12,258**	**(2,618)**	**34,055**	**43,695**	**(4,906)**	**(6,925)**	**3,283**	**35,147**

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.

(Continues)

(In millions of colones)

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's current market and competition conditions; therefore, its accounting treatment consisted of changing an accounting estimate with prospective effects.

Note 12. Prepaid Expenses

Prepaid expenses are detailed as follows:

		As of September 30, 2016	As of December 31, 2015
Mobile terminals and devices	¢	32,023	39,164
Purchase of energy from private producers (1)		6,098	24,393
Use agreements (2)		19,766	19,966
ING-0008 (U-500) insurance policy, net (3)		4,690	3,077
All-risk insurance policy - construction		12	623
Phone book		483	1,466
Other		942	1,140
Total ICE Group	**¢**	**64,014**	**89,829**

ING-0008 (U-500) insurance policy		As of September 30, 2016	As of December 31, 2015
Opening balance	¢	3,077	3,149
Amount of premium		9,526	11,936
Amortization of premium		(7,913)	(12,008)
Total ICE Group	**¢**	**4,690**	**3,077**

(Continues)

(1) Purchase of private energy generation

In Ruling RIE-107-2015 of October 23, 2015, ARESEP approved ICE's request to recognize through an adjustment rate in favor of ICE Group, additional costs incurred to purchase energy from private independent cogenerators during 2015. The ruling established that additional costs should be reimbursed to ICE through a rate recognition starting January 01, 2016 and for the rest of that year. As a result of the adjusted rate, it is estimated that ICE Group will recover an amount of ¢24.393.

(2) Use Agreements

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 30). 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.

(3) ING-0008 (U-500) Insurance Policy

The ING-0008 (U-500) all-risk policy is a replacement value agreement adjusted to the ICE Group'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.

(Continues)

(In millions of colones)

Note 13. **Service Agreements**

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

		As of September 30, 2016	As of December 31, 2015
Real Estate Development for offices	¢	1,627	338
Reventazón Hidroeléctric Project (1)		890	35,075
Wather suplly system project		108	60
Other		2,413	160
Subtotal ICE Group		**5,038**	**35,633**
* Elimination of Government services		(18)	(25)
Total ICE Group	**¢**	**5,020**	**35,608**

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

(1) Reventazón Hydroelectric Project

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

The Project will use the water from Río Reventazón and will become, when built, one of the hydroelectric plants with the highest installed capacity in the country, with a design flow of 240 m3/s and a power output of 305.5 MW, which will benefit about 525 000 households.

The estimated cost of the works amounts to US$1,379 million.

On May 22, 2013, ICE and Banco Scotiabank entered into an infrastructure trust agreement for the development of the Reventazón Hydroelectric Power Project called "UNO P.H. Reventazón/ICE/Scotiabank/2013 Trust Agreement", whereby ICE acts as the Trustor and Main Beneficiary, Banco Scotiabank as Trustee, and the individuals identified in each notification for appointment of secondary beneficiaries as such.

The main clauses of the UNO P.H. Reventazón/ICE/Scotiabank/2013 Trust Agreement are summarized below:

- The purposes of the Trust are as follows:

(Continues)

a. Develop, continue the construction, lease, operate, and offer maintenance to the Reventazón Hydroelectric Power Project and subscribe the necessary financing to achieve those goals.

b. Create autonomous and independent equity to secure and guarantee compliance with the Trust's obligations.

c. Organize the Guarantee Trust to which the Trust Equity will be transferred, whereby this Trust will act as the trustor, the secured creditors as the beneficiaries, and this Trust's trustee as the trustee. The trustee of the Guarantee Trust is Banco Scotiabank.

d. Comply with the Trust's obligations established in the transaction documents, including making payments to secured creditors that granted loans or invested in securities for the development, financing, construction, lease, operation, and maintenance of the Reventazón Hydroelectric Power Project.

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

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

- 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.

(Continues)

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

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

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

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

- The UNO P.H. Reventazón Trust acts as the employer and ICE as the contractor responsible for the construction of the Reventazón Hydroelectric Power Project. The agreement amounts to US$693 million.

- As set forth in this agreement, ICE shall quarterly provide UNO P.H. Reventazón Trust, with the details of the payment milestones they consider they are entitled to charge, together with the supporting documentation. Once the details of costs are reviewed and approved, the Trust will reimburse ICE.

- The main services ICE will provide under this agreement are: Engineering in the project design, management of required materials purchasing, acquisition of necessary labor and construction services of the project.

Lease Agreement for the Reventazón Hydroelectric Power Project:

- The UNO P.H. Reventazón Trust acts as the lessor and ICE as the lessee. The agreement is for a minimum term of 17 years and semiannual payments are based on the amount paid by the UNO P.H. Reventazón Trust for the debt with the creditor banks.

As of September 30, 2016, the service agreement for Reventazón Hydroelectric Project shows a decrease related to the balance as of December 31, 2015, for ¢34.185 carried forward to works in progress mainly for the costs associated with the implementation of the project. The balance of service agreements amounting to ¢890 corresponds to costs incurred and to be billed according to the agreement.

(Continues)

(In millions of colones)

As of September 30, 2016, ICE has transferred as trust property to UNO P.H Reventazón Trust, lands with a value of ¢1.562 (¢1.378 in 2015).

Note 14. **Design and Planning of Project Implementation**

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

		As of September 30, 2016	As of December 31, 2015
El Diquís Hydroelectric Project (1)	¢	84,392	82,006
Refitting of south-center transmission line		4,991	4,990
Verbena Transmission line		2,192	2,142
La Carpio Deviation		2,062	1,942
Transmission lines		530	488
Others		1,959	1,501
Subtotal		**96,126**	**93,069**
* Elimination of Government services		(79)	(104)
Total ICE Group	**¢**	**96,047**	**92,965**

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

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

(1) El Diquís Hydroelectric Project (PHED):

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

As of September 30, 2016, PHED includes costs incurred prior to construction and disbursements made during the investment phase, which encompasses the design of the works, and technical, economic, and financial studies for a total of ¢84.392 (¢82.006 as of 2015), necessary for completing the Feasibility Studies and the final Environmental Impact Study. PHED is in the process of completing, followed by a presentation to the National Technical Environmental Secretariat (SETENA), the Environmental Impact Study. The viability or Environmental License is necessary to begin construction, which is issued with SETENA's approval of the study. To start

(Continues)

its construction, there should be an environmental license or viability issued and approved by SETENA.

Within the area required for PHED, there are some indigenous communities, including: China Kichá (Cabécar) and Térraba (Térraba), which use 74 and 653 hectares of their territory. However, these areas would be flooded for the construction of the project's reservoir. Therefore, legal and consultation processes have started with these indigenous communities, seeking to reach an agreement for the implementation of the Project.

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

Status of lawsuits involving PHED:

- Administrative Litigation

Pending legal proceeding No. 11-001691-1027-CA, filed by Asociación de Desarrollo Integral de la Reserva Indígena de Térraba (ADIT), which is being processed at the Administrative Contentious Court, Section Six and demands the nullity of Order No. 34312-MP-MINAE of 2008, which states the National Convenience and Public Interest of the studies and works of PHED and its transmission works, as well as the eviction in indigenous territories allegedly occupied by ICE during the feasibility stage and which entailed alleged cultural damage and the occupation of indigenous territories by ICE, the plaintiff is seeking damages for a reasonable estimate of US$200 million or its equivalent in colones.

On November 17, 2015, through vote N°0006194-2015, issued by the Administrative Contentious Court, judicial proceeding N°11-0016911027-CA is partially admitted under the following terms:

✓ In case ICE decides to reopen or resume in the short, medium or long term the geological research stage at the Térraba Site prior to the implementation of PHED, it must start an environmental assessment in accordance with the regulations in effect at the time the request is submitted. ICE must also obtain from the competent entities and bodies the authorizations or permits required by law to perform activities such as tree cutting, groundwork, excavations, construction of works on the riverbed such as dams or gabion walls.

✓ In case the aforementioned research is resumed, SETENA is ordered to establish the environmental assessment instrument required from ICE, in accordance with the provisions of current regulations and with the parameters established for such a

(Continues)

classification, as well as the environmental importance of each of the works or activities having an impact.

- ✓ Until the indigenous consultation is performed and the environmental assessment instrument is obtained, ADIT and ICE are ordered to abstain from adopting an administrative position in respect of the PHED's research or investment stage, which might have an environmental impact or affect the biodiversity of such an Indigenous Reservation.

- ✓ The proceeding is decided without any special order to pay costs.

- <u>Constitutional Chamber</u>

In December 2014, *amparo* proceedings were filed under File No. 14-019128-0007-CO, against order No. 34312-MP-MINAE of 2008 that declares PHED activities in favor of ADIT of public interest and national convenience, due to the breach and non-compliance with resolution 2011-01275 resulting from Unconstitutional Action No. 08-009215-0007-CO, which granted a 6-month term to conduct the consultation with indigenous peoples, a resolution is pending as of to date.

- <u>Indigenous Consultation</u>

ICE is waiting for a reply by the President's Office of the Republic to the Ombudsman Office regarding the recommendations included in the report "The right of indigenous peoples to a consultation within the framework of El Diquís Hydroelectric Project," as of June 3, 2015, sent through Official Communication Number No.05271-2015-DHR-(PE) and aiming to: a) designate, as a priority, a governmental agency to be in charge of organizing the consultation processes to be conducted in the Costa Rican indigenous territories; b) define, through a consensus with the indigenous peoples, the proper conditions and procedures to be dealt with when they are consulted regarding the legislative or administrative projects or actions affecting their rights; and c) once a governmental agency is designated and a consultation guide is defined for each indigenous territory, such governmental agency (ministry or an office in charge) will conduct a consultation process regarding El Diquís Hydroelectric Project in the indigenous territories that might be affected.

The opinion of ICE's legal counsel is that the Government of the Republic is the sole party responsible for performing such consultation process in accordance with the international guidelines that have been declared as Law of the Republic. As previously reported, the outcome of this consultation process is binding for the issue of the Environmental Permit.

ICE's responsibility as the project's developer consists of furnishing the required information on the project, its works, and their impact and environmental measures, which has been prepared by qualified professionals as input for the discussions between the Government of the Republic and the indigenous peoples for the consultative process. However, ICE's active involvement in such processes requires prior authorization from the Government of the Republic of Costa Rica.

On March 04, 2016, the Executive Branch published in La Gaceta N° 51 Presidential Directive 042-MP referred to as "Development of the Indigenous Consultation Mechanism;" the Government of the Republic took the first step to develop the general consultation instrument that will be used as input to implement the specific consultations associated with any project or activity such as Diquís or administrative actions that might be implemented by institutions or the Government itself in indigenous territories. The Government has publicly stated that this construction process will be the result of a dialogue and not of imposition; therefore, it established a general roadmap in which widely attended Territorial Meetings will define the process methodology, the guiding principles, and the contents of the mechanism. Such a process will start in April of this year. Once there is a consultation protocol, there will be a specific consultation about PHED; therefore, ICE has publicly carried out the initiative that will finally carry out such a consultation with a consensus-based instrument.

Consequently, the submission of an Environmental Impact Assessment to SETENA is pending, awaiting for the indigenous consultation.

(Continues)

(In millions of colones)

Note 15. Non-Operating Assets

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

		As of December 31, 2014	Additions and capitalizations	Disposals	Transfers	As of December 31, 2015	Additions and capitalizations	Disposals	Transfers	As of September 30, 2015
Historical cost:										
Land	¢	26,752	2,077	-	1	28,830	263	(28)	-	29,065
Buildings		4,764	10	-	-	4,774	-	-	-	4,774
Artwork and collector´s items		23	-	-	-	23	-	(12)	-	11
Substations		1,963	26	-	-	1,989	-	-	-	1,989
Hydroelectric power plants		674	-	-	-	674	-	-	-	674
General equipment		899	-	(866)	-	33	-	-	-	33
Surco Tico, S.A.- Forestry project		1,010	84	-	(546)	548	-	-	546	1,094
Other assets		145	-	-	-	145	-	-	-	145
Total cost ICE Group		**36,230**	**2,197**	**(866)**	**(545)**	**37,016**	**263**	**(40)**	**546**	**37,785**
Accumulated depreciation - cost:										
Land		52	80	-	-	132	6	-	-	138
Buildings		1,000	286	-	-	1,286	175	-	-	1,461
Substations		309	63	-	-	372	48	-	-	420
Hydroelectric power plants		165	42	-	-	207	13	-	-	220
General equipment		2	-	-	-	2	-	-	-	2
Other assets		14	1	-	-	15	40	-	-	55
Total depreciation ICE Group		**1,542**	**472**	**-**	**-**	**2,014**	**282**	**-**	**-**	**2,296**
Revaluation:										
Land		9,233	-	-	9	9,242	-	-	-	9,242
Buildings		3,150	-	-	-	3,150	-	-	-	3,150
Substations		339	-	-	-	339	-	-	-	339
Hydroelectric power plants		7,938	-	-	-	7,938	-	-	-	7,938
General equipment		1	-	-	-	1	-	-	-	1
Other assets		183	-	-	-	183	-	-	-	183
Total revaluation ICE Group		**20,844**	**-**	**-**	**9**	**20,853**	**-**	**-**	**-**	**20,853**
Accumulated depreciation - revaluation:										
Land		252	67	-	-	319	6	-	-	325
Buildings		2,302	100	-	-	2,402	55	-	-	2,457
Substations		44	12	-	-	56	9	-	-	65
Hydroelectric plants		5,592	85	-	-	5,677	104	-	-	5,781
General equipment		1	-	-	-	1	-	-	-	1
Other assets		55	3	-	-	58	17	-	-	75
Total depreciation- revaluation ICE Group		**8,246**	**267**	**-**	**-**	**8,513**	**191**	**-**	**-**	**8,704**
Total non - operating assets ICE Group	**¢**	**47,286**	**1,458**	**(866)**	**(536)**	**47,342**	**(210)**	**(40)**	**546**	**47,638**

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

(Continues)

(In millions of colones)

Note 16. **Intangible Assets**

Intangible assets are as follows:

		As of September 30, 2016	As of December 31, 2015
Intangible assets:			
Licenses, systems and applications	¢	111,992	105,497
Rights of way and easements (1)		26,239	25,576
Goodwill (2)		5,863	5,863
Rights guaranteed by law		2	2
Total cost ICE Group		**144,096**	**136,938**
Accumulated amortization:			
Licenses, systems and applications		81,005	70,491
Goodwill		826	601
Total amortization ICE Group		**81,831**	**71,092**
Net total ICE Group	**¢**	**62,265**	**65,846**

Amortization Method

For calculating the amortization of licenses, software, and applications, ICE applies the straight-line method from the date the assets were first used, over a useful life of three years. ICE's rights of way and easements have no defined term over which they generate future benefits to ICE; accordingly, they are not amortized.

