Deloitte & Touche, S.A.
Barrio Dent, San Pedro
3667-1000 San José
Costa Rica

Tel: (506) 2246 5000
Fax: (506) 2246 5100
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Refinadora Costarricense de Petróleo, S.A.

We have audited the accompanying financial statements expressed in U.S. dollars of Refinadora Costarricense de Petróleo, S.A. ("RECOPE"), which comprise the statements of financial position as of December 31, 2012 and 2011 and the corresponding statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in conformity with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the International Standards on and the regulations regarding the external audits of the entities supervised by the General Superintendence of Securities and the National Supervisory Board of the Financial System. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for the Qualified Opinion

1. As of December 31, 2012 and 2011, the refinery's assets are not being used at their entire capacity, and there are indications that their recoverable amount could be less than the book value. RECOPE's management does not have the impairment analysis of the previously indicated assets required by the International Accounting Standard No.36, and it was not possible for us to determine the recoverable value by means of other auditing procedures.

2. As indicated in Note 1 to the accompanying financial statements, RECOPE determines the depreciation of property, plant, vehicles, and equipment based on the rates determined by the Regulations to the Income Tax Law. Also, starting on December 31, 2008, it has the policy of not determining the residual value of its assets (previously, 10% was applied to the totality of the assets), RECOPE's management does not have available any technical study performed by a competent expert to determine whether the depreciation rates and the residual values are appropriate in accordance with the specific characteristics of each of the assets or groups of assets, and we were not able to satisfy ourselves on their fairness through other auditing procedures.

3. As indicated in Note 7 to the accompanying financial statements as of December 31, 2012, the Company keeps an investment registered in a joint venture, for a sum of US$30,447,583. As of this date, the Company does not have audited financial statements of this joint venture; consequently, we are not aware of any adjustments or disclosures that may be required.

4. As of December 31, 2011, RECOPE used the specific price index methodology to determine the fair value of its property, plant, vehicles and equipment. The International Accounting Standard No.16 indicates that fair value will usually be determined based on market value obtained from an appraisal made by an expert, and if a market value does not exist, fair value would have to be obtained through other methods that take into account income from assets or their replacement cost once the corresponding depreciation has been reduced and net of any obsolescence effect. As of December 31, 2012, RECOPE did not revaluate its property, plant, vehicles, and equipment, nor does it count with an appraisal prepared by a qualified expert. Therefore, the recorded value of property, plant, vehicles, and equipment, deferred income tax, surplus from revaluation, the results of the period, and the retained earnings as of December 31, 2012 and 2011, are not in accordance with the current accounting standards. Management has not determined the effect that would have the use of a methodology, in accordance with the accounting standard referred to above.

5. The financial statements as of December 31, 2012 and 2011 include an accrual for employees' severance benefits for US$20,963,167 and US$22,882,461, respectively, which was initially determined in 2003, and after that, a monthly credit equivalent to 5.33% of the monthly gross payroll has been recorded, as detailed in Note 1n to the financial statements. According to the International Accounting Standard No.19, the calculation of liability for the benefit plans defined by death, retirement, permanent disability or voluntary resignation that RECOPE has for its employees requires the use of actuarial techniques to determine the sum of the benefits that the employees have earned in return for the services provided in

Deloitte.

the current and previous periods. In our opinion, the methodology used by RECOPE does not comply with the standards mentioned above. Therefore, the recorded liability as of December 31, 2012 and 2011, as well as the related expenses, are affected in amounts not determined by management.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in paragraphs 1 to 3 of the Basis for Qualified Opinion and except for the matters described in paragraphs 4 and 5 of the Basis for Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Refinadora Costarricense de Petróleo, S.A. as of December 31, 2012 and 2011, its financial performance, and its cash flows for the years then ended, in conformity with the International Financial Reporting Standards.

Other Matters

These financial statements have been translated into English for the convenience of the readers.

Rafael Castro Monge - C.P.A. No.1795
Insurance Policy No.0116 FIG 7
Expires: September 30, 2013
Revenue law stamp for ¢1.000, Law No.6663, has been adhered and paid.

February 22, 2013

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011
(Stated in United States Dollars)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1c, 2	US$ 68,430,901	US$ 121,804,330
Accounts receivable	1d, 3	4,971,539	7,109,087
Inventories	1e, 1w, 4	247,783,309	414,007,745
Prepaid expenses	5	59,431,554	22,793,421
Total current assets		380,617,303	565,714,583
LONG TERM ACCOUNTS RECEIVABLE	3	339,193	792,409
ADVANCES TO JOINT VENTURE	15	2,199,881	5,913,815
PROPERTY, PLANT, VEHICLES AND EQUIPMENT - Net	1g, 1h, 1i, 1j, 6	583,624,820	527,880,929
INVESTMENT IN JOINT VENTURE	1k, 7	30,447,583	27,558,492
OTHER ASSETS	8	13,923,344	14,633,192
TOTAL		US$1,011,152,124	US$1,142,493,420
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Notes payable	11		US$ 60,678,233
Current portion of the long term debt	12	US$ 8,916,258	8,900,145
Accounts payable	9	188,158,019	270,143,230
Deferred income	1m	20,585,154	50,971,392
Accumulated expenses and other liabilities	1o, 1p,10	5,692,460	5,372,752
Total current liabilities		223,351,891	396,065,752
LONG TERM DEBT	12	34,000,000	42,900,146
LONG-TERM BONDS PAYABLE	13	49,857,059	
DEFERRED INCOME TAX	1*l*, 14	16,757,963	18,983,605
PROVISION FOR EMPLOYEES' LEGAL BENEFITS	1n	20,963,167	22,882,461
Total liabilities		344,930,080	480,831,964
STOCKHOLDERS' EQUITY:			
Capital stock	16	350,058	350,058
Investment reserve	1r	44,816,631	44,816,631
Legal reserve	1q	3,981	3,981
Surplus from revaluation	1s	303,137,038	308,676,967
Surplus from donation	1t, 17	34,808,316	34,808,316
Retained earnings		540,354,015	532,147,104
Foreign currency translation adjustment	1b	(257,247,995)	(259,141,601)
Total stockholders' equity		666,222,044	661,661,456
TOTAL		US$1,011,152,124	US$1,142,493,420

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

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Stated in United States Dollars)

	Notes	2012	2011
SALES	1u	US$ 3,116,216,828	US$ 3,003,877,030
COST OF SALES	1v	(2,924,181,138)	(2,797,876,382)
GROSS PROFIT		192,035,690	206,000,648
OPERATING EXPENSES	1w, 1x, 18	(179,638,322)	(163,790,453)
OPERATING PROFIT		12,397,368	42,210,195
OTHER INCOME (EXPENSES):			
Sale of services		291,202	334,024
Financial expenses		(6,908,545)	(17,694,762)
Financial income	1u	2,865,189	926,224
Other expenses - net		(6,829,034)	(3,469,452)
PROFIT BEFORE INCOME TAX		1,816,180	22,306,229
DEFERRED INCOME TAX	1*l*, 14	2,283,637	2,523,729
INCOME TAX	1*l*, 14	(2,614,095)	
NET PROFIT		1,485,722	24,829,958
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment	1b	1,893,606	2,032,833
Effect from assets' revaluation	1s	1,181,260	15,626,823
COMPREHENSIVE INCOME OF THE YEAR		US$ 4,560,588	US$ 42,489,614

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

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Stated in United States Dollars)

	Notes	Capital Stock	Investment Reserve	Legal Reserve	Surplus from Revaluation	Surplus from Donation	Retained Earnings	Foreign Currency Translation Adjustment	Total
BALANCES, DECEMBER 31, 2010		US$350,058	US$122,043,192	US$3,981	US$303,991,993	US$34,808,316	US$423,403,314	US$(261,174,434)	US$623,426,420
Comprehensive income of the year					15,626,823		24,829,958	2,032,833	42,489,614
Realization to retained earnings					(6,687,271)		6,687,271		
Surplus from revaluation for deferred income tax adjustments	1s				(4,254,578)				(4,254,578)
Reversal of the 2009 period reserves	1r		(77,226,561)				77,226,561		
BALANCES, DECEMBER 31, 2011		350,058	44,816,631	3,981	308,676,967	34,808,316	532,147,104	(259,141,601)	661,661,456
Comprehensive income of the year					1,181,260		1,485,722	1,893,606	4,560,588
Realization to retained earnings	1s				(6,721,189)		6,721,189		
BALANCES, DECEMBER 31, 2012		US$350,058	US$ 44,816,631	US$3,981	US$303,137,038	US$34,808,316	US$540,354,015	US$(257,247,995)	US$666,222,044

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

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Stated in United States Dollars)

	Notes	2012	2011
OPERATING ACTIVITIES			
Net profit of the year		US$ 1,485,722	US$ 24,829,958
Income tax expense	14	2,614,095	
Deferred tax	14	(2,283,637)	(2,523,729)
Interest expense		5,068,861	16,523,686
Effect from participation in joint venture	7	884,296	
Depreciation and amortization	6, 8	35,506,182	26,613,255
Unrealized exchange rate differences		(272,154)	(281,024)
Expense for doubtful accounts	3	87,206	766,944
Changes in operating assets and liabilities:			
Accounts receivable		(90,046)	557,326
Inventories		167,244,045	(178,821,640)
Prepaid expenses		(36,511,451)	(702,956)
Other assets		(1,052,644)	(8,354,255)
Accounts payable		(82,782,364)	147,171,328
Deferred income		(30,528,304)	29,648,901
Accumulated expenses and other liabilities		121,654	757,132
Employees' legal benefits		(1,989,628)	(1,140,814)
Cash provided by the operating activities		57,501,833	55,044,112
Tax paid			(5,270,353)
Interest paid		(4,887,753)	(3,678,621)
Net cash provided by the operating activities		52,614,080	46,095,138
INVESTMENT ACTIVITIES			
Additions of fixed assets	6	(86,697,902)	(72,388,948)
Disposals of fixed assets	6	78,704	924,779
Advances to joint venture		3,646,075	(5,913,815)
Acquisition of investments in joint venture	7	(3,750,000)	(25,025,897)
Short term investments			
Net cash used in the investment activities		(86,723,123)	(102,403,881)
FINANCING ACTIVITIES			
New loans		49,829,171	60,678,233
Debt amortization		(69,602,204)	(8,988,278)
Net cash used in the financing activities		(19,773,033)	51,689,955

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Stated in United States Dollars)

	2012	2011
NET VARIATION IN CASH AND CASH EQUIVALENTS	US$ (53,882,076)	US$ (4,618,788)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	121,804,330	126,008,348
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	508,647	414,770
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	US$ 68,430,901	US$121,804,330

TRANSACTIONS THAT DO NOT AFFECT THE USE OF CASH:

As of December 31, 2012, an appraisal on gas stations was made, which originated an increase in these assets and surplus from revaluation for the sum of US$1,199,353.

As of December 31, 2011, an appraisal on property, plant, vehicle, and equipment was registered, which originated an increase in these assets and surplus from revaluation for the sum of US$15,626,823.

As of December 31, 2012, advances made to the joint venture for US$7,383,886 were transferred to the fixed assets account.

As of December 31, 2012, accounts receivable from the Ministry of Financing for US$2,618,129 were applied to the income tax payable existing as of December 31, 2012.

(Ends)

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

1. NATURE OF THE BUSINESS, PRESENTATION BASES, AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Refinadora Costarricense de Petróleo, S.A. (RECOPE) was incorporated in accordance with the laws of the Republic of Costa Rica by means of a notarially recorded instrument. As stipulated in Law Number 5508 of April 19, 1974; all the shares of Allied Chemical y Atico, S.A. were transferred and assigned to the government of Costa Rica for the price of one US dollar ($1,00).

As a result of this transfer agreement, the government of Costa Rica received 19,300 shares of RECOPE's capital stock. In this way, the President's Cabinet holds Stockholders' meetings as the highest authority at RECOPE. Upon decree No.7927-H from December 15, 1977, RECOPE, S.A. is regulated as a state-owned company structured as a mercantile corporation, but under the oversight and monitoring of the Office of the Comptroller General of the Republic.

In accordance with Law Number 6588 of August 13, 1981, its main objectives are the following:

- Refining and processing of oil, gas, and other hydrocarbons, as well as their derivatives.
- Manufacturing of petrochemical products and that of the directly or indirectly related products.
- Commercializing and transporting oil and its derivatives by bulk.
- Maintaining and developing the necessary facilities.
- Executing, as appropriate and subject to prior authorization by the Office of the Comptroller General of the Republic, development plans for the energy sector in accordance with the Plan for National Development.

Among other matters, the above law prohibits RECOPE, without prior legal authorization, from doing the following:

- Grant loans.
- Make donations.
- Award subsidies or grants.
- Build inter-oceanic pipelines.