(1) Easements and Rights of Way

Easements and rights of way correspond to the payments made to the owners of lands which ICE Group requires to access to develop different projects and provide electricity and telecom services. According to the terms of the agreements, ICE Group is only entitled to easements or rights of way, but this does mean the purchase of lands or transfer of ownership to ICE Group.

Rights of way agreements do not stipulate a term in year to exercise the right, thus establishing a permanent easement. The aforementioned rights of way start mainly in the transmission lines. Therefore, these intangible assets meet the requirements of an

(Continues)

indefinite life because there is not defined term so that these assets can continue generating cash flows for the entity; therefore, they are not amortized.

(2) Goodwill

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

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

The movement in intangible assets is as follows:

		Licences, sytems, and applications		Rights of way and easements		Rights guaranteed by law		Goodwill		Total	
		As of September 30, 2016	**As of December 31, 2015**	**As of September 30, 2016**	**As of December 31, 2015**	**As of September 30, 2016**	**As of December 31, 2015**	**As of September 30, 2016**	**As of December 31, 2015**	**As of September 30, 2016**	**As of December 31, 2015**
Cost:											
Opening balance	¢	105,497	81,116	25,576	24,974	2	2	5,863	5,863	136,938	111,955
Additions		14,722	29,128	663	668	-	-	-	-	15,385	29,796
Transfers		-	(500)	-	-	-	-	-	-	-	(500)
Disposals		(8,227)	(4,260)	-	(66)	-	-	-	-	(8,227)	(4,326)
Adjustments		-	13	-	-	-	-	-	-	-	13
Total cost ICE Group	**¢**	**111,992**	**105,497**	**26,239**	**25,576**	**2**	**2**	**5,863**	**5,863**	**144,096**	**136,938**
Accumulated amortization:											
Opening balance	¢	70,491	60,392	-	-	-	-	601	300	71,092	60,692
Amortization - expense		10,543	11,713	-	-	-	-	225	301	10,768	12,014
Amortization - investment		355	195	-	-	-	-	-	-	355	195
Reclassifications		-	7	-	-	-	-	-	-	-	7
Transfers		690	-	-	-	-	-	-	-	690	-
Disposals		(1,074)	(1,816)	-	-	-	-	-	-	(1,074)	(1,816)
Total amortization ICE Group		**81,005**	**70,491**	**-**	**-**	**-**	**-**	**826**	**601**	**81,831**	**71,092**
Net total ICE Group	**¢**	**30,987**	**35,006**	**26,239**	**25,576**	**2**	**2**	**5,037**	**5,262**	**62,265**	**65,846**

(Continues)

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

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

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

The balance of the employer's contribution transferred by ICE Group to the Guarantee and Savings Fund amounts ¢208.604 (¢214.567 in 2015)

(Continues)

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

Note 18. Amortizable Items

Amortizable items are as follows:

				As of December 31, 2014			As of December 31, 2015			As of September 30, 2016
Cost:	**Plazo**	**Método**		**Balance**	**Write-offs**	**Increase**	**Balance**	**Write-offs**	**Increase**	**Balance**
Projects	1 a 480 months	Straigth line	¢	749	-	-	749	-	-	749
Transactions costs - investments	30 a 180 months	Efective interest		1,852	(386)	421	1,887	(505)	374	1,756
Commissions for financing agreements	12 a 360 months	Efective interest		5,158	(828)	398	4,728	-	165	4,893
Total cost - ICE Group				**7,759**	**(1,214)**	**819**	**7,364**	**(505)**	**539**	**7,398**
Amortization:	**Plazo**	**Método**		**Balance**	**Write-offs**	**Amortizations**	**Balance**	**Write-offs**	**Amortizations**	**Balance**
Projects	1 a 480 months	Straigth line		502	-	15	517	-	10	527
Transactions costs - investments	30 a 180 months	Efective interest		752	(235)	348	865	425	(368)	922
Commissions for financing agreements	12 a 360 months	Efective interest		2,351	(828)	440	1,963	-	249	2,212
Total amortization - ICE Group				**3,605**	**(1,063)**	**803**	**3,345**	**425**	**(109)**	**3,661**
Net total - ICE Group			¢	**4,154**	**(151)**	**16**	**4,019**	**(930)**	**648**	**3,737**

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(Continues)

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

Note 19. Securities Payable (Bonds)

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

Securities payable		As of December 31, 2014	Amortization	Foreign exchange differences	Disbursements	2015	Amortization	Foreign exchange differences	Disbursements	As of September 30, 2016	Long-term	Short-term
Internal debt:												
Bond issue	¢	583,135	-	(2,682)	12,000	592,453	26,891	9,422	9,667	584,651	569,651	15,000
External debt:												
International bond issue (1)		542,220	-	(4,410)	-	537,810	-	16,880	-	554,690	554,690	-
Other:												
Premium bond issue		8,411	985	-	68	7,494	765	-	-	6,729	6,729	-
Discount bond issue		(5,594)	(195)	-	-	(5,399)	(163)	-	-	(5,236)	(5,236)	-
Total ICE Group	**¢**	**1,128,172**	**790**	**(7,092)**	**12,068**	**1,132,358**	**27,493**	**26,302**	**9,667**	**1,140,834**	**1,125,834**	**15,000**

(Continues)

(In millions of colones)

The characteristics of these debt securities are detailed as follows:

Securities payable			
Creditor	**Term**	**Annual interest rate**	**Currency**
Internal debt:			
Bond issue	Maturing between September 30, 2017 and August 30, 2036	Variable between el 3,27% and 9.10% Fixed between 10,87% and el 11,45%	¢
Bond issue	Maturing between february 13, 2019 and September 7, 2027	Fixed between 5,97% and 7,65%	US$
External debt:			
Bond issue	Maturing between November 09, 2021 and May 14, 2043	Fixed between 6,38% and 6,95%	US$

ICE's Bond Issues

A detail of the main characteristics of the bonds issued by ICE as of September 30, 2016, is as follows:

(Continues)

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

Internal Debt:

Series	Date of issue	Date of maturity	Nominal interest rate per annum		Authorized and issued	Placed by series	Balance available		Premium in bond issue	Discounts in bond issue
				In millions of colones						
A1	09/30/2009	09/30/2021	Variable 7.70%	¢	50,000	50,000	-	¢	89	-
A2	11/6/2009	11/6/2024	Variable 7.90%		50,000	50,000	-		69	761
A3	11/3/2010	11/3/2020	Fixed 11.41%		20,000	20,000	-		2	55
A4	12/14/2010	12/14/2017	Fixed 10.30%		10,000	10,000	-		-	6
A5	12/16/2010	12/16/2025	Variable 8.15%		20,000	20,000	-		-	-
A6	08/11/2011	08/11/2023	Variable 8.30%		50,000	25,107	24,893		88	-
F3	04/3/2012	04/3/2023	Variable 9.45%		50,000	27,407	22,593		1,212	-
FGA 15	07/30/2015	07/30/2035	Variable 9.10%		11,000	11,000	-		-	-
FGA 16	08/30/2016	08/30/2036	Variable 7.30%		15,500	9,667	5,833.10		-	-
				¢	**276,500**	**223,181**	**53,319**	**¢**	**1,460**	**822**

Series	Date of issue	Date of maturity	Nominal interest rate per annum		Authorized and issued	Placed by series	Balance available		Premium in bond issue	Discounts in bond issue
				In millions of U.S. dollars				In millions of colones		
B1	17/11/2009	11/17/2021	Fixed 7.65%	US$	75	75	-	¢	99	-
B3	06/24/2010	06/24/2022	Fixed 7.18%		75	75	-		776	-
E1	02/14/2011	11/12/2020	Fixed 5.98%		75	75	-		106	-
E2	12/12/2011	12/12/2024	Fixed 7.61%		125	125	-		-	154
F1	02/13/2012	02/13/2019	Fixed 5.97%		100	33	67		-	97
F4	09/7/2012	09/7/2027	Fixed 7.61%		175	175	-		244	156
				US$	**625**	**558**	**67**	**¢**	**1,225**	**407**

(Continues)

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

Note 20. **Notes Payable**

As of September 30, 2016, the movements of the notes payable are detailed as follows:

	As of December 31,											
	2014	Amortization	Foreign exchange differences	Disbursements	2015	Amortization	Foreign exchange differences	Disbursements	As of September 30, 2016	Long-term	Short-term	(in U.S. dollars)
Internal debt:												
Loans payable:												
Non-restructured debt - Tranche V	¢ 120	120	-	-	¢ -	-	-	-	-	-	-	-
Banco Nacional de Costa Rica (B.N.C.R)	70,436	2,109	(320)	3,492	71,499	1,717	1,347	741	71,870	66,961	4,909	129.57
Scotiabank	10,167	2,711	(61)	-	7,395	2,017	169	-	5,547	2,773	2,774	10.00
Supplier credit	26,079	9,679	(150)	1,636	17,886	8,446	341	1,385	11,166	4,031	7,135	20.13
Chiripa Wind Consortium	3,888	3,888	-	-	-	-	-	-	-	-	-	-
Scotia Leasing	1	1	-	-	-	-	-	-	-	-	-	-
BAC Leasing	66	16	-	-	50	8	(1)	27	68	-	68	0.05
Banco Popular y de Desarrollo Comunal (1)	-	-	-	44,929	44,929	878	-	22,000	66,051	63,467	2,584	119.08
Banco de Costa Rica (2)	40,016	899	-	1,318	40,435	722	-	6,672	46,385	45,385	1,000	83.62
Finance Ministry	7,043	4,698	-	-	2,345	663	-	-	1,682	587	1,095	3.03
Lines of credit:												
Banco Nacional de Costa Rica (B.N.C.R) (3)	-	-	-	-	-	20,000	-	20,000	-	-	-	-
External debt:												
Loans payable:												
CABEI (4)	137,156	5,152	(1,608)	65,765	196,161	-	6,849	22,062	225,072	221,876	3,196	405.76
IDB (5)	265,416	30,591	(2,128)	33,889	266,586	27,035	7,998	15,209	262,758	231,338	31,420	473.70
BNP Paribas	774	774	-	-	-	-	-	-	-	-	-	-
M&T Bank	1,932	1,257	(8)	-	667	667	-	-	-	-	-	-
Banistmo, S.A.	53,901	11,478	(513)	-	41,910	9,001	1,033	-	33,942	23,189	10,753	61.19
EIB (6)	-	-	(44)	5,422	5,378	-	424	8,151	13,953	13,953	-	25.15
Andean Development Corporation (CAF)	38,407	4,518	(276)	-	33,613	2,241	985	-	32,357	27,735	4,622	58.33
Citibank	4,281	4,263	(18)	-	-	-	-	-	-	-	-	-
Japan Bank For International Cooperation (7)	51,357	4,458	(311)	12,345	58,933	2,553	14,762	12,162	83,304	79,251	4,053	150.18
Cisco Systems	19,412	4,655	(121)	-	14,636	3,330	353	-	11,659	6,962	4,696	21.02
Multibank INC.	287	287	-	-	-	-	-	-	-	-	-	-
Scotiabank	48,800	13,928	(300)	-	34,572	1,806	1,028	-	33,794	30,070	3,724	60.92
Global Bank Corporation	10,844	10,844	-	-	-	-	-	-	-	-	-	-
Instituto Crédito Oficial Reino de España	12,490	685	(105)	-	11,700	698	355	-	11,357	10,648	709	20.47
Deutsche Bank, Sociedad Anónima Española	694	683	(11)	-	-	-	-	-	-	-	-	-
Kreditanstal Fur Wiederaufbau	8,581	1,929	(78)	-	6,574	1,967	177	-	4,784	2,787	1,997	8.62
Banco Interamericano de Desarrollo (BICSA)	7,229	470	(61)	-	6,698	250	206	-	6,654	5,987	668	12.00
National Bank for Economic and Social Development of Brazil (BNDES)	18,113	1,141	(126)	4,915	21,761	2,319	639	-	20,081	17,719	2,362	36.20
Scotiabank	-	-	-	4,434	4,434	-	-	-	4,434	4,434	-	7.99
Lines of credit:												
Global Bank Corporation	-	5,363	(25)	5,388	-	-	-	-	-	-	-	-
Total internal debt - ICE Group	**¢ 157,816**	**24,121**	**(531)**	**51,375**	**¢ 184,539**	**34,451**	**1,856**	**50,825**	**202,769**	**183,204**	**19,565**	**US$ 365.49**
Total external debt - ICE Group	**¢ 679,674**	**102,476**	**(5,733)**	**132,158**	**¢ 703,623**	**51,867**	**34,809**	**57,584**	**744,149**	**675,950**	**68,200**	**US$ 1,341.56**
Total debt - ICE Group	**¢ 837,491**	**126,597**	**(6,265)**	**183,533**	**¢ 888,162**	**86,318**	**36,665**	**108,408**	**946,917**	**859,152**	**87,765**	**US$ 1,707.04**

(Continues)

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

The general characteristics of notes payable, classified into internal and external debt in 2016 se are summarized as follows:

General characteristics of debt (U.S. dollars and colones, as indicated)			
	Interest rate	**Currency**	**Term**
Internal debt:			
Ministry of Finance	Variable 14.00%	¢	Maturing on January 31, 2018
Supplier credit	Fixed between 4.95% and 5.45%	US$	Maturing between November 11, 2016 and June 07, 2021
Commercial banks:			
Banco Nacional de Costa Rica	Variable between 5.25% and 10.50%	¢	Maturing between August 31, 2025 and September 13, 2043.
Banco Popular y de Desarrollo Comunal	Variable between 2.75% and 9.20%	¢	Maturing between December 15, 2025 and October 01, 2045
Scotiabank	Variable 4.82%	US$	Maturing between July 23, 2018 and December 15, 2022
BAC Leasing	Variable 6.25% Fixed between 5.95% and 8.50%	US$	Maturing between August 26, 2019 and April 25, 2021
Banco de Costa Rica	Variable between 2.00% and 9.70%	¢	Maturing between July 06, 2032 and October 21, 2045
External debt:			
Multilateral organizations			
Central American Bank for Economic Integration (CABEI)	Variable between 5.11% and 6.40% Fixed 6.40%	US$	Maturing between November 27, 2028 and September 22, 2033
Interamerican Development Bank (IDB)	Variable between 1.85% and 5.23%	US$	Maturing between February 15, 2018 and October 15, 2037
European Investment Bank (EIB)	Variable 3.24%	US$	Maturing on September 15, 2040
Bilateral organizations:			
Andean Development Corporation (CAF)	Variable 2.03%	US$	Maturing on April 09, 2023
Japan Bank For International Cooperation	Fixed between 0.60% and 2.20%	JPY	Maturing between April 20, 2026 and August 20, 2054
Commercial banks			
M & T Bank	Variable 2.71%	US$	Maturing on September 30, 2016
Cisco Systems	Fixed between 2.95% and 3.39%	US$	Maturing between September 13, 2018 and October 08, 2020
Banistmo, S.A.	Fixed between 4.15% and 4.95%	US$	Maturing between December 06, 2018 and December 12, 2020
Scotiabank	Fixed between 5.40% and 5.60%	US$	Maturing between December 17 and 18, 2021
Instituto Crédito Oficial Reino de España	Fixed 0.70%	US$	Maturing on September 25, 2032
Kreditanstal Fur Wiederaufbau (K.F.W.)	Variable 3.80%	US$	Maturing between September 30, 2018 and March 30, 2020
Banco Internacional de Costa Rica (BICSA)	Fixed between 4.50% and 5.00%	US$	Maturing between May 27, 2025 and December 08, 2026
National Bank for Economic and Social Development of Brazil (BND	Fixed 4.07%	US$	Maturing on March 19, 2025

(Continues)

As of September 30, 2016, new operations and the most significant disbursements of notes payable are as follows:

(1) Banco Popular y de Desarrollo Comunal:

In April 2016, disbursements amounted to ¢22.000, at a variable interest rate per annum of 8,45% for a 30-year term.

(2) Banco de Costa Rica:

As of September 2016, disbursements amounted to a total of ¢6.672, at a variable borrowing rate per annum of 9,70% (BBR+3,25%) for a 30-year term.

(3) Banco Nacional de Costa Rica:

In February 2016, disbursements amounted to a total of ¢20.000, at a variable borrowing rate per annum of BBR+2% for a 6-month term. In August 2016, this line of credit was paid off in full.

(4) CABEI:

As of September 2016, disbursements amounted to a total of US$41,02 million, equal to ¢22.062, at interest rates per annum ranging between 4.80% and 6.40%, for a 20-year term.

(5) Inter-American Development Bank (IDB):

As of September 2016, disbursements amounted to a total of US$28,28 million equivalent to ¢15.209, bearing variable interest rates ranging between 1.19% and 1.85% (Libor 3 months + a margin indicated by the IDB) for a 20-year term.

(6) European Investment Bank (EIB):

As of September 2016, disbursements amounted to a total of US$15,155 million, equal to ¢8.150, at a variable interest rate of 3.24% (as per disbursement) for a 25-year term.

(7) Japan Bank For International Cooperation:

As of September 2016, disbursements amounted to a total of US$18,5 million and JPY593 million equal to ¢12.162, at a fixed annual rate of 0.60%, for a 40-year term.

(Continues)

Line of Credit Agreement – IDB, Ministry of Finance and ICE

On February 5, 2016, the Inter-American Development Bank (IDB), the Ministry of Finance and ICE, together with the Costa Rican Government as guarantor, entered into a cooperation agreement for two loans in the total amount of US$500 million (US$200 and US$300 million, respectively). Each has a term of 25 years and a variable interest rate of 1.52%. Disbursements are scheduled to begin in 2017.

<u>Enforcement Clauses (Covenants):</u>

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

Some of the loan agreements also establish clauses called:

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

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

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

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

(Continues)

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 September 30, 2016, financial covenants regarding debt agreement comply with the established limits.

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

Note 21. Financial Lease Obligations

As of September 30, 2016, financial lease obligations are detailed below:

	As of December 31,											
	2014	Amortization	Disbursements		2015	Amortization	Disbursements	As of September 30, 2016	Long-term	Short-term		Equivalence in U.S. dollars
Internal debt:												
Finance lease obligations												
Banco de Costa Rica (1)	21,253	631	5,924	¢	26,546	883	7,883	33,546	32,689	857		60.48
Total ICE Group	**21,253**	**631**	**5,924 ¢**	**¢**	**26,546**	**883**	**7,883**	**33,546**	**32,689**	**857**	**US$**	**61.06**

The general characteristics of financial lease obligations as of September 30, 2016 are summarized as follows:

General characteristics of finance lease obligations (U.S. dollars and colones, as indicated)			
	Interest rate	**Currency**	**Term**
Internal debt:			
Banco de Costa Rica	Variable between 7.75% and 9.36%	¢	Maturing between June 15, 2030 and May 01, 2034.

(1) Banco de Costa Rica

(i) **Telecommunications Building Trust:** The amount of this trust corresponds to the liabilities arising from the Securitization Trust to acquire the property known as "Centro Empresarial La Sabana" and office furniture and equipment.

(Continues)

(ii) **RANGE Trust:** The amount of this trust corresponds to the liabilities arising from the trust to implement Stage I of Proyecto Red Acceso de Nueva Generación (RANGE). As of September 30, 2016, disbursements amounted to ¢7.883 (¢5.924 as of December 31, 2015).

(Continues)

(In millions of colones)

Note 22. Accounts Payable

Accounts payable are as follows:

		As of September 30, 2016	As of December 31, 2015 (Restated)*
Materials suppliers	¢	75,510	32,678
Taxes		16,206	14,975
Payroll and employee withholdings		7,759	8,377
Other creditors		53,229	64,565
Total ICE Group		**152,704**	**120,595**
Less reclassification of long-term portion	**¢**	**(9,476)**	**(7,398)**
Short-term	**¢**	**143,228**	**113,197**

(*) see note 26.

Note 23. Income Received in Advance

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

		As of September 30, 2016		As of December 31, 2015	
		Long-term	**Short-term**	**Long-term**	**Short-term**
Prepaid mobile services (1)	¢	-	8,564	-	6,259
Government grants (2)		6,148	307	6,378	307
Transfer in Property Spare Parts - Materials (3)		-	8,883	-	8,775
Other		-	1,842	-	1,418
Total ICE Group	**¢**	**6,148**	**19,596**	**6,378**	**16,759**

(Continues)

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

(1) Prepaid mobile:

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

(2) Government subsidies:

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

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

(Continues)

(In millions of colones)

Note 24. Accrued Expenses for Employer Obligations

Accrued expenses for employer obligations are as follows:

		As of September 30, 2016	As of December 31, 2015
Back-to-school bonus	¢	15,645	21,476
Vacations		18,716	19,906
Statutory Christmas bonus		20,021	2,102
Third biweekly and fifth		786	-
Total ICE Group	**¢**	**55,168**	**43,484**

Movement of accrued expenses for employer obligations is as follows:

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Third biweekly and fifth	Work mobility compensation	Total
September, 2016							
Opening balance	¢	2,102	21,476	19,906	-	-	43,484
Expensed - investments		5,206	2,754	5,024	6,090	-	19,074
Expensed - operations		13,859	12,972	11,384	-	-	38,215
Used		(1,146)	(21,557)	(17,598)	(5,304)	-	(45,605)
Total ICE Group	**¢**	**20,021**	**15,645**	**18,716**	**786**	**-**	**55,168**

		Statutory Christmas bonus	Back-to-school bonus	Vacations	Third biweekly and fifth	Work mobility compensation	Total
December, 2015							
Opening balance	¢	2,141	21,702	14,568	-	2,990	41,401
Expensed - investments		12,000	3,487	11,092	7,153	2,815	36,547
Expensed - operations		18,598	18,061	22,594	-	-	59,253
Used		(30,637)	(21,774)	(28,348)	(7,153)	(5,805)	(93,717)
Total ICE Group	**¢**	**2,102**	**21,476**	**19,906**	**-**	**-**	**43,484**

(Continues)

(In millions of colones)

Note 25. **Legal Provisions**

Legal provisions are as follows:

		As of September 30, 2016			As of December 31, 2015		
		Long-term	Short-term	Total	Long-term	Short-term	Total
Severance benefits	¢	114,634	27,354	141,988	145,692	21,877	167,569
Total ICE Group	**¢**	**114,634**	**27,354**	**141,988**	**145,692**	**21,877**	**167,569**

Other legal provisions are as follows:

		As of September 30, 2016	As of December 31, 2015
Occupational hazards		9,052	8,862
Provision for contingent liabilities (note 41)		442	2,069
Employee Protection Law		141	133
Cash shortages and cash accounts		-	7
Total ICE Group	**¢**	**9,635**	**11,071**
Long-term legal provisions	**¢**	**9,635**	**11,071**

(Continues)

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

The movement of legal provisions is detailed as follows:

		Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Total
September, 2016							
Opening balance	¢	167,569	8,862	2,069	133	7	178,640
Expensed - investment		17,318	2,238	1,537	1,417	-	22,510
Expensed - operation		11,070	-	-	-	-	11,070
Used		(53,969)	(2,048)	(3,164)	(1,409)	(7)	(60,597)
Total ICE Group	**¢**	**141,988**	**9,052**	**442**	**141**	**-**	**151,623**

		Severance benefits	Occupational hazards	Provision for contingent liabilities	Employee Protection Law	Cash shortages and cash accounts	Total
December, 2015							
Opening balance	¢	168,407	7,893	12,844	-	7	189,152
Expensed - investment		7,602	3,871	4	2,131	14	13,622
Expensed - operation		22,219	-	1,383	-	-	23,602
Used		(30,659)	(2,902)	(12,162)	(1,998)	(14)	(47,736)
Total ICE Group	**¢**	**167,569**	**8,862**	**2,069**	**133**	**7**	**178,640**

(Continues)

(In millions of colones)

Note 26. Retrospective Adjustments

During the period ended September 30, 2016, the figures corresponding to the Consolidated Balance Sheet as of December 31, 2015 and the figures corresponding to the Consolidated Statement of Income and Expenses as of September 30, 2015, were restructured due to several retrospective adjustments. The adjustments were retrospectively applied to the corresponding figures of ICE Group as a result of the matters mentioned above and detailed as follows:

	Operating assets, net (note 4)	Material in transit for investment (note 5)	Account payable - Short-term liabilities (note 22)	Development reserves
Balances as of December 31, 2015, previously informed	¢ 3,700,272	19,446	111,305	1,596,476
Accumulated effect from changes in accounting policies and adjustments for corrections in periods prior to 2015:				
Adjustment for depreciation of pay phones that were disposed of in 2013 and 2014. (1)	(1,834)	-	-	(1,527)
Adjustment for clearing the balances of import purchase orders. (2)	-	-	1,920	-
Total effect of adjustments for changes in accounting policies and adjustments for corrections in periods prior to 2015	(1,834)	-	1,920	(1,527)
Accumulated effect from changes in accounting policies and adjustments for corrections in 2015:				
Adjustment for depreciation of pay phones that were disposed of in 2013 and 2014. (1)	87	-	-	(220)
Adjustment for clearing the balances of import purchase orders. (2)		(277)	(28)	(2,169)
Total effect of adjustments for changes in accounting policies and adjustments for corrections in 2015	87	(277)	(28)	(2,389)
Sub-total adjustments mentioned above	(1,747)	(277)	1,892	(3,916)
Balances as of December 31, 2015, adjusted	¢ 3,698,525	19,169	113,197	1,592,560

(Continues)

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

		Commercialization expenses (note 33)	Surplus (deficit), net
Balances as of September 30, 2015, previously informed	¢	188,304	15,807
Accumulated effect from changes in accounting policies and adjustments for corrections in 2015:			
Adjustments for the allowance for doubtful accounts for balance ageing. (3)		3,180	(3,180)
Total effect of the adjustments for changes in accounting policies for corrections in 2015		**3,180**	**(3,180)**
Balances as of september 30, 2015, adjusted	¢	191,484	12,627

(1) Adjustment for depreciation of pay phones that were disposed of in 2013 and 2014

In 2013 and 2014, ICE Group disposed of assets corresponding to pay phones for several reasons, among them, the high operating costs and low profitability, technological obsolescence, vandalism, and customer preference for mobile phones. This disposal generated an accounting adjustment in the assets and depreciation.

(2) Adjustment for Import Purchase Orders

Adjustments for the balances of the import purchase orders and related accounts such as materials in transit and accounts payable corresponding to imports of projects.

(3) Adjustment in the Allowance for Doubtful Accounts due to Balance Ageing

Adjustment for an increase in the allowance for doubtful accounts due to a given deficit based on an analysis of the debt with an ageing of more than one year.