Law No.7356 published in the official newspaper La Gaceta of September 6, 1993 states that RECOPE is declared a monopoly in behalf of the State to import, refine and distribute crude oil, derivative fuels, asphalt and naphtha. Article No.2 of the law establishes that the State grants the monopoly's administration to RECOPE, provided that its capital stock entirely belongs to the State. Likewise, the State shall not be able to assign, dispose, or give in guarantee any representative share of RECOPE.

RECOPE, S.A. is an entity regulated by the General Superintendency of Securities (SUGEVAL), the National Stock Exchange (Bolsa Nacional de Valores de Costa Rica, S.A.), and the Securities Market Regulatory Law, and it was authorized through resolution SGV-R-2702 of August 27, 2012, in order to issue debt securities to be marketed in the brokerage market of Costa Rica.

Presentation Basis - RECOPE's financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS).

Significant Accounting Policies - The significant accounting policies used in the preparation of the financial statements are summarized as follows:

a. ***Currency and Transactions in Foreign Currency*** - Management has determined that the Costa Rican colon is RECOPE's functional currency. The transactions denominated in US dollars are registered at the exchange rates in force as of the date of the transaction; RECOPE's assets are registered at the purchasing exchange rate and liabilities at the selling exchange rate. Exchange rate differences originated from the liquidation of assets and obligations denominated in such currency, as well as the adjustment of balances as of closing date, are registered as part of RECOPE's results. As of December 31, 2012 and 2011, the exchange rate of the colon regarding the US dollar for companies of the non banking public sector was ¢509.23 and ¢510.82 for selling transactions, respectively, and ¢508.73 and ¢510.30, for purchasing transactions, respectively.

   As of the date of issue of the financial statements, exchange rate was ¢502,13.

b. ***Currency Translation into U.S. Dollars*** - The Company's functional currency is the Costa Rican colon (¢). Accordingly, the local currency financial statements were translated into United States Dollars using the following basis: assets and liabilities were translated at the closing exchange rate, stockholder's equity was measured using the historical exchange rates prevailing when each transaction took place. Income and expense items were translated at the weighted average rate for the period. The effect of translation is charged to stockholder's equity in a separate item denominated Foreign Currency Translation Adjustment.

c. ***Cash Equivalents*** - RECOPE considers as cash equivalents all its held-to-maturity investments, with an original maturity equal to or less than three months.

d. ***Allowance for Doubtful Accounts*** - The allowance for doubtful accounts is registered crediting the operation results, and it is determined based on an evaluation of the recoverability of the accounts receivable portfolio, taking into account the existing delinquency, guarantees received, and management's criterion on the debtors' payment capacity. RECOPE do not include account receivables from clients because its sales are on cash. As of December 31, 2012 and 2011 the allowance for doubtful accounts is mainly composed by a balance of US$894,131 and US$804,443, respectively, receivable from Concessions National Board and other receivables.

e. ***Inventories*** - Inventories are valued at the lower of cost or net realization value. The net realization value is the estimated selling price of a product in the normal course of operation, less the estimated necessary costs to perform the sale and a reasonable percentage of profit.

Finished product and works in progress are registered at the average manufacturing cost. The raw materials, materials, supplies, and spare parts are registered at the average cost in warehouse, and merchandise in transit is registered at cost according to the suppliers' invoice.

The raw materials inventory (petroleum and other raw materials), as well as materials and supplies are valued at the average weighted cost.

The following are recognized as direct shipping costs (CIF and other costs):

- Value of the invoice
- Cost of maritime freight
- Insurance cost
- Payment of single fuel tax, according to Law No.8114
- Payment of port services: Japdeva and independent inspectors

The indirect shipping costs are registered as operating expenses, as established in the *International Accounting Standard (IAS) 2,* such as:

- Expenses from the Port Administration,
- Expenses from the Fuel Trading Administration,
- Depreciation of the Moín Oil Dock,
- Payment of delays.

Raw materials and materials in transit at cost according to invoice price, plus incidentals.

Petroleum is valued at the CIF import price plus required expenses to put it in the refinery storage tanks, plus 1% tax according to Law 6946.

Imported finished product is valuated at the CIF import price plus the single fuel tax established by the Law for Tax Efficiency and Simplification Number 8114, published in the La Gaceta No.131, Paragraph 53, of July 9, 2001, which became effective on August 1, 2001; that is to say, other expenses required to place it in storage tanks at the refinery and other plants. D.A.I. to the import of crude oil is eliminated through Executive Order No.29750-COMEX published in the official newspaper La Gaceta No.170 of September 5, 2001.

Allowance for Obsolete Inventory - The amount is calculated based on the materials declared obsolete by the user in coordination with the warehouse department and according to a projection from the warehouse department regarding the lines declared obsolete in respect of the total of lines existing in the inventory.

f. ***Single Fuel Tax*** - Upon enactment and enforcement of the Tax Simplification and Efficiency Law (Law 8114), a single tax is instituted on fuel type -both domestically produced and imported fuel.

The taxable event - as set forth in Article No.1 of this Law - takes place on two occasions:

- Upon import of finished goods prior to customs clearance

- For local production, manufacturing, cracking or refining, RECOPE shall settle and pay this tax within the first 15 calendar days of each month.

RECOPE is the single taxpayer and records this tax in its financial statements, as the taxable event takes place as part of Account 2102020401 Accounts Payable - Single Tax.

The tax on fuel type is updated on a quarterly basis, subject to changes in the Consumer Price Index determined by the National Statistics and Censuses Institute (INEC). Under no circumstances shall the quarterly adjustment be above 3%.

The existing decree. (Decree 37233-H) published in official newspaper La Gaceta, Issue 156 as of August 14, 2012, effective from August 1st, 2012 to October 31st, 2012, provided for an adjustment of 1.79%. The tax broken down by product is as follows:

	Tax per Liter (¢)
Av. Gas	212,00
Kerosene	61,00
Heavy diesel	41,00
Heavy naphtha	30,25
Light naphtha	30,25

The following are exonerated from this tax payment (Article No.1 of Law No.8114):

- Fuel designated to supply commercial airlines and merchant ships or commercial passenger shipping lines, all providing international services.
- Fuels used by the National Fishing Fleet, for non sports fishing, in accordance with Law No.7384.
- Product allocated for export.
- Products sold to companies that enjoy the export free zone regime benefits.
- Products sold to companies using the tax exemption benefit, under the specific legislation, in order to cover road construction service agreements.

g. ***Property, Plant, Vehicles, and Equipment*** - These assets are originally recorded at cost of acquisition and construction, as it corresponds, afterwards, any revaluation, less the accumulated depreciation or impairment of those assets is charged to such cost, so that they represent their fair value.

The constructions and facilities in progress are temporarily registered, and then they are transferred to the definite account fixed assets account at the moment of receiving the completion reports and when their capitalization has taken place. The disbursements for ordinary repairs and maintenance are charged to the expenses of the cost center that originates them.

Until December 2011, RECOPE made revaluation of the fixed assets in operation for specific price indexes using the following methodology:

- Industrial Producer Price Index for Moín Port Complex and Facilities, in local investment and construction index for local investment buildings.
- External indexes of the Chemical Engineering magazine by McGraw Hill Publication to:
  - Revaluate plants, facilities of refinery and oil pipeline, Plant Cost Index,
  - Moín Port Complex, Construction Cost Index,

These indexes are combined with the exchange rate variation of the colon in respect of the U.S. dollar.

The indexes applied in 2011 are the following:

Description	Revaluation Factor
Properties	4,73%
Moín Port Complex	3,87%
Refinery facilities	7,13%
Distribution facilities	7,39%
Oil pipeline installations	7,95%
Buildings	3,87%
Machinery and equipment	4,73%
Furniture	4,73%
Vehicles	4,73%

h. ***Investment at Moín Port Complex*** - The works corresponding to this investment are registered in the books of RECOPE, in conformity with the provisions set forth in Agreement No.5, Article No.6 of the Ordinary Session No.89 of the President's Cabinet held on April 2, 1988. This resolution expressly acknowledges that works corresponding to that investment have clear title of ownership and domain in the name of RECOPE.

The resolution of the President's Cabinet was presented to the Board of Directors of RECOPE, and Management was notified, in accordance with Article 12 of meeting number 2240-191 held on April 22, 1988.

i. ***Depreciation*** - The depreciation on the revaluated amounts and historical cost is charged to the results of the period. The depreciation of fixed assets, both historical and revaluated, is calculated using the straight-line method, taking as a basis the useful life indicated in the Regulations to the Income Tax Law, For calculating depreciation of those assets acquired before 2008, 90% of the registered cost is used as a basis, and for those acquired after 2008, they are depreciated taking as a basis 100% of the cost. The change was an Administrative decision, after the new accounting system beguns its operation.

In order to appraise the Moín Port Complex, the different operational areas were divided by function, and as a result, different annual depreciation rates are applied to each area: petroleum dock, roll-on-roll-off dock and banana dock from 3% to 10%; maritime works from 2% to 10 %, and general ground works from 3% to 5%.

Depreciation costs are distributed among the cost centers to which the assets provide services. Depreciation costs for the Refining Management are classified as costs for processing petroleum, except for Depreciation of the Moín Port Complex, which is allocated to the cost of imported product.

Currently, registration of depreciation expenses has been separated, on one hand what corresponds to the assets registered at historical cost value, and on the other hand the revaluated asset expense.

j. ***Works in Progress*** - This item registers the construction works in progress, which when concluded are reclassified and become part of the property, plant, vehicles, and equipment. A construction agreement is a specifically negotiated contract to manufacture an asset or group of assets that are intimately related among themselves or are independent in terms of design, technology, and function, or else, in regards to their final use or destination. The records that affect this account are made as established by the IAS 11, "Construction Contracts".

k. ***Investment in Joint Venture*** - In compliance with IAS 31, a joint venture is a contractual arrangement whereby two or more participants undertake an economic activity which is subjected to joint control.

The existing control is a joint venture and consists on the possibility to address the financial and operations policies of an entity with the aim to obtain benefits from its activities. In accordance with IAS-31 paragraph 57, *"The participant shall disclose the accounting method used to recognize their participation in jointly controlled entities."*

For RECOPE, there is no absolute control of the business interest; both companies have 50% of the participation. Thus, the investment is recognized in the account denominated SORESCO S.A., which RECOPE has registered under the equity method.

The registration method of this investment used by RECOPE is the equity method.

l. ***Income Tax*** - It is determined according to provisions established by the Income Tax Law, should any tax result from this calculation, it is charged to results and credited to a liability account. Deferred income tax is registered using the liability method and is applied to those temporary differences between the carrying value of the assets and liabilities and the values used for tax purposes. A deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference. The asset or liability is not recognized if the temporary difference is originated from goodwill or from the initial registration of an asset or liability (different from a business combination) that does not affect the tax or accounting profit.

The deferred tax asset originates from the deductible temporary differences associated with accounting provisions and estimates. The deferred tax liability is recognized by tax differences associated with the revaluation of fixed assets. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The registered value of the deferred tax asset is reviewed as of the date of each balance sheet and adjusted if it is estimated that it is not likely to obtain enough taxable income or other sources of income that allow to fully or partially recover the asset.

Deferred income tax assets and liabilities are measured at the rate of tax which is expected to be applied during the period in which the asset will be realized or the liability paid. Deferred income tax assets and liabilities are shown net since they relate to the same fiscal entity and the right exists, and RECOPE expects to pay its tax liabilities and assets in a net way.

m. ***Deferred Income*** - It corresponds to deposits made by the clients in behalf of RECOPE, which will be applied once the product is sold.

n. ***Employees' Legal Benefits*** - In conformity with the labor legislation in force in Costa Rica, an indemnification should be paid to employees dismissed without a just cause, retired or permanently disabled employees, and the family of deceased employees, for an amount equal to a month of salary for each year of continuous service for up to a limit of eight months.

   RECOPE registers a monthly provision charging operating expense for each cost center from which salaries are disbursed, calculated as 5.33% of same. In addition, 3% of monthly salaries are transferred to different pension funds selected for employees, and they will be deducted from the final termination payment made to employees.

   According to Article No.142 of the current Collective Bargaining Convention, severance cannot exceed twenty-four months.

o. ***School Supplies Bonus*** - It is calculated in accordance with the decrees issued by the Ministry of Labor every time there is a salary increase, and it is paid in January according to existing regulations. For 2011, 8.19% of the monthly payroll was provisioned, according to D,E, No.36420-MTSS.

p. ***Thirteenth Month*** - RECOPE makes a monthly provision corresponding to payment of Christmas bonus to its employees in December, as established in the Code of Labor, Such provision corresponds to 8.33% per month.

q. ***Legal Reserve*** - The commercial legislation of Costa Rica establishes that every corporation must reserve 5% from its net profit up to reaching 20% of its capital stock.

r. ***Investment Reserve*** - It corresponds to the reserves authorized by the Regulatory Authority with the aim to sustain the investments programs. In compliance with Law 7593 of the Regulatory Authority and the provisions set forth in the resolution RRG-8988-2008 during the 2010 and based on agreement of the Board of Directors, Article 6 subsection 3) of the ordinary session 4470-23 of August 4, 2010 it was decided that RECOPE shall apply the profits or surplus of the period to the reserves as an investment.

s. ***Surplus from Revaluation*** - This account records the surplus from asset revaluation that RECOPE has made through the years and represents the resulting difference of the value of the asset revaluation compared to the revaluation value of the accumulated depreciation; in other words, it is the net increase of the value of the assets that result from the annual revaluation, less the annual transfers corresponding to expense from depreciation for revaluation, net of the deferred income tax that is registered against the retained earnings.

t. ***Surplus from Donation*** - It records donations received from Allied Chemical Corp,, Petro Canada, and the Agency for International Development (AID) to perform the explorations of charcoal, as well as those from the Costa Rican Electricity Institute (ICE) to build the Castella-Garita oil pipeline and a debt remission from the Dutch government.

u. ***Revenue Recognition*** - The sales of hydrocarbons are in cash, by which revenues are recognized when RECOPE has transferred to the buyer all significant risks and benefits related to the ownership of the sold fuels, RECOPE does not keep for itself any association with the common management of the goods sold. The amount of revenue can be reliably measured. It is probable that RECOPE receives the economic benefits associated with the sale, and the transaction costs can be reliably measured.

Interest earned is recognized as they accrue.

This account records revenue from sales of hydrocarbons, which prices are defined by the Regulatory Authority. The following describes the procedure to establish the prices of fuels:

Price Adjustment - To modify the selling price of domestic fuels, RECOPE has two mechanisms:

- Normal price study.
- Extraordinary procedure using an adjustment formula.

These mechanisms are described in the following regulations:

- *Law No.6588 August 13, 1981.*
- *Law No.7593 of the Regulatory Authority for Public Services.*
- *Resolution RRG-9233-2008, La Gaceta No.227 of November 24, 2008.*

The normal price study must be applied at least once a year, as well as when RECOPE may consider it necessary, this mechanism seeks to maintain prices to cover costs and expenses required for ordinary company activities.

The extraordinary adjustment formula is a mechanism to adjust sales prices that seeks to recover in the short term the funds necessary to cover the increased costs related to the import of crude oil and petroleum byproducts. This adjustment does not affect the operating costs and expenses of the Company.

The resolutions of extraordinary and ordinary adjustments to the plant prices are made according to the model established by the Regulatory Authority, published in the official newspaper La Gaceta. The extraordinary adjustments through which the prices of all products are adjusted every second Friday of each month are resolved and applied one month afterwards; the last resolutions applied are the following, in colones per liter, without taxes:

National Products/ Plant Price	Regulatory Authority Resolutions (¢/Lt, Without tax)						
	1032-RCR	992-RCR	980-RCR	960-RCR	926-RCR	907-RCR	902-RCR
Premium gasoline	403.003	415.868	496.851	513.868	484.011	454.210	454.210
Plus 91 gasoline	380.109	402.432	473.605	485.927	455.543	421.928	421.928
Diesel 0,05% S (automotive 500)	456.019	464.496	491.265	493.020	460.649	435.647	435.647
Diesel 0,50% S (thermal)	445.203	420.811	445.818	446.018	408.951	383.122	383.122
Kerosene	447.127	447.253	476.186	485.134	456.501	426.815	426.815
Bunker	339.149	334.563	347.728	364.003	343.160	317.547	317.547
IFO 380	355.541	345.137	360.948	370.683	351.934	330.118	330.118
AC20/30 and PG 70 asphalts	313.997	321.092	323.038	321.798	317.010	328.117	328.117
Heavy diesel (gasoil)	395.541	396.415	416.121	423.517	393.714	367.982	367.982
Asphaltic emulsion	203.618	205.441	207.727	208.514	203.942	207.853	207.853
G.L.P.	168.004	184.500	171.282	175.442	161.469	150.641	150.641
Av-Gas	715.648	673.015	686.197	690.168	669.804	601.587	601.587
Jet A-1	455.307	451.273	480.206	489.154	460.521	430.835	430.835
Light naphta	422.619	411.528	433.396	453.633	397.693	356.454	356.454
Heavy naphta	422.619	411.804	440.341	458.230	402.766	361.545	361.545

RCR-1032-2012, Complementary Information ("Alcance") 211-E of La Gaceta 248 from December 24, 2012, which includes a K margin= 15.039% in all products.

RCR-992-2012, Complementary Information ("Alcance") 188 of La Gaceta 227 from November 23, 2012, which includes a K margin = 14.812% in all products.

RCR-980-2012, Complementary Information ("Alcance") 177 of La Gaceta 218 from November 12, 2012, which includes a K margin = 13.346% in all products.

RCR-960-2012, Complementary Information ("Alcance") 205 from October 24, 2012, which includes a K margin = 13.094% in all products.

RCR-926-2012, Complementary Information ("Alcance") 139 of La Gaceta 186 from September 26, 2012, which includes a K margin = 14.106% in all products.

RCR-907-2012, Complementary Information ("Alcance") 122 of La Gaceta 168 from August 31, 2012, which includes a K margin = 15.174% in all products.

RCR-902-2012, Complementary Information ("Alcance") 102 of La Gaceta 157 from August 16, 2012, which includes a K margin = 15.174% in all products.

Rate Model to Establish the Fuel Price - Through resolution RRG-9233-2008, published in the official newspaper La Gaceta No.227 of November 24, 2008, the Regulatory Authority published the new rate model to define the price of fuels derived from hydrocarbons at distribution plants and to the end consumer. This model is in effect since November 25, 2008.

The model establishes the method and ways to determine the plant prices and the end user of the products dispatched by RECOPE.

- *Ordinary Price Definition* - For establishing the price of the fuel, the provisions set forth in law 7593 and its regulations should be followed; the following formula will be applied:

$$NPPCi = (Prji * TCR] * [1+ Kj) \pm Di \pm Si$$

Where:

j = 1, 2, 3 n, It indicates the number of extraordinary price adjustments, made from the date the ordinary price study rate enters into force.

i = 1, 2, 3 h, It represents the types of fuels that are sold in the national territory.

h = It represents the total number of fuels that are sold in the national territory.

NPPCi: It is the new sales price at RECOPE's distribution plant, in colones per liter, of i fuel, without the single tax, and which will directly affect the price of i fuel or the end user.

PRji: It is the simple average FOB price of reference in US dollars, per barrel, converted into colones per liter (a barrel is equal to 158,987 liters), Its calculation is made based on the international prices of 15 calendar days previous to the cutoff date of making the study, and where the daily price is the simple average of the higher and lower prices reported by the source of reference - Platt's Oilgram Price Report of the Gulf Cost by Standard & Poors of the United States, while other markets of reference for the region are found. Also, if the price of this market has been influenced by anomalous factors, it is possible to modify the source with other markets of the region. This price will be periodically adjusted according to what is stated in the model to set the extraordinary price of fuels. It is not necessary to do any type of extra charge to this price.

The fuel reference prices matched to the locally sold products are the following ones:

Premium gasoline	Unleaded mid-graded: 89 octanes R+M/2.
Regular gasoline:	Regular unleaded: 87 R+M/2.
Diesel 0,05% S:	Diesel LS (low sulfur).
Diesel 0,20% S:	Fuel Oil No.2, 0,2% sulfur.
Diesel 0,50% S:	Fuel Oil No.2, 0,2% sulfur, adjusted.
Kerosene	Jet/Kero 54, 0,3% sulfur.
Jet fuel:	Jet/Kero 54, 0,3% sulfur.
Bunker	Residual fuel No.6 3,0% S (sulfur).

(Continues)

Oil liquefied gas	Normal Propane Mont Belvieu, non-tet & Regular Butane de Mont Belvieu, nontet; mix in 60% of propane & 40% of maximum butane.
Heavy Naphtha	Heavy naphtha.
Light Naphtha	Naphtha.

For the fuels for which the Regulatory Authority does not have the reference price of Platt's Oilgram Price Report Coast of the Gulf and/or another market of the region; they are:

Asphalt: Selling Prices Asphalt Cement, Gulf Coast, Area Barge or Asphalt Cement Text/Lousiana Gulf.

Asphalt emulsion: In case that the price reference is not available, it is possible to use 65 % of the mix of 86 % of the price of the asphalt plus 14 % of the price of the bunker.

Av- Av-gas: Weekly average price of the following references in Platts:

Avgas 100/130 Carib Petrotrin.
Avgas 100 Carib Shell W.
Avgas 100 Curacao ExxonMobil.

Ifo-380: Net Orleans i.e., viscosity 380 CST, 3,0-4,0 S (sulfur), with conversion factor reported by Platt's of 6,40 barrels per ton.

Heavy Diesel: In case that the price reference is not available, it is possible to use a mix of 55,23% diesel price plus 44,77% bunker price.

Others: According to new requests of the country, like the bio-fuels and its mixes with hydrocarbons. To determine the reference price of the combinations of bio-fuels, it is possible to use the following equation:

$$Prmezcla = X\,\% \ast Prbiocombustible + (1 - X\,\%) \ast PR\ hidrocarburo$$

Where:

X: It represents the bio-fuel participation in the mix the products that RECOPE sells.

The reference price will be provided firstly by RECOPE, according to reference of specialized publication, or it can be calculated based on the reference prices of the variety of fuels that the company has. In case of some publication, RECOPE must provide the reference of the information source.

The previous references can be modified as long as they are approved by the Regulatory Authority. For that, RECOPE must request the change two weeks before the cutoff date for application of the price adjustment model.

For jet fuels, av-gas and ifo 380, which RECOPE sells to large consumers (fulfilling the minimum volume standard) in airports or ports, the PRi can be set automatically within a band, which will fluctuate in more or less the standard deviation in dollars per barrel of the international FOB price of every fuel. The deviation must be calculated based on 300 observations of international prices of every fuel occurred before the cutoff date of fuel price review. Once the international price (PRi) is modified according to the variation range, it is necessary to add the Kj, ±Di, ± Si to define the final price for the above mentioned clients. The formulas to calculate the maximum and the minimum prices, in Costa Rican colones or US dollars per liter, are the following ones:

If the price is expressed in colones CRC:

$$\mathrm{NPPC_i}\ (\mathrm{Pr_i} * \mathrm{TCV_z}) + \mathrm{K_i} \pm \mathrm{D_i} \pm \mathrm{S_i}$$

If the price is expressed in dollars USD:

$$NPPC_i = PR_i + \frac{K_i \pm D_i \pm S_i}{TCV_z}$$

Prices Band	Maximum Price	Colones	$\mathrm{NPPC_i^{Maximum}} = (\mathrm{PR_i} + \sigma_\mathrm{i}) * \mathrm{TCV_z} + \mathrm{K_i} \pm \mathrm{D_i} \pm S_\mathrm{i}$
		Dollar	$\mathrm{NPPC_i^{Maximum}} = \mathrm{PR_i} + \sigma_\mathrm{i} + \frac{\mathrm{K_i} \pm \mathrm{D_i} \pm S_\mathrm{i}}{\mathrm{TCV_z}}$
	Minimum Price	Colones	$\mathrm{NPPC_i^{Minimum}} = (\mathrm{PR_i} - \sigma_\mathrm{i}) * \mathrm{TCV_z} + \mathrm{K_i} \pm \mathrm{D_i} \pm S_\mathrm{i}$
		Dollar	$\mathrm{NPPC_i^{Minimum}} = \mathrm{PR_i} - \sigma_\mathrm{i} + \frac{\mathrm{K_i} \pm \mathrm{D_i} \pm S_\mathrm{i}}{\mathrm{TCV_z}}$

Where:

σ i: Standard deviation of the product i, calculated from 300 observations of the international prices of reference, with cutoff date at the date of prices review.

TCVz: Selling exchange rate (colones per dollar) for the not financial sector published by the Central Bank of Costa Rica, published for the day z in which the sale of the fuel is made.

TCR: It is the selling exchange rate (colones CRC /dollars USD) for the non-financial sector to be used on the cutoff date of the study, which is determined by the Central Bank of Costa Rica.

Kj: It is an operation margin percentage, and it represents the cost that is recognized to RECOPE, for necessary projected domestic costs to place the product in the distribution plants, that is, it represents the difference between the international FOB price of the fuel and the distribution plant price, excluded that related to the refinery activity because it is already included in the international fuel price. The K will be determined of the following way:

- By means of a comparative margin study among several countries (benchmarking), which means the search of better practices of management, through a continuous and systematic procedure for the evaluation of products, services and work processes belonging to organizations known as leaders; in other words, it is the search of better practices in an industry, and which drives to a higher performance. This comparative study will have to include at least the following:

  i. Definition of the scope of application.

  ii. Description: of the countries selected to make the comparison.

  iii. Procedures used to select the countries.