(Continues)

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

Note 27. Memoranda Accounts

		As of September 30, 2016	As of December 31, 2016
Guarantees received:			
Performance bonds (1)	¢	149,213	277,835
Collection agentes (2)		3,818	3,597
Bid bonds (3)		704	4,362
Tenders		7	8
Guaranty deposits		186	211
Subtotal		153,928	286,013
Other guarantees received - Sundry services		2,094	1,072
Credit memoranda accounts - Other - Surety		1,478	1,461
Goods on consignment		186	-
Contingent assets:			
Savings and loan fund		30,948	29,701
CNFL Employees Association (ASEFYL)		14,395	13,786
Performance bonds - procurement		2,011	5,475
Materials in transit		410	59
Collection of electricity services		829	0
Materials loan		1,097	1,002
Employee guarantees		106	114
Materials loan		173	213
Rental of posts		150	141
Performance bonds - labor		85	165
Guaranty deposits (electricity consumption)		279	264
ICE easement - Cote Plant		7	7
Valle Central Wind Power Plant		80	78
Subtotal		50,570	51,005
Contingent liabilities:			
Payment arrangement - financing of appliances		136	28
Total ICE Group	¢	**208,392**	**339,579**

(Continues)

(1) Performance Bonds

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

ICE – JASEC Surety

ICE and JASEC entered into a business partnership agreement for the joint construction of Toro 3 Hydroelectric Power Project. For this purpose, in a meeting held on April 26, 2010, the Board of Directors of ICE authorized the provision of the joint and several surety bond to JASEC for a maximum amount of US$30 million, plus current interest derived from the investment's principal until maturity.

On February 22, 2012, the Board of Directors of ICE unanimously authorized the provision of the joint and several surety bond to the Toro 3 Hydroelectric Power Project Trust for a maximum amount of US$180 million, plus finance charges derived therefrom until settlement for a maximum term of three years.

On October 28, 2013, the principal and interest related to the loan granted to Toro 3 Trust were paid off, releasing ICE's surety related thereto.

(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.

(Continues)

Note 28. <u>Income from Services</u>

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."

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.

(Continues)

(In millions of colones)

Note 29. **Operation and Maintenance Costs**

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

Fuel consumption		For the period ended on September 30, 2016	2015
Thermic plant:			
Garabito	¢	11,251	13,151
Moín I		1,082	407
Moín III		833	1,845
Moín II		520	2,126
Planta Pujol - Pococí		455	351
Others		539	450
Total ICE Group	**¢**	**14,680**	**18,330**

(Continues)

(In millions of colones)

Note 30. Operation and Maintenance Costs of Leased Equipment

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

Cost of operation and maintenance for rented equipment		For the period ended on September 30, 2016	2015
Group ICE:			
Thermic generation	¢	37,527	38,838
Hydraulic generation		14,566	18,455
Geothermal generation		7,759	8,595
Substations		4,750	4,741
Telecommunications rented		2,884	2,639
Transmission lines		2,124	2,183
Sub total ICE Group		**69,610**	**75,451**
*Elimination of institutional services		1,341	1,372
Total ICE Group	**¢**	**68,269**	**74,079**

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

Costs for the operating leases of the plants mentioned above amounts to ¢50.174 in 2016 (¢51.686 in 2015).

(Continues)

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 September 30, 2016	Paid in 2016	No. of installments	Amount of installment	Purchase option		Expense in 2016	Expense in 2015	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	392	350	47	142	5	213	¢	25,430	24,483	Monthly	Lease for Cariblanco Hydroelectric Power Plant
Without order	Cariblanco Securitization Trust (1)	03-jul-03	29-feb-08	31-dic-19		304	221	83	17	147	2	8		8,906	8,979	Monthly	Lease for Garabito Thermal Power Plant
333059	Las Pailas Geothermal Power Plant (2)	07-mar-07	28-mar-12	31-dic-23		240	80	161	10	24	8	-		7,324	7,722	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	31	100	6	142	$1	-		3,801	3,713	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	8	17	1	20	Between US$1 637 and US$854 (in thousands)	-		993	695	Half-yearly	Lease for Toro 3 Power Plant
1691	Peñas Blancas Securitization Trust (1)	16-ago-00	31-ene-08	16-jul-15		119	119	-	4	155	Between US$875 and US$725 (in thousands)	19		-	2,254	Monthly	Electricity infrastructure
Subtotal - Operating leases - U.S. dollars					**US$**	**1,562**	**850**	**711**	**85**				**¢**	**46,454**	**47,846**		
						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	38,673	49,175	3,720	138	Variable between ¢617 and ¢473	Approximately ¢3,541	¢	3,720	3,839	Monthly	Infrastructure for electricity transmission line Liberia, Papagayo - Nuevo Colón
Subtotal - Operating leases - colones					**¢**	**87,848**	**38,673**	**49,175**	**3,720**				**¢**	**3,720**	**3,839**		
Total - Operating leases - ICE Group													**¢**	**50,174**	**51,686**		

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 acts as the trustor and beneficiary and the corresponding Banks are named as the trustees. The purpose of the agreements is the independent generation and management of the necessary financial resources to build the Peñas Blancas, Cariblanco, and Toro 3 Hydroelectric Power Plants, and the Garabito Thermal Power Project.

The trusts may obtain those resources by acquiring commercial loans and by issuing, placing, and managing securities through securitization. Currently, the trusts are authorized to issue public debt, and as of March 31, 2016 and 2015 the financial statements of these trusts record liabilities for this concept.

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

The main clauses of the trust agreements are summarized below:

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

- Trust assets will be comprised of the following:

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

(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 will be hired by the Trust to assume the responsibility of the construction of the projects, through an engineering and construction agreement.

(Continues)

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

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

(2) <u>Las Pailas Geothermal Power Plant:</u>

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

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

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

- A lease is set for a term of 12 years with a purchase option for Las Pailas Geothermal Plant, starting upon the satisfactory receipt of the works by ICE.

- The total amount of the lease is US$240 (in millions), including lease installments and maintenance fees.

- At the end of the lease term, the purchase option may be executed in the amount of 15% of the total investment accrued during the construction stage.

- CABEI will invest in the construction of the plant in an amount of up to US$130 (in millions.)

- CABEI agrees that ICE will carry out construction of the entire plant and its interconnection to the National Interconnected System. The total cumulative investment at the end of the construction phase will have been made in U.S. dollars, consisted of the following 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 agrees to lease the plant and act as the "lessee". CABEI will be the "lessor."

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

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

(Continues)

(3) Tejar Step-down Substation - JASEC:

In April 2010, ICE 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 in the conditions required to start commercial operations. This happened starting on June 4, 2012.

(4) Toro 3 Hydroelectric Power Project:

ICE and JASEC entered into a partnership agreement for the joint development of the Toro 3 Hydroelectric Power Project, whereby BCR acts as the trustee and ICE and JASEC as trustors.

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

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

(Continues)

(5) <u>Cooperativa de Electrificación Rural Guanacaste, R.L.:</u>

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

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

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

(Continues)

(In millions of colones)

Note 31. Supplemental Services and Purchases

Supplemental services and purchases are as follows:

		For the period ended on September 30, 2016	2015
Telecommunications:			
National traffic operators	¢	15,549	13,677
Telephone participation		3,547	4,773
Others		3,607	2,611
Total Telecommunications		**22,703**	**21,061**
Electricity:			
Import:			
Regional Operating Entity (EOR)		8,260	25,253
Edecsa de CV. El Salvador		1,389	
San Diego S.A		168	1,796
Others		2,871	647
Subtotal import		**12,688**	**27,696**
Private generators:			
Consorcio Eólico Chiripa, S.A. (Contrato B.O.T)		12,696	12,493
Unión Fenosa Generadora Torito, S.A. (Contrato B.O.T)		11,624	6,320
Unión Fenosa Generadora La Joya, S.A. (Contrato B.O.T)		10,896	10,249
Planta Eólica Orosi Dos, S.A. (Contrato B.O.T)		10,840	
Planta Eólica Guanacaste, S.A. (Contrato B.O.T)		8,831	9,062
Hidroenergía Del General (HDG), S.R.L. (Contrato B.O.T)		8,180	7,331
Hidroeléctrica Doña Julia, S.A.		4,842	4,965
Hidroeléctrica Platanar, S.A.		3,735	3,412
Planta Eólica Tilawind, S.A.		3,621	2,510
Plantas Eólicas, S.A.		3,206	3,070
Molinos de Viento Del Arenal, S.A.		3,056	3,047
Proyecto Hidroeléctrico Río Volcán, S.A.		2,744	3,348
Hidroeléctrica Río Lajas, S.A.		2,606	2,464
Azucares el Viejo, S.A.		2,544	1,631
Proyecto Hidroeléctrico Pedro, S.A.		2,493	2,978
Ingenio Taboga, S.A.		2,074	1,637
Planta Eolica Vientos del Este		1,837	
Planta El Angel S.A.		1,282	608
Aeroenergía S.A.		1,095	949
Hidroeléctrica Venecia S.A.		1,009	969
Empresas Electricas Matamoros S.A		903	965
Hidroeléctrica Zarcas, S.A.		-	2,405
Geoenergía Guanacaste Limitada		-	1,931
Inversiones la Manguera S.A		-	1,195
Others		4,192	3,386
Subtotal cogeneradores		**104,306**	**86,925**
Purchases for export:			
Regional Operating Entity (EOR)		7,978	8,423
Total Electricity		**124,972**	**123,044**
Total ICE Group	**¢**	**147,675**	**144,105**

(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 cogenerators for purchasing energy. This Law provides for two systems or chapters: Chapter I, “Autonomous or Parallel Generation,” which generates the so called BOO (build, Own, and Operate) agreements, and Chapter II, “Purchase of Power under the Competition System”, which generates the so called BOT (Build, Operate, and Transfer) agreements).

As of March 31, 2015, ICE has entered into power purchase agreements under Chapter II that correspond to BOT agreements (Built, Operate, and Transfer) with the following independent power producers: Geoenergía de Guanacaste, S.R.L.;: Unión Fenosa Generadora La Joya 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., and Eólicas de Orosi Dos, S.A. As a result, the following projects are in the construction phase PH Chucás and Capulín and Orosi Wind Project in its final stage. During the life of the agreements, those independent power producers must build, operate, and provide maintenance to the corresponding plants. The power generated will be sold exclusively to ICE. At the end of the term of those agreements, the ownership, management, and operation of the plants will be automatically transferred to ICE, free of any liens and encumbrances. The corresponding cogenerators or ICE may request the early transfer of the power generation plants.

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

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

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

(Continues)

- The cogenerators 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 cogenerator, its contractors, subcontractors or suppliers, excluding force majeure.

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

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

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

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

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

For cogenerators who have subscribed agreements under Chapter I of Law No. 7200, the following three types of agreements are in effect:

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

(Continues)

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

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

Under Chapter I of Law N° 7200, ICE signed agreements as of the date the law was enacted, in 1990. As of 2009, once the agreements executed in the nineties started to expire (which maximum term was 15 years), ICE proceeded to renewal, for the remaining term of the concessions (which were granted for 20 years.) Currently, agreements are being renewed once the companies obtain new concessions, both for use of water forces, in case of hydroelectric projects, and the generation public service granted by ARESEP. Currently, there are 24 agreements in force: 3 wind plants, 2 sugar plantations, and 19 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, out of which only the Tilawind Project has been signed, which is under construction and is expected to be operating next year. The Campos Azules wind project is in the negotiation stage, which became operational in the first quarter of 2015.

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

(Continues)

Rate Adjustment for Private Generation Plants

On April 8, 2015, Ruling RIE 037-2015 of March 27, 2015 was published in the Official Bulletin La Gaceta, in which ARESEP authorizes a rate adjustment for private generation plants selling energy to ICE, which generation sources are hydroelectric and wind power, under Law 7200. This adjustment represents an increase of 3.4% as compared to the previous rate.

Ruling RIE 107-2015 dated October 23, 2015, was published on October 30, 2015, whereby ARESEP authorizes an adjustment to recognize to ICE (Generation Business Unit) an amount of ¢24.393 to cover the difference in purchases from independent power producers in the 2015 period. The amount is expected to be recovered through a rate during the period between January 1 and December 31, 2016 (see note 2 (e) *(ii)* and note 12 (1).

Ruling RIE 124-2015 dated December 11, 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 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."

Transfer of Geoenergía de Guanacaste Ltda. Plant to ICE

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.

(In millions of colones)

Note 32. **Administrative Expenses**

Administrative expenses are detailed below:

		For the period ended on September 30,	
		2016	**2015**
ICE Group:			
Remunerations	¢	51,609	52,331
Services		13,134	11,455
Use of service centers		4,599	5,632
Current transfers		1,007	765
Depreciation of other assets in operation		1,040	1,427
Others		6,962	7,378
Subtotal ICE Group		**78,351**	**78,988**
* Elimination of institutional services		247	257
Total ICE Group	¢	**78,104**	**78,731**

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

(Continues)

(In millions of colones)

Note 33. Commercialization Expenses

Commercialization expenses are detailed as follows:

		For the period ended on September 30, 2016	2015 (Restated)*
ICE Group:			
Materials and supplies	¢	45,810	49,398
Remunerations		41,862	51,716
Services		35,965	42,022
Use of service centers		15,782	27,077
Current transfers		3,079	4,862
Depreciation of other assets in operation		3,066	3,596
Others		20,972	14,262
Subtotal ICE Group		**166,536**	**192,933**
* Elimination of institutional services		1,128	1,449
Total ICE Group	¢	**165,408**	**191,484**

(*) See note 26.

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

Note 34. Pre-Investment Studies

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

		For the period ended on September 30, 2015	2014
ICE Group:			
Los Llanos Study (1)	¢	3,181	2,587
Ayil Hydroelectric Project (2)		149	475
Estudio Savegre		12	136
Others		174	198
Total ICE Group	¢	**3,516**	**3,396**

(Continues)

(In millions of colones)

(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.

(2) Ayil Hydroelectric Project

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

Note 35. Preliminary Studies

The expenses of preliminary studies are as follows:

		For the period ended on September 30,	
		2015	**2014**
ICE Group:			
Remunerations	¢	8,287	9,809
Use of service centers		6,702	5,079
Services		1,086	679
Current transfers		220	262
Depreciation		106	264
Materials and supplies		32	143
Others		1,130	1,560
Subtotal ICE Group		**17,563**	**17,796**
* Elimination of Government services		101	120
Total ICE Group	**¢**	**17,462**	**17,676**

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

(Continues)

(In millions of colones)

Note 36. <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. They are detailed as follows:

		For the period ended on September 30, 2016	2015
ICE Group:			
Project Support Center (CAP) (1)		3,792	-
Administrative Services	¢	975	440
Improvements to the Transport Network		519	241
Chucas Hydroelectric Project		339	394
Internet Data Center (NAP)		242	2
Chapulin Hydroelectric Project		165	154
Advance mobile services		73	413
Torito Hydroelectric Project		17	275
Orosi Aeolian Project		7	428
International Markets		-	614
Other		457	388
Total ICE Group	**¢**	**6,586**	**3,350**
* Eliminations of institutional services		13	-
Total ICE Group	**¢**	**6,573**	**3,350**

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

(1) <u>Project Support Center</u>

Increase in the allowance for inventory due a valuation of the materials classified as null turnover, null turnover risk, overstock, and buffer inventories of businesses with this category.