  When this procedure is applied, the study to determine K will be submitted to the consideration of a public hearing, and it can be applied until the moment K is published in the official newspaper La Gaceta.

- Historical and reference costs such as cost of maritime transportation, insurance, loss in transit, port costs, financial costs (debt service of short and long term), fuel reception terminal costs, pass trough cost in pipelines and cisterns, distribution plant costs (storage and shipment), investment (total of depreciation), security inventory in finished product, other charges indicated by legal regulation (fees, contribution to entities and tax rates) and when it applies, other rate costs for the distribution costs of the finished products placed in each distribution plant. When this procedure is applied, the study to determine K will be subjected to public hearing, and it can be applied when the resolution that states the K be published in the official newspaper La Gaceta.

- The value of K, of the formula that will be used to set the fuel prices will be the lower figure between those obtained from the comparative study between the benchmarking and the analysis of historical and reference costs, (Resolution of Board of Directors of the Regulatory Authority number 001-043-2008, Sole Article, Section 1 of the minutes of the Special Meeting 043-2008 of August 14, 2008 and ratified on the 27th of the same month and year), except qualified exception that the General Regulator or whoever has power for that shall determine in reasoned and expressed way, in the corresponding pricing resolution.

This percentage (Kj) will generate the income to cover the operation cost (margin of operation), and it will be determined at least once a year either in an ordinary way, following the procedure stated in the Law 7593 and its regulation, or in extraordinary way, whenever the fuel extraordinary price setting model is applied, in order to maintain the income that the company needs to cover the operation margin, whenever the domestic plant price without the single tax is adjusted, as a result of the change of the price of the fuel international market.

To determine the Kj percentage, the following equation will be used for all the products:

$$Kj = \frac{\sum_{i=1}^{h} (K'_{(j-1)i} / PR_{ji}) * Q_i}{\sum_{i=1}^{h} Q_i} \qquad j = 1, 2, 3 \ldots n.$$

Where:

Kj = Average percentage contribution per fuel that generates the income for RECOPE to cover the costs of admission to the country.

K = Absolute contribution by type of fuel, which makes that the RECOPE's incomes to cover the admission costs do not change in the same way as the fuel domestic prices when the international price changes.

Pri = Fuel international price.

Q = Estimated sales by type of fuel per calendar year.

j = 1, 2, 3… n, It indicates the number of extraordinary price adjustments, made from the date the ordinary price study rate enters into force.

i = 1, 2, 3… h, It represents the types of fuels that are sold in the national territory.

h = It represents the total number of fuels that are sold.

Before every change of fuel prices, as a result of the change of the international prices; RECOPE's income to cover the costs of admission to the country of the fuels that it sells can be calculated by the following equation:

$$I = \sum_{i=1}^{h} (K_{(j-1)} \times PR_{ji}) * Q_{i} \quad {}_{j = 1, 2, 3 \ldots n.}$$

Where -

I = RECOPE's total income to cover the internal operation costs of the fuels.

Di: Total in Costa Rican colones per liter, in which the price of each fuel must be adjusted - increased or reduced- temporarily (deducting the total of the income tax that RECOPE has transferred to the Ministry of Financing), caused by the price difference between the international price reference (PRi) incorporated in the plant sale price and the current international price at the moment in which RECOPE imports the fuels. This component includes the fact whether RECOPE bought fuel at a market price, where the price reference was affected by an anomalous factor, and the price adjustment made. The Regulatory Authority used other price reference market, in order to avoid the influence of the above mentioned anomaly in the domestic prices. This factor will be checked in June and in December of every year by means of the extraordinary price adjustment procedure, and it will be effective for the period necessary to offset the differences. It will be applied according to the influence of every product on the entire differential through the following formula:

$$D_{i,t} = \frac{\sum_{t=1}^{n} [(PR_i - PI_{i,j}) * TCI_j * VDM_i]_t}{VTP_i}$$

Where:

t: Number of days in which a shipment of the product i is sold, and it is calculated as relation of the shipment volume and the monthly daily sales.

PIi, j: Reference price of the day in which the shipment of the product (bill of landing, BL) of the shipment j for the product i is made, reported by RECOPE in the import monthly reports, The value of PIi, j will be different for each t period.

TCIj: Import exchange rate used in the shipment j, expressed in Costa Rican colones per dollar of the United States of America.

VDMi: Daily sales average of the i product in the t period.

VTPi: Total sales budgeted for i for the period in which the Di adjustment is made.

The review of the Di calculation will be performed in the indicated months, but on the same date in which the PRi extraordinary review is made.

Si: Specific subsidy by type of fuel granted by the State and applied to fuel when it is officially proven that the total subsidy will be transferred to RECOPE, or also, the cross subsidization that Regulatory Authority indicated that should be established among products. For the case of the subsidy approved by the Legislative Assembly, it can be applied on the partial values that the Ministry of Financing transfers to RECOPE. Once the subsidy is used, the price of the fuel will automatically be the normal one of the sum of the international price plus Ki and Di. This factor will be applied to the fuel price following the extraordinary procedure of price adjustment using the following formula:

$$''S_{i,t} = \frac{VTS_i}{VTP_{i,t}}$$

Where:

Si, t: Value in which the i fuel is affected by the subsidy in the t period, expressed in Costa Rican colones per liter.

VTSi: Total value of the subsidy approved by the Legislative Assembly or determined by Regulatory Authority for the i product.

VTPi, t: Total sales budgeted for i for the period t in which Si will be applied.

- *Extraordinary Price Definition* - For establishing fuel price through the application of the extraordinary procedure, the following formula will be used:

$$NPPC_i = (PR_i * TCR] * (1+ K_j) \pm D_i \pm S_i$$

$NPPC_i$, PR_i, TCR, K_j, D_i, S_i defined in point a) of the ordinary price definition.

NPPCi = (Pri * TCRp] * (1+ Kj), Pri can be automatically adjusted between one above or one below the standard deviation, in dollars per barrel by type of fuel.

Where -

TCRp: It is the average selling exchange rate in the banking sector as of the selling date of the fuel (colones CRC / dollars USD), calculated according to the Central Bank report of what happened on the previous day, If the rate is set in dollars, the same exchange rate definition must be applied (TCRp).

The previous formula will be applied in the following way:

The Regulatory Authority will define the prices for each of the i products , on the second Friday of every month, When such Friday falls on a holiday or a day off, the calculation will be made the following business day, by using the same cutoff date of the second Friday of the month. The price adjustment will be submitted to the procedure stated on the Law No.7593 regulations to solve the adjustments of extraordinary prices (15 business days), within which the Regulatory Authority will try to obtain civil participation, by following the procedure stated on the RRG-7205- resolution 2007 of September 7, 2007 and published in La Gaceta No.181 of September 20, 2007.

σ_i: The standard deviation of the i product, which calculation was based on 300 observations of the international reference prices, with cutoff on the date of review of the prices. It is reviewed in an extraordinary way every time the extraordinary fuel price definition model is applied (on the second Friday of every month). This procedure allows RECOPE to automatically adjust the PRi within the band, in above or below the standard deviation in dollars per barrel of the FOB international price of each fuel.

K_j: It will be reviewed in an extraordinary way whenever the extraordinary fuel price definition model is applied, in order to maintain the level of income that the company needs to cover the operation margin.

D_i: This factor will be reviewed in June and in December by means of the extraordinary pricing adjustment procedure established in the present model. The review of the calculation of Di will be made in the stated months, but in the same date in which the extraordinary review of the Pr_i is made.

S_i: This factor will be applied at the fuel cost by following the extraordinary procedure of price adjustment indicated in the present model. The calculation review of Si will be made in the same date in which the extraordinary review of the Pr_i is made.

- *Transfer of the Price Adjustment to the End User* - Once the price at the distribution plant has been adjusted; the adjustment should be transferred to the consumer prices for the end user incorporating the sole tax of each fuel into the price. The formulas to transfer the adjustment to the end user are the following ones:

1- $$PPCi = NPPCi + Ti$$

2- $$PCiDF = PPCi + MgTi + MgDi$$

Where -

i: Fuels that RECOPE dispatches in the distribution plant, within the national territory.

PPC_i: Distribution plant price, in colones per liter, by fuel type, with the sole tax included.

$NPPC_i$: New sale price in RECOPE's distribution plant, in colones per liter, of the fuel i, without the sole tax, which at the same time will directly affect the fuel price of i, for the end user.

T_i: : Sole tax in colones per liter, by type of fuel and reviewable every three months, according to what is indicated by the Ministry of Financing, pursuant to Law 8114, Law of Simplification and Tax Efficiency.

PC_iDF: Fuel price of i, for the fuel distribution retailer, in colones per volume unit.

MgT_i: Distributor margin, in colones per liter and by fuel type. The freight charge will be determined based on the corresponding pricing methodology.

MgD_i: Distributor margin, in colones per liter, fuel type; it will be determined based on the corresponding pricing methodology.

For the purpose of controlling these ordinary and extraordinary procedures, RECOPE is required to provide to the Regulatory Authority, in writing and in electronic document, the following:

– No later than sixty calendar days after the closing date of every fiscal year, for the year recently concluded, a chart that includes the pricing list of the effective purchasing prices by fuel type and a report of the quantity of imported fuels separated by supplier, in absolute and percentage terms.

– No later than sixty calendar days after the closing date of every fiscal year, for the year recently concluded, a chart that details -by liter and type of fuel- the FOB price of the imported fuel, the freight charges, the load insurance and a detail of port costs. The information should be provided in electronic format (Excel), and the information that gave origin to the calculation of the indicated price should be provided as well.

– No later than sixty calendar days after the closing date of every fiscal year, for the year recently concluded, a chart that details -by liter and type of fuel- other costs indicated by the model and that justify placing the fuel in every distribution plant, in the terms that the ordinary pricing methodology establishes. The information should be provided in electronic format (Excel), and the information that gave origin to the calculation of the indicated price should be provided as well.

– No later than sixty calendar days after the closing date of every fiscal year, for the year recently concluded, a detailed management report based on accounting results, corresponding to the last closed fiscal period; it should include at least:

i. Statement of origin and application of rate funds, current and at one-year projection, It should include a detailed explanation of the sources of funds and their applications.

ii. Financial analysis.

iii. Analysis of the implementation of investments, foreign charges, and debt service.

- Quarterly report and the respective accruals of the calculation of the rate lagging caused by the price difference that is produced between the international reference price and the current international price at the moment in which RECOPE imports the fuels; the report should be presented in electronic format (Excel).

- In December of each year RECOPE must inform the Regulatory Authority of the estimated sales (in liters) by product and by month, corresponding to the following year.

- Quarterly report of the effective fuel prices that it sells in ports and airports; the report should be presented in electronic format (Excel).

- It must present the monthly and yearend financial statements, in electronic format (Excel).

- It must display in its website the current plant prices with and without taxes, as well as the fuel prices that it sells in ports and airports every time they are modified.

- It must improve the accounting records to separate the refinement activity from the others.

- *Additional Provisions* - Pursuant to the provisions set forth in the General Law of Public Administration, Articles Nos.145, subparagraphs 2 and 3, and 256 subparagraph 4 of Law No.7593 and regulations.

1. The fuel pricing model is effective upon publication.

2. Resolution RRG-6878-2007 as of August 1, 2007, published in official newspaper *La Gaceta*, Issue 155 as of August 14, 2007 containing the "Pricing model for hydrocarbon - derived fuels in distribution plants to end users" is repealed.

   i. Approving RECOPE (K%) operating margin by 14,106% applicable to the international reference price on fuel type for the application of the pricing model.

ii. Determining standard deviation for RECOPE to vary - within a price range - the price of fuel sold at ports and airports as follows:

Variation Range of Sales Price for IFO-380, AV-GAS y JET FUEL								
							Precio al Consumidor	
	Desviación Estándar	Desviación Estándar	Pri	Tcv	Ki	Di	Límite Inferior	Límite Superior
Producto	$ / lit.	¢ / lit.	¢ / lit.	¢ / $	¢ / lit.	¢ / lit.	¢ / lit.	¢ / lit.
IFO -380	0,046	23,08	309,06	500,25	46,48	0,00	332,46	378,62
AV-GAS	0,043	21,47	643,5	500,25	96,78	-26,43	694,18	737,13
JET-FUEL	0,046	22,88	388,68	500,25	58,45	8,18	432,43	478,19

Categories of Clients and Prices - RECOPE maintains business relationships with different categories of clients. Accordingly, there are different ways of calculating the sales price for fuels invoiced as shown below, Example for premium gasoline (1032-RCR-2012, *La Gaceta*, Issue 248 as of September 24, 2012):

- *Sale of National Fuel to Service Stations* - The sales price (premium gasoline) sold by RECOPE to gas stations includes the actual operating margin determined by the Regulating Authority (ARESEP) for sale to end users. Sale invoice is calculated in the plant as follows: when recording the invoice, the difference between actual margin and average margin is adjusted from the sales account in the accounting records.

	Colones per Liter
Sale of National Fuel to Service Stations	
Reference Plant Price Premium Gasoline	¢349,67
Plus:	
K Value of internal costs RECOPE	53,33
Single tax law 8114	221,75
Sub-total	624,75
Plus: Average margin to gas station	50,56
Sales Price to consumer	¢675,31

- *Sale of National Fuel to Direct Clients (Industries)* - Fuel is sold as follows:

	Colones per Liter
Sale of National Fuel to Direct Clients	
Reference Plant Price	¢349,67
Plus:	
K Value of internal costs RECOPE	53,33
Single tax law 8114	221,75
Sales price to direct client	¢624,75

- *Sale of National Fuel to Distributors without Fixed Sales Point* - Fuel is sold as follows:

	Colones per Liter
Sale of National Fuel to Distributors without Fixed Sales Point	
Reference plant price	¢349,67
Plus:	
K Value of internal costs RECOPE	53,33
Single tax law 8114	221,75
Sales price to distributor	624,75
Plus: Average margin	3,75
Sales price to distributor	¢628,50

These prices are established through regular and/or special pricing as provided in Law 7593 "Law of the Public Services Regulating Authority" and regulations based on the pricing model defined in Resolution RRG-9233-2008.

Special Price Adjustment for National Fuel - Sales prices of national fuel applicable to every client at service stations under Resolution 1032-RCR-2012, published in official newspaper *La Gaceta*, Issue 248 as of December 24, 2012, are as follows:

Prices at Service Stations ¢ Colones per Liter					
Products	Plant Price No Taxes	Single Tax	Business Margin	Final Price	Service Station Price
Premium Gasoline	403,003	221,75	50,5548	675,31	675
Regular Gasoline	380,109	212,00	50,5548	642,66	643
Diesel 0,05% S	456,019	125,25	50,5548	631,82	632
Kerosene	447,127	61,00	50,5548	558,68	559
Av-Gas	715,648	212,00	14,8552	942,50	943
Jet A-1 General	455,307	126,75	14,8552	596,91	597

1032-RCR-2012, Scope No.211E, official newspaper *La Gaceta*, Issue 248 as of December 24, 2012.
Single Tax Decree 37233-H *La Gaceta* Issue 111 as of August 14, 2012.

Sales price percentage composition is as follows:

Products	Plant Price No Taxes	Single Tax	Business Margin	Final Price
Premium Gasoline	60%	33%	7%	100%
Regular Gasoline	59%	33%	8%	100%
Diesel 0,05% S	71%	19%	8%	100%
Keroseno	80%	11%	9%	100%
Av-Gas	76%	22%	2%	100%
Jet A-1 General	76%	21%	3%	100%

- *Sale of Fuel to the Local Fishing Fleet* - This refers to products such as gasoline and diesel sold to clients subject to Law No.7384 "Law for the Creation of INCOPESCA", having a differentiated price. Prices are set using the following framework:

  By Resolution RRG-2774-2002 of September 26, 2002, the Regulatory Authority made a fundamental change in the procedure for setting rates for fuel consumed by the national fishing fleet. It recommends:

  > *"…set fuel prices for Diesel and Regular Gasoline consumed by the National Fishing Fleet at the price equal to the RECOPE plant price without charging the single tax, either using the normal or extraordinary Procedure…"*

  The General Regulatory Authority resolved that:

  > *II. "…setting fuel prices for Diesel and Regular Gasoline consumed by the National Fishing Fleet is made in accordance with the provisions set forth in Articles 3, 30 and 31 of Law Number7593…"*
  >
  > *III. "…fuel prices for Diesel and Regular Gasoline consumed by the National Fishing Fleet will be set in accordance with Resolution Number 2710-2002, until such time as a new rate setting procedure is established for RECOPE…"*

  Through of resolution 1032-RCR-2012, published in La Gaceta number 248 of November 24, 2012, the Regulatory Authority resolves to set the fuel price for the national fishing fleet at RECOPE's institutional price, per liter, as follows:

Regular gasoline	¢380,109
Diesel 0,05% S	¢456,019

v. ***Cost of Sales*** - The cost of sales accounts for the issue of inventory for sale. The cost of inventory includes overall hydrocarbon production or purchase costs sold by RECOPE. Such sale results in regular income to RECOPE. Assessing inventory costs requires the moving average cost method, for it keeps costs as updated as possible, given inventory turnover and volatility of international hydrocarbon prices.

w. ***Production Cost in Refinery*** - Refined products from processing light and heavy crude oil with added value from manpower and indirect costs are assessed as follows:

Fixed and variable costs are directly applied to each production unit through the expense accrual method at the different production units. Then they are assigned to each product based on production.

Production units include:

- **Atmospheric Distillation Unit** - Costs and expenses of this unit are sensitized by means of the Relative Sales Price method using international FOB prices.

- **Thermal Cracking Unit** - Variable and fixed costs and expenses are applied to the production of naphtha based on the FOB relative sales price of the main products.

In the case of the production units mentioned below, the method of allocating costs to the production obtained is distributed according to the production volume.

- **Vacuum unit**

- **Naphta hydrosulfurization unit and catalytic reforming**

- **Distillation unit - jet fuel**

- **Gascon - merox unit**

- **Mixing Unit** - This unit combines products to produce marine fuel and commercial gasoline among others. The costs obtained from the units above corresponding to new product are averaged products prepared from this mixing process include:

    - IF 180 (mix of fuel oil and gasoil)

    - IF 380 (mix of fuel oil and gasoil)

    - Regular gasoline (Gasoil + colorants and additives)

    - Premium gasoline (MOGAS + MTBE)

The costs of the refined products are averaged after with the initial inventory costs that correspond to the previous period. The usual losses in the products are part of the cost of sales.

It is important to indicate that as of this date the refinery is not operation because is undergoing a review and disassembling process for the revamp that will take place soon.

x. ***Expense Recognition*** - Expenses are recognized on the accrual basis, as goods or services acquired are received or as accounting amortizations and reserves are registered, such as depreciation, asset impairment, and provisions for losses.

y. ***Asset Impairment*** - As of yearend, RECOPE evaluates the registered value of its assets to determine if there is any indication that such assets have suffered any impairment loss. When there exists such indication, the recoverable amount of the assets is estimated, in order to determine the amount of the loss, if any.

z. ***Use of Estimates*** - The financial statements are prepared according to the International Financial Reporting Standards, and consequently, they include amounts that are based on management's best estimate and judgment. The actual results could differ from such estimates. Estimates made by management include the useful life of property, plant, vehicles, and equipment, as well as the determination of provisions.

aa. ***Financial Instruments*** - All financial assets and liabilities are initially recorded at fair value. After the initial registration, the financial assets are registered at such value because they consist mainly of cash and cash equivalents, held-to-maturity investments, accounts receivable, and notes receivable. Financial liabilities consist basically of accounts payable and debt, which are valued at the originally registered amount less the payments made or at amortized cost, as applicable. As of December 31, 2012 and 2011. RECOPE has not entered into any agreement whatsoever that involves derivative financial instruments, such as futures, option, and financial swaps.

bb. ***Adoption of New or Revised International Financial Reporting Standards*** - As of December 31, 2012, the following standards and interpretations had been published by the International Accounting Standard Board (IASB):

- **Standards and Interpretation Adopted without an Effect in the Consolidated Financial Statements** - Here are the standards an interpretation that have been adopted in these consolidated financial statements and which have not had a significant impact in the reported amounts but which could have an effect on future transactions or agreements are presented below:

Standard	Effect
Amendments to IFRS 1 - *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*	The amendments for severe hyperinflation provide orientation to entities that are emerging from that condition in order to prepare its financial statements for the first time under IFRS. Also, the amendments established the elimination of the fixed dates in order to help first-time adopters for the reconstructions of transactions that occurred before the transition date to the IFRS. These amendments were not applicable to the Company.
Amendments to IFRS 7 Disclosures - *Transfers of Financial Assets*	The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The Company has not performed transfers of financial assets that require this disclosure.

(Continues)

Standard	Effect
Amendments to IAS 12 - *Deferred tax: Recovery of Underlying Assets*	The investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sales for the purposes of measuring deferred taxes, unless the presumption is rebuttable. The Company does not have investment properties.

- **Standards and Interpretations Issued but Not Yet Adopted** - The standards and interpretations that have already been issued but which have not been adopted in virtue of their effective dates are presented as follows:

Standard or Interpretation	Ref.	In Effect for Periods Starting on:
IFRS 9 - *Financial Instruments* (Revised 2010)	I	January 1st, 2015
IFRS 11 - *Joint Arrangements and Amendments*	II	January 1st, 2013
IFRS 12 - *Disclosure of Interests in Other Entities and Amendments*	III	January 1st, 2013
IFRS 13 - *Fair Value Measurement*	IV	January 1st, 2013
IAS 19 - *Employee Benefits* (Revised 2011)	V	January 1st, 2013
Amendments to IFRS 1 *Government Loans*	VI	January 1st, 2013
Amendments to IFRS 7 - *Disclosures - Offsetting Financial Assets and Financial Liabilities*	VII	January 1st, 2013
Amendments to IAS 32 - *Offsetting Financial Assets and Liabilities*	VIII	January 1st, 2014
Annual Improvements to IFRS 2009-2011 - *Cycle Issued in May 2012*	IX	January 1st, 2013
IAS 28 - *Investments in Associates and Joint Ventures* (Revised 2011)	X	January 1st, 2013
Amendments to IFRS 9 and IFRS 7 - *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	XI	January 1st, 2015
Amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*	XII	July 1st, 2012

I. IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include the requirements for the classification and measurement of financial assets and their derecognition. The key requirements of IFRS 9 are described as follows:

- All the recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or at a fair value. Specifically, debt instruments are kept within a business model which objective is to collect contractual cash flows, and these contractual cash flows should be only payments of the principal and interest on the outstanding equity, generally valued at their amortized cost at the end of the subsequent financial years. The remaining debt instruments and equity instruments are valued at their fair value at the end of the subsequent financial years. Moreover, under IFRS 9, entities may make an irrevocable election to present subsequent changes at the fair value of an equity instrument (which is not held for trading) through other comprehensive income, but only the income from dividends recognized in profit and loss.

- Regarding the measurement of financial liabilities designated at a fair value through profit or loss, IFRS 9 requires the change in the fair value of the financial liabilities to be attributable to changes in the credit risk of such liabilities, to be presented in other comprehensive income, unless the recognition of the effects of the changes on the credit risks of the liabilities in other comprehensive income establishes or increases an accounting mismatch in the income. The changes in the fair value attributable to the credit risk of financial liabilities are not subsequently reclassified to profit or loss. Previously, under IAS 39, the total amount of the variation of the fair value of the financial liabilities was designated as measured at a fair value through profit or loss and was presented in the profit or loss.

II. IFRS 11 replaces IAS 31 Interests in Joint Ventures. This IFRS deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers will be removed upon issuing IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending upon the rights and obligations of the parties to the arrangement. In contrast, under IAS 31 there are three types of joint arrangements: jointly controlled entities, jointly controlled assets, and jointly controlled operations. Moreover, joint ventures under IFRS 11 must be accounted for under the method of participation, while under IAS 31 they must be accounted for under the method of participation or the proportionate consolidation.

III. IFRS 12 is a disclosure standard applied to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. In general, the requirements of IFRS 12 are more comprehensive than those in the current standards.

IV. IFRS 13 establishes a single guideline for the measurement of the fair value and the disclosures of measurements at fair value. The standard defines fair value, establishes a framework to measure fair value, and requires disclosures of measurements at fair value. The scope of IFRS 13 is broad since it is applied both to items of financial and non-financial instruments for which other IFRS require or allow measurements at fair value and disclosures about fair value measurements, except under specific circumstances. In general, disclosure requirements under IFRS 13 are broader than requirements under the current standards. For example, quantitative and qualitative information based on a fair value hierarchy of three levels which are currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be expanded by IFRS 13 to cover all assets and liabilities within their scope.

V. Amendments to IAS 19 change the accounting for defined benefit plans and termination plans. The most significant amendment refers to the accounting for changes in the defined benefit obligations and the plan assets. The amendments require the recognition of changes in the defined benefit obligations and in the fair value of the plan assets; therefore, the "broker approach" of the previous version of IAS 19 is eliminated, and it accelerates the recognition of past service costs. The amendments require all actuarial gains and losses to be immediately recognized in other comprehensive income so that the net assets or liabilities recognized in the statement of financial position reflect the total value of the deficit or surplus in the plan. On the other hand, the interest cost and the expected return on assets used in the previous version of IAS 19 are replaced with a "net interest" amount that is calculated by the discount rate to the benefits defined as net liabilities or assets. The amendments to IAS 19 require a retroactive application.