(Continues)

(In millions of colones)

Note 37. **Other Interest and Other Expenses**

Other interests and other expenses are detailed below:

Other income		For the period ended on September 30, 2016	2015
ICE Group:			
Interests and other financial income (1)		24,581	26,045
Construction services (3)		12,446	24,925
Foreign exchange differences (2)	¢	10,503	21,003
Investments income in other enterprises		359	326
Other products (4)		21,239	23,910
Total ICE Group	**¢**	**69,128**	**96,209**

Other expenses		For the period ended on September 30, 2016	2015
ICE Group:			
Interests and other financial expenses(5)	¢	89,698	81,949
Foreign exchange differences (2)		75,593	3,411
Agreements for civil and electromechanical works (3)		13,409	27,036
Other expenses		5,908	5,064
Total ICE Group	**¢**	**184,608**	**117,460**

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 September 30, 2016, there was a recognition of the income and expense from foreign exchange fluctuation in the amount of ¢10.503 and ¢75.593, respectively (¢21.003 and ¢3.411, respectively, in 2015), respectively ¢554,69 (¢536,95 in 2015).

(Continues)

(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 by third parties for projects under construction, such as the Reventazón Hydroelectric Power Project. The costs related to these construction agreements are registered under “Agreements for civil and electromechanical works.”

(4) During the period ended September 30, 2016, ICE Group recognized profits derived from the following items:

- Collection of administrative penalties in the amount of ¢2.517.
- Workshop and structure services in the amount of ¢2.358
- Third-party lease and maintenance of generation plants in the amount of ¢1.163.
- Absorption of escrows from inactive clients in the amount of ¢978.
- Land mobile communication services in the amount of ¢970
- Machinery sales of ¢920.

(5) Machinery sales of September 30, 2016, ICE Group recognized finance expenses mainly from interest on bank obligations and loans and fees and commissions on management of derivative financial instruments in the amount of ¢89.698 (¢81.949 in 2015).

(Continues)

Note 38. Tax Regulations

(a) Tax Obligations

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

(b) Income Tax

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

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

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

According to the Law on 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

(Continues)

of telecom and electricity services and products in competitive local markets. The other exemptions granted through Executive Order No. 449 of April 8, 1949 and any other exemptions granted by the legal system will remain in effect (see note 42)

ICE Group's subsidiaries are subject to payment of income tax pursuant to Law No. 7722, which specifically lists State-owned institutions subject to such tax. In accordance with Executive Decree published in Official Bulletin La Gaceta No. 185 dated September 23, 1999 and Law on "State-owned Institutions subject to Income Tax Payment" (Law No. 7722), income or benefits generated by companies from services provided and their economic and financial activities are to be included, whether exempt or not, under the provisions of prior laws.

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

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

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

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

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(c) Special parafiscal contribution for telecommunications carriers and providers to the National Telecommunications Fund (FONATEL) (General Telecommunications Law Number 8642)

Article 39 of the General Telecommunications Law 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 yearend.

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.

(d) 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.

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

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

(f) Customs Duties

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

(g) Other Obligations

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

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

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Note 39. <u>Institutional Financial Risk Management</u>

ICE Group is exposed to the following risks from financial instruments: *credit* risk (noncompliance by customers or counterparties), *liquidity* risk (inability to meet obligations due to lack of liquidity), and *market* risk (currency, interest rate, and commodity risks). All these risks have an impact on the management of ICE Group; however, each risk is handled individually. For example, in the case of ICE, credit risk is regulated through the Investment Committee 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'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.

The Investment Committee approves the Investment Strategy document (which is reviewed on a yearly basis) and the Management Limits document for ICE's investment portfolios (which is reviewed as determined by the Committee). It also has the Financial Investment Policy Manual and the procedure for making international investments, which seeks greater and better diversification of temporary investments. 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 January 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*."

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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 investment.

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

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) Credit Risk

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.

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

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(i) Accounts Receivable

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

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

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

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

- In the event that the balance outstanding is not recovered, the administrative collection process begins 35 days after the services have been suspended. Administrative collection involves locating the customer and informing about the delinquency as well as notifying the credit protector thereof so that the situation is included in the customer's credit history. For such purposes, ICE uses companies dedicated to collection or coordinating payment arrangements with customers to mitigate arrears.
- As a last resort, any residual past due accounts are processed by ICE's Legal Division and collection is pursued by legal action.

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

(Continues)

(In millions of colones)

(ii) *Investments*

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

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

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 6063 on October 23, 2013, to establish a limit of 970 million in USD 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.

(iii) *Impairment Losses*

Ageing of trade account receivables is as follows:

		As of September 30, 2016	**As of December 31, 2015**
Current	¢	98,209	92,001
Administrative and legal collection		59,906	50,834
Total ICE Group	¢	**158,115**	**142,835**

(Continues)

(In millions of colones)

Movement in the allowance for accounts receivable is as follows:

		As of September 30, 2016	As of December 31, 2015
Opening balance	¢	59,910	47,529
Allowance booked during the period		16,501	20,562
Allowance used during the period		(6,938)	(8,181)
Adjustments		(6,672)	-
Closing balance	¢	**62,801**	**59,910**

(b) Liquidity Risk:

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

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

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

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

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

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

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

(Continues)

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	PPF017 Dollar/colon Tranche B-1	PR003 Tranche A	PFI-019 Dollar/colon Tranche A-1	PR004 Yens	PF-021 Yenes	PR15 Dollar/colón three year	PPE016 Dollar/colón three year	PR013 Dollar/colón seven year
Hedged debt:	BID-1931 B/OC-CR	PR002	BID-1931 A/OC-CR	PR003	JIBC-CR-P3	JIBC-CR-P3	Bonds 2043	BID-1908	BID-1908
Principal amount	$60	$60	$107	$107	¥4,877	¥4,971	$50	$40	$40
Hedged amount	$60	¢31 971	$107	¢56 964	$54	¥40	¢25.000	¢20.167	¢20.132
Exchange rate	N/A	¢532,85	N/A	¢533	$91	$123	¢500	¢504,17	¢503,30
Hiring date	08/05/2008	28/04/2014	27/01/2009	18/09/2015	18/06/2012	03/12/2015	14/11/2013	27/01/2014	29/03/2011
Hedge starting date of first payment	15/08/2008	15/08/2008	14/01/2010	18/09/2015	22/10/2010	20/10/2015	14/05/2014	25/05/2014	02/05/2011
Hedge expriration date	15/02/2018	15/02/2018	14/07/2023	14/07/2023	20/04/2026	20/04/2026	14/04/2016	25/11/2016	02/11/2017
Term	10 years	4 years	15 years	8 years	14 years	10,5 year	3 years	3 years	7 years
Base rate	Libor 6 months	Libor 6 months	Libor 6 months	3.23%	2.2%	2.2%	6.38%	Libor 6 months	Libor 6 months
Spread over/under base rate	3.00%	5.75%	-	-	5.11%	5.01%	13.89%	9.08%	2.95 pb
Fixed rate	-	-	3.23%	-	-	-	-	-	Base Rate
Total Fixed rate	4.37%	5.75%	3.23%	4.23%	5.11%	5.01%	13.89%	9.08%	Base Rate +2,95 pb
Strategy	Hedge	Hedge	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	Exchange rate Dollar/colón	Exchange rate Dollar/colón
Hedge Type	Cash flow hedge	Cash flow hedge	Cash flow hedge	Cash flow hedge	Fair value hedge accounting	Fair value hedge accounting	Cash flow hedge	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	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	¢	4,166	1,705	2,461
Plain vanilla swap		843	843	-
Total	¢	5,009	2,548	2,461

Millions of colones		**Expected cash flows from liabilities**	**less than 12 months**	**over 12 months**
BID-1931A/OC-CR	¢	49,815	7,664	42,151
BID-1931B/OC-CR		24,201	16,134	8,067
Total	¢	74,016	23,798	50,218

Capital Management

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

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

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

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

During the third quarter of 2016, there has been no change in the way ICE Group's capital is managed because the institution is not subject to external capital requirements

(Continues)

(In millions of colones)

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

Index Debt - Capital		**Up to September 30, 2016**	**Up to December 31, 2015**
Group ICE			
Total liabilities	¢	2,830,400	2,731,757
(-) Cash and equivalent to cash		(205,934)	(181,160)
Debt, net		2,624,466	2,550,597
Total patrimony		2,805,098	2,803,493
Minus:			
Amount accumulated in patrimony in relation to coverage of cash flow		(1,270)	(3,563)
Capital adjusted		2,806,368	2,807,056
Index debt Group ICE		**0.936**	**0.910**

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 September 30, 2016**	**Up to December 31, 2015**
ICE Group			
Banks	¢	205,934	181,160
Transitory investments		162,025	106,525
Long term investments		323,259	206,049
Funds of restricted use		5,962	11,333
Documents and account payable		206,696	193,669
Total ICE Group	**¢**	**903,876**	**698,736**

(Continues)

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

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

By geographical region		**Up to September 30, 2016**	**Up to December 31, 2015**
National	¢	201,866	188,613
External		4,830	5,056
Total by geographical region	**¢**	**206,696**	**193,669**

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

By type of client		**Up to September 30, 2016**	**Up to December 31, 2013**
Private people	¢	70,864	73,623
Clients high, medium and low tension		24,689	20,415
Telephonic administrators		2,492	2,596
Distributing companies s		11,573	10,315
Government		15,406	12,990
Operators and suppliers of services		4,831	5,057
Public lighting system		970	1,087
Others		75,871	67,586
Total by type of client	**¢**	**206,696**	**193,669**

(Continues)

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

The risk ratings for ICE Group reported as of September 30, 2016 are shown as follows:

Issuer	ISIN	Instrument	Risk rating
ICE			
BAC Bank San José, S.A.	00BSJ00C71Y3	Term Certificate of Deposit (global notes)	F1+ (cri)
BAC Bank San José, S.A.	00BSJ00E0438	Repurchase	F1+ (cri)
BAC Bank San José, S.A.	CRBSJ00B1640	BSJ Bono	AAA (cri)
BAC Bank San José, S.A.	CRBSJ00B1913	BSJ Bono	AAA(cri)
BAC Bank San José, S.A.	CRBSJ00B1921	BSJ Bono	AAA(cri)
Bank Cathay	00CATAYE0417	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE0664	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE0797	Term Certificate of Deposit (global notes)	SCR2
Bank Cathay	00CATAYE1282	Term Certificate of Deposit (global notes)	SCR2-
Bank Cathay	00CATAYE2165	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
Central Bank of Costa Rica	CRBCCR0B3264	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3330	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B3819	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4080	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4221	Monetary Stabilization Fixed Rate bono	BB
Central Bank of Costa Rica	CRBCCR0B4270	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4387	Repurchase	BB
Central Bank of Costa Rica	CRBCCR0B4395	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	CRBCCR0B4767	Repurchase	BB
Credit Bank Farming of Cartago	00BCAC0C13N7	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0C21N0	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0C28N5	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0C45M1	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0C56N6	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0C78N0	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0E0372	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	00BCAC0E4655	Term Certificate of Deposit (global notes)	F1+ (cri)
Credit Bank Farming of Cartago	CRBCAC0B1181	BCAC bono	AA+(cri)
Credit Bank Farming of Cartago	CRBCAC0B1256	BCAC bono	AA+(cri)
Credit Bank Farming of Cartago	CRBCAC0B1496	BCAC bono	AA+(cri)
Credit Bank Farming of Cartago	CRBCAC0B1512	BCAC bono	SCR AA+
Credit Bank Farming of Cartago	CRBCAC0B1520	BCAC bono	SCR AA+
Bank Davivienda (Costa Rica) S.A.	00BDAVIC1551	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank Davivienda (Costa Rica) S.A.	00BDAVIC1569	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank Davivienda (Costa Rica) S.A.	00BDAVIC1601	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank Davivienda (Costa Rica) S.A.	00BDAVIC1866	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank of Costa Rica	00BCR00CMD31	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank of Costa Rica	00BCR00CMM30	Term Certificate of Deposit (global notes)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00688	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00697	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00698	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00708	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00717	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00718	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00719	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Bank of Costa Rica	0NR0ICE00720	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Mortgage Bank of Housing -BANHVI-	CRBANVIC0085	Commercial paper	SCR AA+
Bank Improsa	00BIMPRC8851	Term Certificate of Deposit (global notes)	SCR2
Bank Improsa	00BIMPRE0344	Term Certificate of Deposit (global notes)	SCR2
Bank Improsa	00BIMPRE0484	Term Certificate of Deposit (global notes)	SCR2
International Bank of C.R. -Miami-	0NR0ICE00046	Overnight	BB+
International Bank of C.R. -Miami-	0NR0ICE00051	Overnight	BB+
International Bank of C.R. -Miami-	0NR0ICE00052	Overnight CLIPP	BB+

(Continues)