VI. The amendments to IFRS 1 give a relief to first-time adopters of the IFRS by allowing a prospective enforcement of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, to the outstanding government loans as of the date of transition to the IFRS.

VII. The amendments to IAS 32 clarify the existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realization and settlement."

Amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement.

VIII. The Annual Improvements to IFRS (2009-2011 Cycle) include a number of amendments to various IFRS. The amendments include:

- Amendments to IAS 16: Property, Plant, and Equipment clarify that spare parts, sand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

- Amendments to IAS 32: Financial Instruments: Presentation clarify that income tax relating to distributions to holders of an equity instrument and to transactions costs of an equity transaction should be accounted in accordance with IAS 12 Income Tax.

IX. IAS 28 Investments in associates and joint ventures was re-issued by IASB in May, 2011. IAS 28 continues to state the method of accounting for investments in associates, but it is now the only guidance that describes the enforcement of the equity method.

X. The amendments of IAS 1 keep the option of presenting the profit or loss and other comprehensive income in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures in the section of other comprehensive income so that the items of other comprehensive income are grouped into two categories: a) items that will not be reclassified subsequently to profit or loss and b) items that will be reclassified subsequently to profit or loss when specific conditions are met. The income tax on such items of other comprehensive income should be allocated on the same basis.

Management is analyzing what has been mentioned in the previous paragraph and the implications that the news standards and pronouncements could have on the financial statements of RECOPE.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 is broken down as follows:

	2012	2011
Cash on hand and due from banks	US$68,430,901	US$ 96,329,119
Cash equivalents:		
Certificate of deposit, in colones, with maturity on February 15, 2012 and an annual yield of 3.8% per annum		25,475,211
Total	US$68,430,901	US$121,804,330

3. ACCOUNTS RECEIVABLE

A detail of accounts receivable is the following:

	Note	2012	2011
Short term:			
Clients		US$ 17,619	US$ 173,269
Employees		248,724	184,510
Government	15	4,634,932	5,888,127
Autonomous institutions		27,649	28,574
Others		42,615	834,607
Sub-total		4,971,539	7,109,087
Long term:			
Related parties	15	597,512	1,424,779
Others		635,812	172,073
Sub-total		1,233,324	1,596,852
Allowance for doubtful accounts		(894,131)	(804,443)
Sub-total		339,193	792,409
Total		US$5,310,732	US$7,901,496

The movement of the allowance for doubtful accounts is presented as follows:

	2012	2011
Initial balance	US$804,443	US$ 42,716
Increases	87,206	766,944
Foreign currency translation adjustment	2,482	(5,217)
Final balance	US$894,131	US$804,443

4. INVENTORIES

The inventory account is broken down as follows:

	2012	2011
Raw materials	US$ 18,510,050	US$ 65,773,468
Finished product	200,102,414	205,017,003
Semi-finished product	5,655,275	5,514,596
Inventory in transit	17,907,806	132,390,700
Material inventory	7,525,988	7,240,546
Sub-total	249,701,533	415,936,313
Allowance for obsolete inventory	(1,918,224)	(1,928,568)
Total	US$247,783,309	US$414,007,745

The movement of the allowance for obsolete inventory is the following:

	2012	2011
Initial balance	US$1,928,568	US$1,928,863
Increases	897	
Decreases	(17,193)	(6,692)
Foreign currency translation adjustment	5,952	6,397
Final balance	US$1,918,224	US$1,928,568

5. PREPAID EXPENSES

Prepaid expenses are detailed as follows:

	2012	2011
Contractor's cash in advance	US$37,795,644	
Tax advances (partial payments)	13,078,746	US$11,977,337
Income tax withholdings to clients	2,765,550	4,249,841
Letters of credit for services	4,492,259	5,053,013
Insurance	1,294,607	1,095,268
Others	4,748	417,962
Total	US$59,431,554	US$22,793,421

6. PROPERTY, PLANT, VEHICLES, AND EQUIPMENT

The detail of property, plant, vehicles, and equipment as of December 31, 2012 is the following:

Description	Initial Balance	Additions	Disposals	Transferred	Foreign Currency Translation Adjustment	Final Balance
Fixed assets at cost:						
Properties	US$ 11,799,765				US$ 36,415	US$ 11,836,180
Moín port complex	20,337,020			US$ 32,769	62,762	20,432,551
Facilities	242,946,965			36,618,211	749,763	280,314,939
Building	12,341,638			13,378,543	38,087	25,758,268
Heavy machinery and equipment	27,288,612	US$ 6,798,732	US$ (45,221)	4,645,931	84,216	38,772,270
Furniture and equipment	22,715,570	3,094,830	(202,154)	2,256,134	70,103	27,934,483
Vehicles	8,428,370	1,302,635	(90,096)		26,011	9,666,920
Works in progress	180,728,803	75,501,705		(56,931,588)	557,749	199,856,669
Total at cost	526,586,743	86,697,902	(337,471)		1,625,106	614,572,280
Revaluated fixed assets:						
Properties	19,969,165				61,627	20,030,792
Moín port complex	106,310,166				328,085	106,638,251
Facilities	201,257,806				621,105	201,878,911
Building	34,236,418				105,658	34,342,076
Plant machinery and equipment	9,324,895		(11,899)		28,778	9,341,774
Furniture and equipment	7,949,433		(125,166)		24,532	7,848,799
Vehicles	3,676,578		(112,695)		11,346	3,575,229
Revaluated total	382,724,461		(249,760)		1,181,131	383,655,832
Sub-total fixed assets	909,311,204	86,697,902	(587,231)		2,806,237	998,228,112
Depreciation at cost:						
Total accumulated depreciation of assets at cost	(104,923,922)	(22,887,839)	272,949	3,438	(323,807)	(127,859,181)
Revaluated depreciation:						
Total accumulated depreciation of revaluated assets	(276,506,353)	(9,616,568)	235,578	(3,438)	(853,330)	(286,744,111)
Total depreciation	(381,430,275)	(32,504,407)	508,527		(1,177,137)	(414,603,292)
Total	US$ 527,880,929	US$ 54,193,495	US$ (78,704)	US$	US$ 1,629,100	US$ 583,624,820

Detail of property, plant, vehicles and equipment as of December 31, 2011 is the following:

Description	Initial Balance	Annual Revaluation	Additions	Disposals	Transferred	Foreign Currency Translation Adjustment	Final Balance
Fixed assets at cost:							
Properties	US$ 11,761,045					US$ 38,720	US$ 11,799,765
Moín port complex	4,907,069				US$ 15,413,796	16,155	20,337,020
Facilities	223,177,358			US$ (508,807)	19,543,674	734,740	242,946,965
Building	12,477,443			(176,883)		41,078	12,341,638
Heavy machinery and equipment	14,651,054		US$ 3,045,487		9,543,837	48,234	27,288,612
Furniture and equipment	18,302,080		2,716,063	(443,021)	2,080,193	60,255	22,715,570
Vehicles	6,441,895		2,135,149	(169,882)		21,208	8,428,370
Works in progress	162,283,785		64,492,249		(46,581,500)	534,269	180,728,803
Total at cost	454,001,729		72,388,948	(1,298,593)		1,494,659	526,586,743
Revaluated fixed assets:							
Properties	18,473,542	US$ 1,434,804				60,819	19,969,165
Moín port complex	102,595,673	3,376,730				337,763	106,310,166
Facilities	179,358,558	21,308,767				590,481	201,257,806
Building	34,481,801			(234,660)	(123,471)	112,748	34,236,418
Plant machinery and equipment	8,717,630	572,391		(2,637)	8,819	28,692	9,324,895
Furniture and equipment	7,888,459	169,293		(248,123)	114,652	25,152	7,949,433
Vehicles	3,614,814	304,758		(254,058)		11,064	3,676,578
Revaluated total	355,130,477	27,166,743		(739,478)		1,166,719	382,724,461
Sub-total fixed assets	809,132,206	27,166,743	72,388,948	(2,038,071)		2,661,378	909,311,204
Depreciation at cost:							
Total accumulated depreciation of assets at cost	(88,995,258)		(16,158,822)	523,147		(292,989)	(104,923,922)
Revaluated depreciation:							
Total accumulated depreciation of revaluated assets	(255,272,270)	(11,649,084)	(9,334,741)	590,145		(840,403)	(276,506,353)
Total depreciation	(344,267,528)	(11,649,084)	(25,493,563)	1,113,292		(1,133,392)	(381,430,275)
Total	US$ 464,864,678	US$ 15,517,659	US$46,895,385	US$ (924,779)	US$	US$ 1,527,986	US$ 527,880,929

7. INVESTMENTS IN JOINT VENTURE

As indicated in Note 20, RECOPE owns 50% participation at Soresco, S.A.

The movement of year in the investment is the following:

	Note	2012	2011
Initial balance		US$27,558,492	US$ 2,532,595
Increases		3,750,000	25,025,897
Effects from participation		(885,661)	
Foreign currency translation adjustment		24,752	
Final balance	15	US$30,447,583	US$27,558,492

A detail of assets, liabilities, and results of Soresco, S.A. as of December 31, 2012 and 2011 in US dollars is the following:

	2012	2011
Assets:		
Current	US$44,886,026	US$34,304,806
Non current	36,822,498	9,600,051
Total assets	US$81,708,524	US$43,904,857
Liabilities:		
Current	US$ 4,365,837	US$ 7,457,813
Total liabilities	US$ 4,365,837	US$ 7,457,813
Stockholders' equity		
Capital stock	US$ 10,000	US$ 10,000
Additional paid-in capital	81,250,000	40,750,000
Accumulated losses	(3,917,313)	(4,312,956)
Total assets	US$77,342,687	US$36,447,044
Expenses		US$ (2,354,117)
Financial (income) expenses, net	US$ 396,343	(19,816)
Net loss	US$ 396,343	US$ (2,373,933)

As of December 31, 2012 and 2011, the additional paid in capital by RECOPE is US$28,750,000 y US$25,000,000, respectively.

8. OTHER ASSETS

Other assets is broken down as follows:

	2012	2011
Software licenses	US$11,879,103	US$11,324,728
Service stations - cost	18,687	18,629
Service stations - revaluation	6,471,536	5,272,183
Security deposits	1,606,920	1,068,779
Others	197	197
Sub-total	19,976,443	17,684,516
Accumulated amortization of software	(6,053,099)	(3,051,324)
Total	US$13,923,344	US$14,633,192

Increases from revaluation of service stations are credited to the surplus from revaluation in equity account. The last appraisal of the service stations took place on January 16, 2012, and it was made by an independent expert from the Costa Rican Tax Authority (Dirección General de Tributación Directa).

9. ACCOUNTS PAYABLE

Accounts payable are broken down as follows:

	Note	2012	2011
Supplier of oils and byproducts		US$143,802,434	US$231,590,967
Law 8114 Single Tax	15	33,168,786	28,123,138
Trade		5,216,226	7,582,646
Others		5,970,573	2,846,479
Total		US$188,158,019	US$270,143,230

10. ACCUMULATED EXPENSES AND OTHER LIABILITIES

The accumulated expenses and other liabilities account is broken down as follows:

	2012	2011
Provision for school supplies bonus	US$4,525,610	US$4,373,076
Provision for thirteenth month	385,309	401,214
Accumulated interest	781,541	598,462
Total	US$5,692,460	US$5,372,752

11. NOTES PAYABLE

A detail of short-term notes payable is presented as follows:

	2012	2011
Scotiabank, in dollars, interest rate of 1.86%, maturity in February 2012, secured through promissory note		US$29,752,460
Citibank, in dollars, interest rate of 1.98% , maturity in February 2012, secured through promissory note		30,925,773
Total	US$	US$60,678,233

12. LONG TERM DEBT

A detail of the long term debt is presented as follows:

	Notes	2012	2011
Central American Bank of Economic Integration, in dollars, annual interest rate of 6.30% on 2012 and 6.35% on 2011 (prime rate plus 3.5%) maturity in 2017, guarantee of the Government of Costa Rica	20.3	US$30,000,000	US$36,000,000
Corporación Andina de Fomento, in dollars, annual interest rate of 5.55% on 2012 and 6.55% on 2011 (Libor rate at six months plus 2%) maturity in 2018, guarantee of the government of Costa Rica	20.2	12,000,000	14,000,000
Instituto de Crédito Oficial del Reino de España, in euros, fixed annual interest rate of 2% and maturity in 2013, guarantee of the government of Costa Rica	20.1	916,258	1,800,291
Sub-total		42,916,258	51,800,291
Less: Current portion of the long-term debt		(8,916,258)	(8,900,145)
Total		US$34,000,000	US$42,900,146

Scheduled maturities of long term debt as of December 31, 2012 and 2011 are the following:

Year	2012	2011
2012		US$ 8,900,145
2013	US$ 8,916,258	8,900,145
2014	8,000,000	8,000,000
2015	8,000,000	8,000,000
2016	8,000,000	8,000,000
2017	8,000,000	8,000,000
2018 and on	2,000,000	2,000,001
Total	US$42,916,258	US$51,800,291

13. LONG-TERM BONDS PAYABLE

Long-term bonds payable as of December 31, 2012 are described below:

Series A1 bonds payable	US$49,069,183
Premium in placement	787,876
Total	US$49,857,059

On August 27, 2012, the public bid and registration with the National Registry of Securities and Intermediaries of a bond issue program for a total of US$200 million to finance a strategic investment program was authorized under resolution SGV-R-2702 by the General Superintendence of Securities.

On December 5, 2012, RECOPE auctioned the A1 Series, and Series A bonds were issued (at a 10-year term and 5.299% return for a total of US$49.8 million, which was executed on said date, receiving the following sums:

For Series A1 bonds, the weighted average price was 101.575%. The premium in the borrowing of the bonds payable of the public debt was US$787,876, which was amortized for the maturity term of the securities.

This issue is part of the "A" program of RECOPE's standardized bonds issues and is represented by means of large bond issues ("macrotítulos"). The program for the issuance of issued bonds has the following conditions:

- Issue Date: December 5, 2012.
- Nominal value of the series: US$1,000 (one million dollars).
- Redemption price for each series: 101.570% of its nominal value.

- Series A1 maturity date: December 5, 2022 (10-year term).
- Series A1 Code ISIN: CRRECOPB0012.
- Net interest rate for the series: Gross interest rate less 8% Income Tax.
- Calculation factor for each series: 30/360.
- Periodicity for each series: Semester Coupon.
- Early redemption option for each series: Series A1 does not have this option.
- Series Risk Rating: AAA (cri) Fitch Ratings, AAA (slv) Fitch Ratings, AAA (slv) Pacific Credit Rating (stable perspective)

AAA Risk Rating (cri) makes reference to issues or obligations with expectations of a non-compliance risk that is lower than the other issues or obligations in the country. These ratings were granted by FITCH COSTA RICA, S.A.

AAA Risk Rating (slv) makes reference to issues or obligations with the highest credit quality, where the risk factors practically do not exist. This rating was granted by FITCH COSTA RICA, S.A.

AAA Risk Rating (slv) with stable perspective with the highest credit quality where the risk factors practically do not exist. This rating was granted by Calificadora de Riesgo Pacific Credit Rating, S.A.

14. INCOME TAX

Based on the ruling of the Administrative Tax Court No. TFA-504-2011, the provisions established in Law No. 7092 "Income Tax Law", published in the official newspaper La Gaceta No.96 of May 19, 1988 and Law No.7722 "Obligation of Government Agencies to Pay Income Tax", published in the official newspaper La Gaceta No.10 of March 15, 1998, regarding the obligation of RECOPE to pay income tax, were ratified at the administrative channels. For those matters not included in this law (7722), the application of the tax will be governed by the Income Tax Law.

In regards to the income tax returns for the last three tax periods, they are open for review by the tax authorities. Consequently, some discrepancies could result from the application of certain concepts by the tax authorities that differ from those applied by RECOPE. The Company's management considers that it has correctly applied and interpreted all the tax regulations.

As indicated below, the 2004 - 2008 tax periods were subject to review by the tax authorities.

Income Tax Calculation - Income Tax was calculated on pre-tax net income, applying the rate in force, deducting non-taxable income, and adding non-deductible expenses:

	2012	2011
Profit before income tax	US$ 1,816,180	US$ 22,306,229
Plus: non deductible expenses	12,617,237	67,146,522
Less: other non deductible	(4,836,044)	(130,732,736)
Less: non taxable income	(883,722)	(648,387)
Taxable (loss) gain	8,713,651	(41,928,372)
Current income tax (30% on taxable gain)	(2,614,095)	
Deferred tax	2,283,637	2,523,729
Income tax of the period	US$ (330,458)	US$ 2,523,729

Deferred Income Tax Asset - The movement of the deferred income tax asset are detailed below:

	2012	2011
Balance at the beggining	US$6,848,070	US$7,187,923
Translation adjustment	39,381	(20,527)
Severance benefit accrual	(598,501)	(319,326)
Balance at the end	US$6,288,950	US$6,848,070

Deferred Income Tax Liability - the movement of the deferred income tax liability are detailed below:

	2012	2011
Balance at the beginning:	US$(25,831,675)	US$(24,397,920)
Translation adjustment	(97,376)	(56,254)
Asset revaluation		(4,220,556)
Deferred income tax on revaluated depreciation	2,882,138	2,843,055
Deferred income tax liability of the year	US$(23,046,913)	US$(25,831,675)
Deferred income tax of the year - net	US$(16,757,963)	US$(18,983,605)

2004-2008 Tax Audit - By virtue of the results of the tax audit conducted by the Tax Administration Agency determining income tax for 2004-2008 fiscal years, RECOPE started a process to challenge them. In parallel, in September 2010, it made a payment - under protest - equal to the established sum plus interests by applying a tax credit. Additionally, the balance was paid in cash and recorded as Accounts Receivable to the Ministry of Financing, pending final judgment of the Tax Administrative Court.

In September 2011, the Tax Administrative Court gave notice of judgment TFA-504-2011, supporting the proceedings of the Tax Administration Agency, In October 2011, RECOPE was informed of settlement resolution SFGCN-AL-170-11, indicating that payments by RECOPE through balance offset and payment under protest were properly made.

In addition, the Administrative Tax Court, in response to the appeal filed by RECOPE, resolved through ruling No.TFA-532-2011 of twelve hours of the twentieth of September of 2011 that the intended penalty to be imposed on RECOPE did not apply since the Company acted compelled by ARESEP's provisions.

2009-2010 Fiscal Years - Based on ruling TFA-504-2011, RECOPE's Management, on December 15, 2011, filed rectifying tax returns for each fiscal period.

As a result of filing these rectifying tax returns, there was no tax payable in 2009, and for 2010, the resulting income tax was for the sum of US$8,5 million.

15. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties are broken down as follows:

	Notes	2012	2011
Investment in joint venture:			
Soresco, S.A.	7	US$30,447,583	US$27,558,492
Account receivable:			
Ministry of Financing	3	US$ 4,634,932	US$ 5,888,127
Account receivable - long term:			
Costa Rican Institute of Electricity			US$ 829,105
National Concession Board		US$ 597,512	595,674
Total	3	US$ 597,512	US$ 1,424,779
Advances:			
Soresco, S.A.		US$ 2,199,881	US$ 5,913,815
Accounts payable:			
Ministry of Financing	9	US$33,168,786	US$28,123,138
Total		US$33,168,786	US$28,123,138

The transactions with related parties are the following:

	2012	2011
Sales:		
Costa Rican Institute of Electricity	US$122,775,786	US$223,578,579
To the Ministries of the government of Costa Rica	5,286,004	1,115,800
Total	US$128,061,790	US$224,694,379

(Continues)

	2012	2011
Cost of sales:		
Costa Rican Institute of Electricity	US$115,163,687	US$208,241,087
To the Ministries of the government of Costa Rica	4,958,272	1,039,257
Total	US$120,121,959	US$209,280,344
Expenses:		
Seating fees to the Board of Directors	US$ 33,330	US$ 33,838
Salaries to directors and managers	1,581,023	1,469,298
Total	US$ 1,614,353	US$ 1,503,136

16. CAPITAL STOCK

RECOPE’s capital stock amounts to ¢3.000.000, represented by 30,000 common and nominative shares of ¢100 each.

17. SURPLUS FROM DONATION

As of December 31, 2012 and 2011 surplus from donation is broken down as follows:

Surplus donated by Allied Chemical Corp.	US$16,776,309
PetroCanada donation	16,423,891
AID donation (cabon exploration)	326,840
Debit remission - Government of The Netherlands	1,129,446
Castella pipeduct	151,830
Total	US$34,808,316

18. OPERATING EXPENSES

Expenses by nature are detailed as follows:

	2012	2011
Personal services	US$ 82,926,983	US$ 80,170,506
Non personal services	39,121,634	36,221,981
Materials and supplies	17,360,134	21,221,566
Depreciations and amortizations	35,442,077	26,793,476
Applied expenses	(1,043,325)	(6,907,151)
Ordinary transfers	5,830,819	6,290,075
Total	US$179,638,322	US$163,790,453

19. FINANCIAL INSTRUMENTS

A summary of the principal disclosures regarding RECOPE's financial instruments is the following:

19.1 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and adopted methods, including the criteria for recognition, basis for measurement, and basis on which income and expenses for each type of financial asset and liability is recognized are indicated in note 1 to the financial statements.

19.2 FINANCIAL INSTRUMENTS - CATEGORIES

Financial instruments are categorized as follows:

	2012	2011
Financial assets:		
Cash	US$ 68,430,901	US$ 96,329,119
At amortized cost:		
Cash equivalents - held to maturity		25,475,211
Accounts receivable	5,310,732	7,901,496
Total assets	US$ 73,741,633	US$129,705,826
Financial liabilities:		
At amortized cost	US$280,931,336	US$382,621,754
Total liabilities	US$280,931,336	US$382,621,754

A summary of the main risks associated with these financial instruments and Company risk management policies are described below:

a. ***Credit Risk*** - Financial instruments that potentially subject RECOPE to credit risk mainly consist of cash, cash equivalents, and accounts receivable. Cash and cash equivalents are maintained at a strong financial institutions. These are payable on demand with minimum recovery risk.

   In general, accumulation of credit risk in connection with receivables is limited, for most of RECOPE sales are in cash, as provided in Law 6588 "RECOPE Incorporation Act" Only the Central Government is granted a sixty-day term. The remaining accounts receivable are assessed on a qualitative experience-based scale. Having balances receivable from related parties carries no risk, for no default problems have been detected over time.

b. ***Exchange Rate Risk*** - RECOPE makes transactions in US dollars. This currency shows regular fluctuations against the Costa Rican colon in accordance with monetary and exchange policies by the Central Bank of Costa Rica. Accordingly, any fluctuation of the US dollar against the Costa Rican colon affects results, financial position, and cash flows. The Company is constantly monitoring net exposure in US dollars. This risk is reduced through the pricing formula, showing monthly currency variation in sales price adjustment. Assets and liabilities in foreign currency are described as follows:

	2012	2011
Assets:		
Cash and cash equivalents	US$ 35,334,060	US$ 41,957,408
Accounts receivable	39,995,526	1,075,879
Total assets	75,329,586	43,033,287
Liabilities:		
Accounts receivable	(143,802,434)	(291,835,161)
Debt	(84,000,000)	(51,800,000)
Total liabilities	(227,802,434)	(343,635,161)
Net exposure	US$(152,472,848)	US$(300,601,874)

Exchange Rate Sensitivity Analysis - The following description shows sensitivity to decrease or increase in foreign exchange rate. The sensitivity rate used by Management is 2%, accounting for the best estimate of exchange rate variation.

Sensitivity to Increase / Decrease in Exchange Rate -

Net exposure	US$(152,472,848)
Closing exchange rate	509,23
Exchange rate variation of 2%	10,18
Loss / Profits	¢ (1.552.874.967)

c. ***Liquidity Risk*** - Liquidity risk is the risk if RECOPE fails to meet all its obligations in the agreed terms, RECOPE maintains liquid financial assets for transactions. In addition, a methodological request for adjustment of fuel prices is made to reduce the risk of significant differences between fuel price and sales price. Sales to third parties are in cash, as provided in Law No.6588, reducing default risk. Credit lines are also available for fuel purchase in order to reduce liquidity.

RECOPE is managing liquidity risk by maintaining proper cash reserves. Additionally, RECOPE is constantly monitoring cash flows and maturity matching analysis, allowing for timely issue of short- and medium-term bonds.