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

Issuer	ISIN	Instrument	Risk rating
International Bank of C.R. -Miami-	0NR0ICE00280	Overnight Ampliación Cachi	BB+
International Bank of C.R. -Miami-	0NR0ICE00358	Overnight BID 2747	BB+
International Bank of C.R. -Miami-	0NR0ICE00375	Overnight BCIE 2109 PH Reventazón	BB+
International Bank of C.R. -Miami-	0NR0ICE00680	Certificate of deposit (Electronic Window NB)	BB+
International Bank of C.R. -Miami-	0NR0ICE00689	Overnight BEI	BB+
Bank Lafise	00BLAFIC12K0	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE0684	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE0700	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE0817	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE0825	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE0841	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE3357	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE3753	Term Certificate of Deposit (global notes)	SCR2
Bank Lafise	00BLAFIE4033	Term Certificate of Deposit (global notes)	SCR2
National Bank of Costa Rica	00BNCR0C28Y0	Term Certificate of Deposit (global notes)	SCR2
National Bank of Costa Rica	00BNCR0C40Y5	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C42Y1	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C64X7	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C70X4	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C74X6	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C09Z7	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C11Z3	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C13Z9	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C14Z7	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C15Z4	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C17Z0	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C27Z9	Repurchase	F1+ (cri)
National Bank of Costa Rica	00BNCR0C28Y0	Term Certificate of Deposit (global notes)	F1+ (cri)
National Bank of Costa Rica	00BNCR0C29Z5	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BNCR0C40Y5	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BLAFIE0817	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CBO15	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CBQ70	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CBR12	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CBS52	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CBU33	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CCD17	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CCH13	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CCI12	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CCI46	Repurchase	(en blanco)
Popular Bank and Community Developmet	00BPDC0CCI61	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CCJ29	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CCM73	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CCP54	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CCU73	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDA27	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDD99	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDE49	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDF55	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDG96	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDJ69	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDM23	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDN71	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDQ60	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDR28	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDS19	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDW62	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CDZ77	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CEC24	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CED15	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0CEE89	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0E0113	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0E0121	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0E0139	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0E0154	Repurchase	F1+ (cri)

(Continues)

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

Issuer	ISIN	Instrument	Risk rating
Popular Bank and Community Developmet	00BPDC0E3406	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	00BPDC0E3414	Term Certificate of Deposit (global notes)	F1+ (cri)
Popular Bank and Community Developmet	0NR0ICE00606	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Popular Bank and Community Developmet	0NR0ICE00657	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Popular Bank and Community Developmet	0NR0ICE00658	Certificate of deposit (Electronic Window NB)	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B6954	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7218	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7226	Repurchase	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7259	BPDC bono	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7275	BPDC bono	F1+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7309	BPDC bono	AA+(cri)
Popular Bank and Community Developmet	CRBPDC0B7317	BPDC bono	AA+ (cri)
Popular Bank and Community Developmet	CRBPDC0B7325	BPDC bono	AA+ (cri)
Bank PRIVAL,S.A. (Old BANSOL Bank Solutions)	00PRIVAE0690	Term Certificate of Deposit (global notes)	SCR2
Bank PRIVAL,S.A. (Old BANSOL Bank Solutions)	00PRIVAE3488	Term Certificate of Deposit (global notes)	SCR2
Bank Promérica	00BPROMC68F1	Term Certificate of Deposit (global notes)	SCR AA +
Bank Promérica	00BPROME1302	Term Certificate of Deposit (global notes)	SCR AA +
Bank Promérica	CRBPROMB1284	Promérica Bono	SCR AA +
Bank Scotiabank ok Costa Rica, S.A.	00SCOTIE0361	Term Certificate of Deposit (global notes)	AAA (cri)
Bank Scotiabank ok Costa Rica, S.A.	CRSCOTIB1292	Scotiabank Bono	AAA(cri)
National Company of Force and Light -CNFL-	CRCFLUZB0207	CNFL Bono	AAA (cri)
Trust Distinguished Fire Brigade	CRFTBCBB0044	FTBCB bono	SCR AA
Trust Distinguished Fire Brigade	CRFTBCBB0051	FTBCB bono	SCR AA
Financial Desyfin	00FDESYE2174	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE2372	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE2521	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE2604	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE2687	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE2836	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE2851	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE3073	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE3123	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE3396	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE3610	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	00FDESYE3743	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE3966	Term Certificate of Deposit (global notes)	SCR3
Financial Desyfin	00FDESYE4766	Term Certificate of Deposit (global notes)	SCR2
Financial Desyfin	CRFDESYB0218	FDESY Bono	SCRAA
Florida ICE & Farm Company S.A.	CRFIFCOB0972	FIFCO Bono	SCR AAA
Florida ICE & Farm Company S.A.	CRFIFCOB0998	FIFCO Bono	SCR AAA
Government	0NR0ICE00716	Title Property zero coupon (Window)	BB
Government	CRBCCR0C4634	Bonus Monetary Stabilization 0 Coupon	BB
Government	CRG0000B11H2	Repurchase	BB
Government	CRG0000B13G0	Repurchase	BB
Government	CRG0000B14H6	Title Property	BB
Government	CRG0000B19H5	Repurchase	BB
Government	CRG0000B25H2	Repurchase	BB
Government	CRG0000B26H0	Repurchase	BB
Government	CRG0000B27H8	Repurchase	BB
Government	CRG0000B29H4	Title Property	BB
Government	CRG0000B42H7	Repurchase	BB
Government	CRG0000B43H5	Repurchase	BB
Government	CRG0000B45H0	Repurchase	BB
Government	CRG0000B48H4	Title Property	BB
Government	CRG0000B51H8	Title Property	BB
Government	CRG0000B55G1	Repurchase	BB
Government	CRG0000B56G9	Title Property	BB
Government	CRG0000B57H5	Title Property	BB

(Continues)

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

Issuer	ISIN	Instrument	Risk rating
Government	CRG0000B58G5	Repurchase	BB
Government	CRG0000B59G3	Repurchase	BB
Government	CRG0000B60G1	Repurchase	BB
Government	CRG0000B61H7	Repurchase	BB
Government	CRG0000B63H3	Repurchase	BB
Government	CRG0000B70G0	Repurchase	BB
Government	CRG0000B72G6	Repurchase	BB
Government	CRG0000B75G9	Repurchase	BB
Government	CRG0000B81G7	Repurchase	BB
Government	CRG0000B89G0	Repurchase	BB
Government	CRG0000B91G6	Repurchase	BB
Government	CRG0000B93G2	Repurchase	BB
Government	CRG0000B96G5	Title Property	BB
Government	CRG0000B97G3	Repurchase	BB
Government	USP3699PAA59	Costa Rica foreign debt bond	BB
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCP061	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCP145	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCP202	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCP228	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCQ705	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCQ754	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	00MADAPCQ846	Mortgage Participation Certificate	SCR2
Mutual Alajuela Group-Housing Savings and Loan	CRMADAPB2467	MADAP bono	SCR AA
Mutual Alajuela Group-Housing Savings and Loan	CRMADAPB2475	MADAP bono	SCR AA+
The Nation S.A.	CRNACIOB0142	La Nación S.A. Bono	SCR AAA
The Nation S.A.	CRNACIOB0167	Repurchase	SCR AAA
The Nation S.A.	CRNACIOB0175	La Nación S.A. Bono	SCR AAA
Carthage Mutual Savings and Loan	00MUCAPC7111	Mortgage Participation Certificate	SCR2
Carthage Mutual Savings and Loan	00MUCAPC7970	Mortgage Participation Certificate	SCR2
Carthage Mutual Savings and Loan	00MUCAPE0452	Mortgage Participation Certificate	SCR2
Carthage Mutual Savings and Loan	00MUCAPE3738	Mortgage Participation Certificate	SCR2
Carthage Mutual Savings and Loan	CRMUCAPB1441	MUCAP Bono	SCR2
Trust Distinguished Fire Brigade	CRRECOPB0012	Standard Recope Bonus	AAA (cri)
Trust Distinguished Fire Brigade	CRRECOPB0020	Standard Recope Bonus	AAA (cri)
SAFI BAC San José	SAJCPcFI	F.I. BAC San José liquid undiversified	SCR AA+F2
SAFI Bank of Costa Rica	BCRLIcFI	F.I. BCR short-term diversified colones	SCR AA+F2
SAFI Bank of Costa Rica	BCRLIcFI	F.I. BCR short-term diversified colones	SCR AAF2
SAFI Bank of Costa Rica	BCRMX¢FI	F.I. BCR colones mixed undiversified	SCR AAF2
SAFI Bank of Costa Rica	FI-000000022	BCR F.I dollar liquidity undiversified	SCR AA+F2
SAFI Bank of Costa Rica	FI-000000022	BCR F.I dollar liquidity undiversified	SCR AA+F2
SAFI Bank of Costa Rica	FI-000000066	F.I. BCR mixed non-diversified dollars	SCR AAF2
SAFI National Bank of Costa Rica	BNASUPER$FI	F.I. BN Superfund dollars undiversified	F1+ (cri)
SAFI National Bank of Costa Rica	BNASUPERcFI	F.I. BN Superfund colones undiversified	SCR AAF2
SAFI National Bank of Costa Rica	FI-000000001	F.I. BN dinerfondo colones undiversified	SCR AA+F2
SAFI National Bank of Costa Rica	FI-000000002	F.I. BN dinerfondo dollars undiversified	F1+ (cri)
SAFI Bank Popular	FI-000000006	F.I. Popular money market colones (undiversified)	SCR AAF2
SAFI Bank Popular	FI-000000006	F.I. Popular money market colones (undiversified)	SCR AAF2
SAFI National Insurance Institute	BACLACcFI	F.I undiversified INS - Liquidity C	SCR AAF 2
SAFI National Insurance Institute	BACLAD$FI	F.I undiversified INS - liquidity D	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASC¢FI	F.I undiversified INS - public liquidity C	SCR AAF 2
SAFI National Insurance Institute	BANCREDILASD$FI	F.I undiversified INS - public liquidity D	SCR AAF 2
SAFI Scotiabank	ITFCPPU$FI	In the diversified public D Scotia	SCR AAF 3
SAFI Scotiabank	ITFCPPUcFI	F.I. undiversified public Scotia	SCR AAF2
Ministry of Estate	CRG0000B36H9	Repurchase	BB
Ministry of Estate	CRG0000B81G7	Repurchase	BB
Ministry of Estate	CRG0000B89G0	Repurchase	BB
CRICSA			
SAFI National Bank of Costa Rica		F.I. BN dinerfondo colones undiversified	scrAA+f2

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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´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

(Continues)

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."

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

Exposure to Liquidity Risk

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

Liabilities		Value on Books	Expected Cash Flow	12 months or less	1-2 years	2-5 years	More than 5 years
Long Term Liabilities							
Securities payable	¢	**1,125,834**	1,125,834	808	10,873	545,770	568,383
Loans payable		**859,152**	859,152	-	110,009	291,024	458,119
Long-term finance leases		**32,689**	32,689	-	2,896	11,584	18,209
Accounts payable		**9,476**	9,476	6,655	1,411	1,410	-
Total Long Term Liabilities		**2,027,151**	**2,027,151**	**7,463**	**125,189**	**849,788**	**1,044,711**
Circulating							
Securities payable		**15,000**	15,000	15,000	-	-	-
Loans payable		**87,765**	87,765	87,765	-	-	-
Short-term finance leases		**857**	857	857	-	-	-
Accounts payable		**143,228**	143,228	143,228	-	-	-
Accrued finance expenses		**41,178**	41,178	41,178	-	-	-
Total Short Term Liabilities		**288,028**	**288,028**	**288,028**	-	-	-
Total Group ICE	¢	**2,315,179**	**2,315,179**	**295,491**	**125,189**	**849,788**	**1,044,711**

(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	¢	(4,080)	7,847	749	1,381	1,238	2,797	1,681
Cross Currency Swap								
Liabilities		4,638	5,787	552	1,019	913	2,063	1,240
Forward Staring Swap								
Liabilities		(3,764)	4,166	646	1,059	847	1,428	186
Plain Vanilla Swap								
Liabilities		(765)	843	428	415	-	-	-
Non delivery currency swap Tramo b-1								
Liabilities		(259)	432	217	215	-	-	-
Non delivery currency swap Tramo a-1								
Liabilities		(795)	2,613	356	619	519	970	149
Non Delivery Currency Swap 3 year								
Liabilities		(1,259)	790	790	-	-	-	-
Non Delivery Currency Swap 7 years								
Liabilities		662	2,835	949	1,886	-	-	-
Non Delivery Currency Swap 3 years								
Liabilities		1,865	1,052	1,052	-	-	-	-
Total		(3,756)	26,366	5,740	6,594	3,518	7,257	3,257

(Continues)

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

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

Global Features credit line					Terms of disbursements made				
Financial Institution	**Purpose**	**Currency**	**Interest rate**	**Amount approved line**	**Disbursement date**	**Expiration date**	**Date cancellation**	**Renewal date (only renewal)**	**Disbursement amount o renewal**
Scotiabank	Opening letters of credit and refinancing, working capital, issuance of performance bonds	US$	Fixed rate 1.26%	75	23/12/2014*	12/01/2015	12/01/2015	-	4
		US$	Fixed rate 1.47%		23/12/2014*	21/05/2015	21/05/2015	-	15
Global bank	Working capital	US$	Fixed rate 1.25%	20	23/12/2014*	12/01/2015	12/01/2015	-	20

Note: * Correspond to disbursements made in 2014, which went from one budget year to another, because they were used as a "bridge loan" that while long-term resources taken to rectify the missing, had to enter .

(Continues)

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

Market Risk

Exposure to Currency Risk

As of September 30, 2016, ICE Group's exposure to foreign currency risk is the following:

Assets	US$		Yenes		EUROS	
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015
Material in transit for investment	53	30	4,166	-	1	4
Long Term Investments	9	2	-	-	-	-
Receivables	6	6	-	-	-	-
Banks and temporary investments	105	135	-	-	-	-
Restricted funds	1	2	-	-	-	-
Accounts receivable for services	20	13	-	-	-	-
Accounts receivable no trade	15	25	-	-	-	-
Guarantees received in securities	11	1	-	-	-	-
Material in transit for operation	10	4	15	18	-	-
Valuation of derivative financial instruments	16	5	-	-	-	-
Total foreign currency ICE Group´s assets	**246**	**223**	**4,181**	**18**	**1**	**4**
Liabilities						
Securities payable	1,558	1,608	-	-	-	-
Long-term payables and short-term	1,296	1,320	14,727	12,943	-	-
Deposits received as collateral	13	3	-	-	-	-
Accounts payable	132	81	4,181	18	10	10
Financial accrued expenses	61	39	-	-	-	-
Retail deposits	1	2	-	-	-	-
Valuation of derivative financial instruments	18	28	-	-	-	-
Total foreign currency ICE´ liabilities	**3,079**	**3,081**	**18,908**	**12,961**	**10**	**10**
Excess of liabilities over assets	**2,833**	**2,858**	**14,727**	**12,943**	**9**	**6**

Items in U.S. dollars were updated using the sell exchange for the colón with respect to the U.S. dollar established by the Central Bank of Costa Rica for operations with the non-banking public sector, which as of September 30, 2016, was ¢554,69 (¢537,81 as of December 31, 2015).

(Continues)

(In millions of colones)

The main exchange rates used are as follows:

	Exchange rate to U.S. $	
Name of currency	**At 30 September 2016**	**At 31 December 2015**
Corona Sueca	8.58	8.44
Libra Esterlina	1.30	1.47
Franco Suizo	0.97	1.00
Euro	1.13	1.09
Colones	554.69	537.81
Yen Japonés	100.40	120.22

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.

(Continues)

(In millions of colones)

Sensitivity Analysis

The table below shows the sensitivity as of September 30, 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			
	Sensitivity to an increase in the exchange rate:		
	Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1,571,436,770,000.00
	Net dollar position	US$	2,833,000,000.00
	10% increase in the exchange rate	¢	1,728,580,447,000.00
	Loss	¢	(157,143,677,000.00)
Sensitivity to a disminuicón in the exchange rate:			
	Net dollar position (expressed in colones) at the exchange rates prevailing	¢	1,571,436,770,000.00
	Net dollar position	US$	2,833,000,000.00
	10% decrease in the exchange rate	¢	1,414,293,093,000.00
	Gain	¢	157,143,677,000.00

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.

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

	Note
Securities payable	19
Temporary investments	8
Notes payable	20
Long-term investments	6
Effects and receivables	10
Financial leasing payables	21

(Continues)

(In millions of colones)

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 September 30, 2016, 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 September 30, 2016	
		Strengthening of 1%	**Weakening of 1%**
Temporary investments	¢	1,620	(1,620)
Long-term financial investments		3,233	(3,233)
Long-term receivables		81	(81)
Short-term receivables		24	(24)
Titles payable long-term value		10,982	(10,982)
Short-term securities payable		519	(519)
Long-term payables		6,800	(6,800)
Short-term payables		878	(878)
Financial		335	(335)
Net effect group ICE	¢	**24,471**	**(24,471)**

(Continues)

Note 40. **ICE Group's Operating Segments**

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

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

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

(Continues)

(In millions of colones)

The information for these segments is detailed below:

	As of September 30, 2016 and December 31, 2015							
	Electricity		**Telecom**		**Eliminations**		**Consolidated total**	
Assets and liabilities by segment	**2016**	**2015***	**2016**	**2015***	**2016**	**2015***	**2016**	**2015***
Assets	¢ 4,438,832	4,337,460	1,461,945	1,477,179	(265,279)	(279,389)	5,635,498	5,535,250
Liabilities	2,513,057	2,383,424	521,383	545,237	(204,040)	(196,904)	2,830,400	2,731,757

*** Restated, see note 26.**

	For the periods ended September 30, 2016 and 2015							
	Electricity		**Telecom**		**Eliminations**		**Consolidated total**	
Profit and loss by segment	**2016**	**2015***	**2016**	**2015***	**2016**	**2015***	**2016**	**2015***
Profit by segment	¢ 792,269	740,723	440,659	435,607	(194,952)	(182,203)	1,037,976	994,128
Depreciation of operating assets	113,606	111,262	92,575	98,884	(441)	(77)	205,741	210,069
Other income	47,702	55,355	15,099	23,596	(4,177)	(3,744)	58,624	75,206
Other foreign exchange income	9,468	18,248	1,036	2,846	(0)	(90)	10,504	21,003
Finance expenses	80,764	72,514	11,234	11,279	(2,230)	(1,844)	89,767	81,949
Other expenses	18,281	32,379	2,095	835	(1,129)	(1,114)	19,248	32,100
Other foreign exchange expenses	69,963	2,758	5,630	652	(0)	(0)	75,593	3,411
Consolidated profit (deficit), net	(33,937)	10,315	9,097	2,963	20,264	(651)	(4,576)	12,627

*** Restated, see note 26.**

(Continues)

As of September 30, 2016, the main transactions affecting the balance sheet and the consolidated statement of income and expense of Electricity and Telecommunications business – ICE Group, are detailed as follows:

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

    - Operating assets – cost ¢16.066
    - Accumulated depreciation of operating assets– cost ¢3.902
    - Notes receivable, long term ¢23.596
    - Prepaid expenses ¢7.310
    - Income received in advance, long term ¢40.629
    - Income received in advance, short term ¢2.433
    - Development reserve ¢31

- ICE´s long term investment and the capital contributed in the subsidiaries for ¢45.297.

- Reclassification of dividends in shares, declared by CNFL, from capital stock to restricted earnings for the capitalization of shares in subsidiaries, for ¢62.380 and ¢2 de RACSA.

- Rendering of services ICE and subsidiaries for ¢11.365.

- Agreement between ICE and CNFL for energy purchase ¢22.629.

- Accounts receivable and payable for the sale of energy by ICE to CNFL for ¢40.156.

- Profit from Balsa Inferior Project bills ¢8.171.

- Sale of energy by ICE to CNFL for ¢174.315.

(Continues)

(In millions of colones)

Note 41. Contingent Assets and Liabilities

Current judicial proceedings involving ICE Group as of September 30, 2016 are as follows:

Proceeding	Nature and Current Status		Estimated Amount of Lawsuit	As of September 30, 2016 (Provision for Lawsuits)	As of December 31, 2015 (Provision for Lawsuits)
Contingent Assets - Lawsuits filed by ICE Group:					
Legal Collection	The Legal Collection area processed the executive proceedings to recover the outstanding debts for the payment of electricity and telephone services.	¢	7,743	-	-
Arbitration	ICE awarded Verizon the preparation of the Telephone Directories through a bid. Due to a contractual breach by Verizon, ICE filed a contractual resolution proceeding with an administrative contentious court in 2005 to collect a compensation for damages. As part of this proceeding, ICE requested, as precautionary measures, an attachment of the funds deposited by ICE. However, the Judge ruled that the contentious jurisdiction was incompetent to hear the proceeding because the Agreement entered by ICE and VERIZON contained an arbitration clause. In 2011, ICE filed a prima facie precautionary measure to keep the attachment of the amounts deposited by ICE in 2005, such a precautionary measure is still in force and an ARBITRATION was filed with an arbitration court, and it is taken to the AMCHAM. Current status of the proceeding: "Through resolution by the First Chamber of the Supreme Court of Justice at fourteen hours and twenty-five minutes on January twenty-ninth of two thousand fifteen, an appeal for revocation was filed by the defendant against the resolution by such a Chamber regarding the competence of the Arbitration Tribunal." Currently, it is sentenced to the payment of damages caused by a breach of contract in accordance with the estimated amount.		3,781	-	-
	The arbitration for a breach of Contract N° 2010000029 entered into by the parties in 2010, as a consequence of Public Bid N° 2009LI-000024-PROV for the acquisition of three dredges, as a consequence of the collapse of one of the dredges .		786	-	-
Ordinary Contentious	Ordinary contentious proceeding against the Government and other defendants. It is being processed and ruling an exception of the plaintiffs. They plan for a ruling of illegality of the sentence for costs in the criminal proceeding against the former regulators Leonel Fonseca, Aracelly Pacheco and Herman Hess for having unduly applied the order for fees to the one already established		500	-	-
	Ordinary contentious proceeding against SUTEL and sentencing to the payment of damages caused to ICE.		15,644		
	An ordinary contentious proceeding to make RECOPE pay to ICE the economic damages from the surcharge resulting from the generation with diesel in the production centers of Garabito, Orotina and Guápiles due to a late delivery of fuel.		5,613	-	-
	Testamentary succession of Ulises Arguedas Ocampo: An ordinary complaint is filed to declare and reinstate the ownership rights against the succession of Ulises Arguedas Ocampo who is seeking to get the title deed of lands in La Guácima, Nuestro Amo, that are largely owned by CNFL.		10	10	-
Common Criminal	Collection of damages, particularly the amount corresponding to alleged surcharges paid by ICE to INS for the premium of the U5000 policies. The preliminary hearing was held from February 2 to April 16, 2015. The topics covered during the hearing are pending to be settled.		555	-	-
	Criminal case referred to as ICE-Alcatel. The Third Chamber of the Court, settling reversal appeals, annuled the judgment of the Court of Appeals and some reversal appeals that have not been heard before are to be settled and there should be a new hearing of civil matters.		555	-	-
Labor	A labor proceeding has been filed in which CNFL is the plaintiff and the CCSS is the defendant, seeking the collection of the payroll by alleging that the professional services by CNFL are to be deemed employment agreements.		113	113	-
	Total contingent assets - ICE Group	**¢**	**35,299**	**123**	**-**

(Continues)

Notes to the Consolidated Financial Statements

(In millions of colones)

Proceeding	Nature and Current Status	Estimated Amount of Lawsuit	As of September 30, 2016 (Provision for Lawsuits)	As of December 31, 2015 (Provision for Lawsuits)
Contingent liabilities - lawsuits filed against ICE Group:				
Ordinary Contentious	Indemnification for the alleged loss after a contractual resolution between ICE and Verizon.	¢ 1,387	-	-
Ordinary Contentious	Contentious proceedings caused by a Request for Payment to ICE for the leasing of machinery, penalties, and breach of contract. The cases are in an evidential phase and preliminary hearing.	2,663	-	-
Ordinary Contentious	The trial is open; after a court order, this proceeding was accumulated in File 14-00385-1027-CA. Multipagos S.A. request declare anulen algunas clausulas del contrato y articulo del reglamento de comercializadores.	832	-	-
Ordinary Contentious	Ordinary colleciton proceeding - criminal clause. The revocation appeal was partially accepted and the appeal against the final ruling issued by the deciding body is under study.	44	44	-
Ordinary Contentious	As of June 30, 2016, there were 288 legal proceedings for forced expropriation to own the real property required for the different works under development. Such proceedings correspond to administrative appraisals that were not administratively processed due to either legal inconveniences or the rejection of the appraisal.	4,906	-	-
Contentious - Sentence execution	Rejection by Compañía Nacional de Fuerza y Luz S.A. of the complaint regarding the enforcement of the contract for the construction of works, maintenance, and operation of a Hydroelectric Plant (Consorcio Hydrocote S.A.). Status of the proceeding: Compañia Nacional de Fuerza y Luz has to refund Hydrocote the amount of US$14.953,70. Hydrocote was sentenced to pay costs in favor of Compañia Nacional de Fuerza y Luz.	-	-	16
Contentious - Sentence execution	Enforcement of arbitration award ruled in December 2012, file XXXVIII. The proceeding is suspended because the parties filed a negotiation process.	1,026	-	-
Labor	Cascante Pérez Katherine Beatriz: File 15-000925-1178-LA. The plaintiff filed a labor complaint because she was dismissed with employer's liability but without due process and requesting to be reinstated in the position with a payment of damages, lost salaries, and attorney's costs. The amount cannot be estimated because in the event of a sentence against the interests of CNFL, the proceeding would be for an employment reinstatement as of the dismissal	-	-	-
Labor	Jorge Emilio Herrera Arroyo: File 12-000623-639-LA-8. In this proceeding, CNFL was required for the necessary passive joint litigation because the plaintiff sued Instituto Nacional de Seguros (INS) who decided to close a case processed as occupational hazards for a motorbike accident of the CNFL employee. The amount cannot be estimated because CNFL is not a direct party to the case. The plaintiff is seeking to reopen the case and actions by INS. The amount was not estimate and the occupational hazard policy covers the damages.	-	-	-
Labor	Solano Lara Alejandro: File 12-001738-1178-LA-3. This labor complaint is aimed at making CNFL to reinstate him to his position. The case cannot be estimated because of the current status of the proceeding.	-	-	-
Labor	Cárdenas Zamora Gabriela: File 15-000477-1178-LA-9. This complaint is aimed at sentencing for the payment of damages on the grounds of labor harrassment. Due to the type of case, the amount cannot be estimated.	-	-	-
Labor	Professional Service Labor Complaint: File 11-00219-1178-LA-6. This labor complaint is aimed at making CNFL recognize the payment of the general reassessments of the salary stipulated by the General Directorate of Civil Services as of January 1, 2008 and which have not be covered by the company. Due to the type of case, the amount cannot be estimated.	-	-	-
Social Security Court	Soto Pérez Adrián Alberto: File. 15-001876-1101-LA. The plaintiff sued INS and CNFL for occupational hazards due to a motorbike accident on the way to the office, thereby requesting temporary and permanent disability compensation, health, hospital and surgery care, interest payment, and costs. The social security proceedings cannot be estimated according to the law.	-	-	-
Criminal	Kinderson Obando Raymond - File 13-1168-373-TC: In this proceeding, CNFL was required to become a party in a capacity as owner of the vehicle that caused damages to the plaintiff.	50	-	-
	Total contingent liabilities - ICE Group	**¢ 10,907**	**44**	**16**

(Continues)

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

Proceeding	Nature and Current Status	Estimated Amount of Lawsuit	Provision for Lawsuits: As of September 30, 2016	Provision for Lawsuits: As of December 31, 2015
	vienen ¢	**10,907**	**44**	**16**
Contentious-Administrative and Finance Civil	Annulment of the administrative act issued by ARESEP ordeering ICE to refund the amounts charged to Radio Mensajes S.A. for the content service platform. The sentence in I instance did not accept ICE's complaint and was sentenced to the payment of court costs. The proceeding is at a sentence enforcement stage. The best estimate is derived of the possible costs of the sentence plus court costs. In August 2016, the corresponding payment is made and remaining funds in the provision corresponding to the payment of costs. They are under analysis by the Institutional Legal Division.	2,000	398	2,000
	A request for interim equitable relief was file and is under appeal by SUTEL.	1,158	-	-
	Comercial Lotar - File 11-3910-1027-CA: The complaint is aimed at making CNFL the damages caused to the property and economic damages because no piping works were not performed in the canal of Río Segundo Hydroelectric Plant.	636	-	-
	Barrantes Cantillo Luis - File 11-198-1028-CA: This proceeding to enforce the sentence is initiated by Barrantes because of the acceptance of an appeal on the grounds of unconstitutionality ("recurso de amparo") against the Human Resources Department for a late answer to the consultation regarding overtime that was allegedly worked but not paid.	8	-	-
	Marichen Campos Chaves and Julio Sanchez Orozco - File 11-6755-1027-CA: This complaint is aimed at making CNFL pay damages due to a vehicle collision against a fixed object (pole).	100	-	-
	Cob Saborío Pablo Antonio – File 15-5527-1027-CA: The plaintiff sued CNFL requesting to reject the agreement of the company's Board of Directors to dismiss him as the General Manager. He is claiming lost salaries, salary in kind, objective and subjective moral damages, indexation, interest, and court and attorney's costs.	548	-	-
	Instalaciones Inabensa S.A. - File 5-1194-163-CA: This case is filed for the collection of penalties during the underground electrification project of San José. The complaint is seeking the collection of 15 claims and a refund of the penalties filed during the implementation of the underground electrification project of San José.	5,071	-	-
	Instalaciones Inabensa S.A. - File 5-420-163-CA: This complaint is aimed at collecting 15 claims and a refund of penalties filed during the underground electrification project of San José.	5,376	-	-
	Ghella Spa Costa Rica - File 10-3471-1027-CA: This complaint is seeking the nullity of the limitations imposed in Addendum No. 01 of Agreement for the Design, Construction, Equipment, and Commissioning of El Encanto Hydroelectric Project.	19,361	-	-
	Grupo Corporativo SARET: The plaintiff filed a claim for an advance interim equitable relief against Compañía Nacional de Fuerza y Luz S.A., because of the execution of the performance bond for the collection of penalties. Moreover, the defendant filed a formal claim for consequential damages, lost profits, and lost opportunities	7,284	-	-
	Grupo Corporativo SARET - File 9-2853-1027-CA: The plaintiff filed a claim for an advance interim equitable relief against Compañía Nacional de Fuerza y Luz S.A., because of the execution of the performance bond for the collection of penalties. Moreover, the defendant filed a formal claim for consequential damages, lost profits, and lost opportunities.	6,071	-	-
	A complaint filed Banco de San José for a change in the voltage that damaged computer equipment and lighting systems. Provision for sentence 2608-2012. (BAC San José). In July 2016, court costs are paid and the proceeding is deemend settled.	-	-	10
	Total contingent liabilities - ICE Group ¢	**58,519**	**442**	**2,026**

(Continues)

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

Proceeding	Nature and Current Status		Estimated Amount of Lawsuit	As of September 30, 2016 (Provision for Lawsuits)	As of December 31, 2015 (Provision for Lawsuits)
	vienen	¢	**58,519**	**442**	**2,026**
Contentious-Administrative and Finance Civil	Cable Visión de Costa Rica, S.A.: File 13-007996-1027-CA. This complaint is aimed at the partial nullity of the resolution by SUTEL to reduce pole leasing costs. The amount of the case cannot be estimated because it is estimated by the plaintiff.		-	-	-
	Comandos de Seguridad Delta S.A.: File 14-003028-1027-CA. After serving for 4 years and 8 months, the plaintiff was seeking to continue working in the previous positions; however, after participating in a procurement tender promoted by CNFL, it did not become the successful bidder. After the expiration of the term to appeal, it files an appeal against the Comptroller General of the Republic and files a contentious complaint.		-	-	-
	Empresa Servicios Públicos de Heredia: File 14-10265-1027-CA: This complaint is seeking the nullity of the resolutions of ARESEP regarding an administrative interim equitable relief due to the conflict of jurisdiction of the cantons of Flores, Belén and Santo Domingo de Heredia.The amount cannot be estimated because the plaintiff asked an appraiser to estimate the amount of the possible damages and the judge has not issued an opinion.		-	-	-
	Monge Pérez Melissa: File 15-008191-1027-CA. The plaintiff is seeking the nullity of her dismissal with employer's liability and asking to be reinstated in her position with the payment of damages, lost salaries, and attorney's costs. The amount cannot be estimated because in the event of a sentence against the interests of CNFL, the proceeding would be a reinstatement and payment of lost salaries as of the dismissal date plus indexation, interest, and other costs.		-	-	-
	Díaz Obando Ana Emilia – File 13-6554-1027-CA: This complaint is aimed at making CNFL pay for physical damages and loss because she fell from the stairs due to works being performed by CONDUTEL.		30	-	-
	Hernández Monge Rosa María - File 14-2776-1178-LA-9: This complaint is aimed at making CNFL pay for the monthly salary differences, school bonus, among others, for the right of the defendant in virtue of her duties she has been fulfilling since 2000.		75	-	-
	Ortiz Durman José Manuel - File 7-1-163-CA ($ 50,000.00): The plaintiff filed against Compañía Nacional de Fuerza y Luz S.A. this complaint for the payment of damages due to the removal of an electricity meter in condominium by a third party and the time elapsed for the reconnection of the service.		27	-	-
	Ghella Spa Costa Rica - File 10-1638-1027-CA ($ 705,000.00): The plaintiff is seeking an extension of the execution term, the nullity of some actions of CNFL., the nullity of the penalty withholdings, and a refund of the money plus interest as stipulated by the law. Moreover, it is seeking the nullity of the limitations filed in Addendum No. 01 to the Agreement for the Design, Construction, Equipment, and Commissioning of El Encanto Hydroelectric Project.		379	-	-
	Interamericana de Medios de Comunicación S.A. – File 14-6680-1027-CA ($ 23,000): This company, in its capacity as user and provider of commercial advertising services, sued CNFL for damages claiming the liability of the company for the suspension of electricity services.		12	-	-
	Total contingent liabilities - ICE Group	¢	**59,042**	**442**	**2,026**

(Continues)

Note 42. **Laws**

(a) Law for the Creation of *Instituto Costarricense de Electricidad*

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

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

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

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

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

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

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

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

(iii) Foster the industrial development and the highest production of the country by making a preferential use of electric energy as the driving force and heating source and contribute through advice and technological research to achieving world-class know-how and use of the wealth sources of the country.

(iv) Ensure a rational use of the natural resources and end the destructive and wasteful use of such resources. It shall particularly try to promote the domestic use of electricity for heating purposes instead of fuels taken from the national forests and imported fuels, and foster the use of wood as an industrial raw material.

(v) Preserve and defend the hydraulic resources of the country by protecting the watersheds, the river beds and sources, a task that shall have the cooperation of the National Electricity Service and the Ministries of Agriculture and Public Works, through a mutual cooperation program.

(vi) Contribute to the use of lands for agricultural purposes through irrigation and regulation of rivers, if economically feasible, by comprehensively developing sites to produce electric energy.

(vii) Make its technical, administrative, and financial procedures become efficiency models that not only ensure the proper functioning of the *Instituto*, but also be a benchmark for other activities performed by Costa Ricans.

(viii) Ensure the establishment, improvement, extension, and operation of telecommunications networks in a sustainable manner, and provide and market telecommunications, info communications, and information goods and services, and other convergent goods and services. The concessions required by ICE and its companies to achieve these objectives shall be subject to the terms, duties, obligations, and other requirements set forth in any applicable laws.

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

(b) Law of the Regulatory Authority for Public Services

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

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

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

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

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

(i) Charge rates or prices different from those set by ARESEP, or rates not previously set by ARESEP.
(ii) Poor maintenance of the infrastructure or equipment used to provide the public service, which might put people or property at risk.
(iii) Fraudulent use of goods and services to avoid a regulated payment.
(iv) Unauthorized provision of a service.
(v) Removal, without an express authorization of the entity that granted the concession or permit, of the equipment or facilities necessary to provide the public service.
(vi) Failure to comply with the obligation to insure employees with the CCSS and with an occupational hazard regime.

(vii) Failure to comply with the binding conditions imposed in rate resolutions upon the public services provider.

(viii) Failure to comply with the quality standards and principles in the provision of the public service, other than an Act of God or force majeure.

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

(c) General Telecommunications Law

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

The objectives defined by this Law are:

- Guarantee the right of inhabitants to access telecommunications services, in the terms established in this Law.
- Ensure the application of the principles of universality and solidarity regarding the telecommunications services.
- Strengthen the mechanisms of the principles of universality and solidarity regarding the telecommunications services, guaranteeing access to inhabitants who require them.
- Protect the rights of the telecommunication service users, ensuring efficiency, equality, continuity, quality, larger and better coverage, more and better information, more and better alternatives in the provision of services, as well as guaranteeing the privacy and confidentiality in the communications, according to the Political Constitution of Costa Rica.
- Promote effective competition in the telecommunications market, as a mechanism for increasing availability of services, improving their quality and insuring accessible prices.
- Promote the development and use of telecommunications services within the scope of information and knowledge and as a means of support to sectors, such as health, public safety, education, culture, commerce and electronic government.
- Ensure the efficient and effective allocation, use, exploitation, management, and control of the radio electric spectrum and other scarce resources.

- Stimulate investment in the telecom sector using a legal framework that provides mechanisms that guarantee transparency, non-discrimination, equity, and legal stability and that does not promote levying taxes.
- Try for the country to obtain the maximum benefits regarding technological progress and convergence.
- Obtain telecommunications development indexes similar to those of developed countries.

In addition, this law indicates that concessions will be granted for the use and exploitation of the radio electric spectrum frequencies, as required for the operation and exploitation of telecommunications networks. Said concessions will enable the holder for the operation and exploitation of the network. When the concession relates to public telecom networks, the concession holder is entitled to provide all types of telecom services available to the public. The concession will be awarded for a specific coverage area (regional or national) in order to guarantee the efficient use of the radio spectrum.

This law establishes that the radio spectrum is a public good and the planning, management, and control of its use must be in line with the provisions of the Political Constitution of the Republic of Costa Rica, international treaties, the General Telecommunications Law, the National Telecom Development Plan, the National Frequency Distribution Plan, and other regulations.

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

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

Other important matters contained in this Law are the following:

- The operators of public networks and providers of telecommunication services available to the public must guarantee the secret of communications, the right to privacy and the protection of the personal information regarding clients and final users, through the implementation of the systems and technical and administrative measures necessary.

- The rates for telecommunication services available to the public are established initially by SUTEL, pursuant to the use of methodology of maximum prices, or any other that promotes competition and efficiency in the use of resources, according to the bases, procedures and periodicity set forth in the regulations.

- Access to and interconnection with public telecom networks is guaranteed in order to ensure efficiency, true competition, optimization in the use of limited resources, and greater benefits for users. Interconnection prices shall be aligned with costs, as prescribed in paragraph 13) of article 6 of this law, and are to be freely negotiated among operators using the procedures established by SUTEL.

- A tax corresponding to SUTEL is established for the Telecommunication Services, which is a single annual regulatory charge determined in conformity with article 59 of Law No. 7593 dated August 9, 1996. This tax will provide the resources necessary for effective management.

- A reserve tax is imposed on the radio-frequency spectrum. That tax is to be paid annually by network operators and telecom service providers with the purpose of planning, managing, and monitoring the use of the radio-frequency spectrum rather than for complying with the objectives of the tax policy. It is collected to finance SUTEL's activities pursuant to articles 7 and 8 of this law.

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

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

The Law for Strengthening and Modernizing Public Entities in the Telecommunications Sector Number 8660 was published in Official Bulletin La Gaceta on August 13th of the year 2008, creating through it the Telecommunications Sector and the Telecommunications Superintendence (SUTEL), which will be the entity in charge of regulating, applying, overseeing and controlling the legal framework regarding telecommunications. Additionally, this law prescribes the duties and authority of the Ministry of Science, Technology, and Telecommunications, which Minister will be responsible for directing the sector.

The main objectives of this Law are the following:

- Strengthen, modernize and provide the *Instituto Costarricense de Electricidad* (ICE), its companies and affiliated entities with the legislation that will allow adapting to all the changes in the legal framework regarding generation and rendering of services in the energy sector, as well as telecommunications, infocommunications, information products and services, and other converging services.

- Supplement Law Decree Number 449 of April 8, 1949, Regulation for the Creation of *Instituto Costarricense de Electricidad*, and its amendments, to provide ICE with the legal, financial, and administrative conditions necessary to continue providing and marketing products and services within the energy and telecommunication sectors within the national territory and abroad.

- Create the Telecommunications Sector and its regulating entity, as well as developing the rights and functions and powers pertaining to the Sector Minister, who will create the National Telecommunications Development Plan, along with the President of the Republic.

- Streamline and expand the mechanisms and procedures concerning public procurement for ICE and its companies.

- Guarantee and ensure the administrative and financial autonomy of ICE and its companies.

- Guarantee accountability and evaluation of results by ICE and its companies.

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

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

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

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

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

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

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

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

This Law stipulates that *Instituto Costarricense de Electricidad* shall provide, upon the enactment of this law, the telecommunications services set forth in Law Nº 47 of July 25, 1921, for an indefinite period of time in accordance with the terms and conditions set forth therein.

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

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

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

(f) Electricity Agreement

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

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

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

Note 43. <u>Subsequent Events</u>

(a) International Accounting Standards

Guidelines of the National Accounting System DCN-1609-2016 of November 15 ratifies the year 2022 as the maximum term to meet all the accounting treatment requirements of the IFRS/IAS as follows:

"Consequently, the financial statements issued by all the entities of the Costa Rican Public Sector for FY 2023 should fully comply with the respective international accounting standards, and such entities shall be able to make explicit and unqualified statements regarding said compliance as set forth in IFRS 1 and IPSAS 1."

(b) Energy Imports

Through Resolution RIE-090-2016 of October 13, 2016, ARESEP approves for ICE Group the recognition of expenses from energy imports amounting to a total of ¢9.798 for FY 2016. Pursuant to said resolution, these costs are expected to be recovered through a rate recognition from January 1 to December 31, 2017.

By applying the recognition of prepaid expenses in 2016, the interim statement of profit and loss as of September 2016 would show an increase in the results, where the operating surplus would go from ¢111.809 to ¢119.158, and a deficit of (¢4.576) to a surplus of ¢2.773. Said recognition was recorded at yearend in October 2016.