Expected recovery of financial assets as of December 31, 2012 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1-3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing instruments	0.05% to 5.78%	US$68,430,901				US$68,430,901
Non-interest rate bearing instruments			US$4,971,540		US$339,193	5,310,733
Total		US$68,430,901	US$4,971,540	US$	US$339,193	US$73,741,634

Scheduled payments of financial liabilities as of December 31, 2012 are as follows:

Financial Liabilities	Weighted Average Interest Rate	Less than 1 Month	1-3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing obligations	4.60%		US$3,458,129	US$5,458,129	US$83,857,059	US$ 92,773,317
Non-interest rate bearing obligations		US$188,158,020				188,158,020
Total		US$188,158,020	US$3,458,129	US$5,458,129	US$83,857,059	US$280,931,337

Expected recovery of financial assets as of December 31, 2011 is as follows:

Financial Assets	Interest Rate	Less than 1 Month	1-3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing instruments	0.12% to 4.50%	US$96,329,119	US$25,475,211			US$121,804,330
Non-interest rate bearing instruments			7,109,087		US$792,409	7,901,496
Total		US$96,329,119	US$32,584,298	US$	US$792,409	US$129,705,826

Scheduled payments of financial liabilities as of December 31, 2011 are as follows:

Financial Liabilities	Weighted Average Interest Rate	Less than 1 Month	1-3 Months	3 Months 1 Year	More than 1 Year	Total
Interest rate bearing obligations	5.98%		US$64,128,306	US$5,450,073	US$42,900,145	US$112,478,524
Non-interest rate bearing obligations		US$269,741,443		401,787		270,143,230
Total		US$269,741,443	US$64,128,306	US$5,851,860	US$42,900,145	US$382,621,754

d. ***Interest Rate Risk*** - RECOPE maintains significant liabilities mainly consisting of bank loans subject to interest rate variation, RECOPE hopes that its interest rates are not significantly increased in the short term. In case of the loan with *Instituto de Crédito Oficial del Reino de España* (Official Credit Institute of Spain) and *the long-term bonds payable*, it is important to mention that this is a fixed rate loan, thus reducing this risk, In regards to the remaining existing loans, RECOPE is currently reviewing interest rates and renegotiating financial conditions.

RECOPE issues bank bonds bearing interest at variable rates. Accordingly, it is subject to interest rate fluctuation. This risk is considered normal within RECOPE financing structure, for loans are arranged at market rates. Given net borrowing as of December 31, 2012. Management has developed a sensitivity analysis on potential interest rate variations. The table below shows annual profits (losses) that may result from interest rate variation of 1 and 2 percentage points, respectively:

	Variable Interest Rate Borrowing	1%	2%
Increase	US$42,000,000	US$(420,000)	US$(840,000)
Decrease	US$42,000,000	US$ 420,000	US$ 840,000

e. ***Capital Management Policy*** - Capital Management Policy is contained in different regulations of RECOPE, including, inter alia, Law No.6588 "RECOPE Incorporation Act," Law No.8131 "Law of Financial Administration and Public Budgets," and Law No.7593 "Law of the Public Services Regulating Authority". Law No.7010 "Public Indebtedness Law", Law No.5525 "National Planning Law", among others and the respective regulations.

f. ***Market Risk*** - Market risk refers to international price variations of crude oil and petroleum by-products, International price variations from increased world demand for hydrocarbons always have an impact on the financial situation of RECOPE.

To reduce this risk, RECOPE has used a monthly sales price formula, demanding price adjustment to the Regulatory Authority while covering import price and exchange rate variations every time it is methodologically determined (on a monthly basis) that international price variations of crude oil and by-products have given rise to the need for price review. Historically, price adjustments have not necessarily been adjusted to the requests of RECOPE in terms of amounts and time. Therefore, variations in purchase of raw material and finished goods maintain the market risk inherent in the product and the need for price adjustment.

Based on a domestic sales price formula, RECOPE hedges price and exchange rate risk. It also reduces the market supply risk with different hydrocarbon suppliers and agreements therewith for different finished goods and crude oils.

Market Risk Sensitivity Analysis - In connection with the sensitivity analysis to assess the impact on RECOPE projected financial statements, different hydrocarbon "cocktail" price scenarios as well as product demand and purchase projection scenarios are used, thus, RECOPE conducts this type of analysis of its finances on an ongoing basis, using cash flow projections, income statements, and statements of financial position, taking into consideration, among others, price markets of hydrocarbon futures, local sale prices, which are monthly adjusted according to the behavior of fuel prices in the international market.

For the sales projections and demand analysis, multi-variable and co-integrated econometric models, least squares, and surveys are used among important clients with the consumption expectations of some clients, among others.

For the imports projections, which is one of the items with the greater impact in determining the cost of sales, daily consultation in specialized sources of information of present and future hydrocarbon international prices is made. Regarding the production schedule of the refinery, and the determination of profitability, a program denominated PETROPLAN is used when it is in operation.

Market sensitivity is mainly conducted for the previous factors because they are the ones with the greater impact in RECOPE's financial projections, in addition to the use of historical analysis and the future needs of the different premises of RECOPE.

Taking into consideration the above, under the assumption of a variation of 1% in the international prices of hydrocarbons, changes could occur in the national sales prices for US$19,000,000 for a year. These variations in the price of hydrocarbons in the international market, as well as in the exchange rate, are considered in the price adjustment formula that is monthly applied using the definition of prices made by ARESEP.

19.3 LEVERAGE RISK MANAGEMENT

In the normal course of operations, RECOPE is exposed to a variety of financial risks, which it tries to minimize through the application of risk management policies and procedures. These policies cover market risk, liquidity risk, exchange rate risk, and interest rate risk. In addition, RECOPE manages its capital structure in order to maximize the return for its stockholders by optimizing debt balance and stockholders' equity.

The capital structure used consists of the net debt (debt less cash and cash equivalents) and stockholders' equity, including capital stock, reserves, and retained earnings. RECOPE's leverage index is the following:

	2012	2011
Notes payable and bank debt	US$ 92,773,316	US$ 112,478,525
Cash and cash equivalents	(68,430,901)	(121,804,330)
Net debt	US$ 24,342,415	US$ (9,325,805)
Stockholders' equity	US$666,222,044	US$ 661,661,456
Leverage index	(4%)	(1.41%)

19.4 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

Estimates of market fair value are made at a specific time, and they are based on relevant market information and information related to the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at a certain time a financial instrument.

The fair value of financial instruments negotiated in active markets is determined based on market price quotes as of the date of the financial statements.

The fair value financial instruments not negotiated in active markets is determined based on valuation techniques and assumptions based on the market conditions as of the date of the financial statements.

These estimates are subjective by nature; they involve uncertainty and great judgment; therefore, they cannot be accurately determined. Any change in the assumptions or criteria can affect these estimates.

The accounts receivable and payable are non derivative assets and liabilities with fixed or determined payments, and they are not quoted in an active market. It is assumed that their book value, less the allowance for impairment, if any, is approximate to their fair value.

The market value of financial assets and liabilities on the short term is approximate to their respective book value, mainly due to their maturity.

The methods and assumptions used by RECOPE to establish fair market value of the financial instruments are detailed as follows:

a. ***Cash, Cash Equivalents*** - Book value of these assets is approximate to their fair value due to their current nature.

b. ***Accounts Receivable, Accounts and Notes Receivable on the Long Term, and Accounts Payable*** - Book value of these financial assets and liabilities at less than one year is approximate to their fair value due to their short term nature.

c. ***Notes Payable and Long Term Debt*** - Except for the debt with the *Instituto de Crédito Oficial del Reino de España the long-term bonds payable*, rates of the loan are agreed at market value, and they are adjustable so that they can remain always at fair value; therefore, their market value is approximate to their reasonable value. The effect of such debt is not relevant for RECOPE's financial statements.

20. AGREEMENTS

20.1 SPANISH LOAN WITH THE INSTITUTO DE CRÉDITO OFICIAL - I.C.O.

Through Law 7336 published in La Gaceta Number 89 of May 11, 1993, a loan with the Government of Spain was approved through the Instituto de Crédito Oficial (ICO) for 1,560 million pesetas payable twice a year, on March 1st and September 1st, with ordinary interest at an annual rate of 2% and a 0,25% fee for funds not used, plus a seven-year grace period. This loan was acquired in order to extend and modernize the refinery.

The grace period of this loan was seven (7) years as of the first disbursement that took place in April 1994. The last disbursement of this loan took place in July 1998.

Maturity of this loan will be in July 2013.

20.2 LOAN AGREEMENT WITH CORPORACION ANDINA DE FOMENTO (CAF)

On November 30, 2006, a loan agreement renegotiation was signed with *Corporacion Andina de Fomento* for the development of the Limon-Garita Poliduct Project under the following conditions:

Amount - US$20 million

Expenditures - 20 biannual fees from the date of execution of the Loan Agreement.

Term and Mortgage - 12 years including a two-year grace period, 20 biannual fees, after the grace period with maturity in November 2018.

Interest Rate - Variable rate + LIBOR rate for 6-month loans.

Interest in Arrears - 2% on overdue and outstanding capital+ interest rate.

Commitment Fee - 0.75% annually on undrawn balance upon maturity each semester.

Tax Payment and Surcharges - Payment of fees and commissions shall be free of deductions for taxes, rates, liens or encumbrances, rights, and surcharges effective as of November 30, 2006 or as set forth in the future.

Other Finance Costs - If RECOPE abstains from receiving funds whose expenditure it has previously requested either partially or totally, it shall pay the consequential damages arising from such action.

Obligations - Clause 6-01

a. Apply resources received only for the purpose of the loan.

b. Maintain in force all the permissions or records that State authorities shall grant or do to achieve the legality or the execution of the Loan Agreement.

c. Inform CAF at the earliest time about any amendments to the information in Clause 4.01 (Customer Statements), about ongoing trials, litigation, claims or any other relevant situation that may adversely affect the ability to comply with the Loan Agreement.

d. Keep an insurance program for main, existing, or future assets in accordance with the replacement value. Every year, CAF shall be provided the supporting documentation of the insurance programs' validity issued by the insurance companies.

e. Keep updated the contract with a suitable auditing company.

f. Verify that disbursed resources are aimed to activities that additionally to Clause 2.01 (Purpose of the Loan) are in harmony with the environment, social actions, and comply with any applicable ecological, environmental protection and social action laws.

g. At CAF's request, provide any information that may be requested by the institutions that may eventually provide total or partial resources to finance the Loan.

h. Keep updated books and records related to the use of the loan in accordance with the International Accounting Standards.

i. Authorize CAF officials to review any books, records, and documents in relation to the Loan.

j. Provide CAF related documentation and reports as follows:

- A copy of the non-audited financial statements within thirty (30) days following each calendar quarter.

- A copy of audited finance statements within one hundred-eighty (180) days following the yearly closing while the obligations arising under the Loan Agreement remain.

- Any other reports that CAF shall consider appropriate regarding loan use.

- At CAF's request, information about the topics discussed by the Board of Director and any other administrative bodies including any reports and memos that CAF shall consider directly or indirectly related to the Loan; exceptionally, CAF may request that the reports described in subparagraph (A) shall include the opinion of external auditors. The financial statements should have the following information: balance sheet, profit and loss statement, retained earnings statements, cash flow and notes expressed both in "colones" and US Dollars adjusted for exchange rate devaluation or exchange effect, RECOPE shall notify the auditors to provide directly to CAF all the information that it reasonably requires in relation to the Loan, Any costs arising from the preparation of the aforementioned documents and reports mentioned shall be covered by RECOPE.

k. Maintain a tangible net worth value not less than US$150 million.

l. Maintain an EBITDA relationship to debt service not less than 2 to 1.

m. Maintain a liquidity ratio to the previous closure not less that 1.2 to 1.0.

n. The Finance and Administration Manager shall provide a certification stating that there is not or has not been any breach of the terms and conditions of Clause 7.01 and that RECOPE is in compliance with the obligations set forth in Clause 6.01, paragraphs (k), (l), and (m).

o. On a no objection basis by CAF, RECOPE shall only incur new debts if it meets the financial obligations set forth in Clause 6.01, paragraphs (k), (l), (m), (n).

Clause 6.02 - Restricted Actions - RECOPE shall send CAF a written notification in order to exercise its right to the following actions:

Take or authorize liens or encumbrances or any other charges on assets or property except for those stated in Annex F of the Agreement.

p. Split or merge or sell, assign, or lease any assets whose value exceeds 15% of the total value of assets.

q. Enter into agreements that bind it to share its revenues or profits with any third party.

r. Undertake business activities or acquire assets outside its line of business or hire operating or finance lease operations.

s. Build or buy subsidiaries or invest in other businesses' capital.

t. Undertake additional total indebtedness for a project other than the granted by CABEI.

u. Grant best guarantees or higher privileges other than those granted to CAF to any other present or future creditor.

20.3 Loan Agreements with the Central American Bank of Economic Integration (CABEI)

On June 16, 2004, a Loan Agreement to finance the Third Stage of the Limon-Garita Poliduct Project was executed under the following terms and conditions:

Amount - US$60 million

Expenditures - As agreed and scheduled by the parties.

Term and Mortgage - 12 years including a two (2)-year grace period, 20 biannual fees and expiration date June 2016.

Interest Rate - The variable, reviewable, quarterly adjustable rate shall be the lowest of the following:

- IR of CABEI's regular resources quarterly determined.

- IR equal to 350 basic points above the Prime Rate, that is, 6,85% annually as of June 16, 2004.

Interest in Arrears - 3% on overdue and outstanding capital+ interest rate.

Commitment Fee - 0.75% annually on undrawn balance upon maturity each semester.

Supervision and Auditing Fee - 0.25% above US$60 million one time only.

Tax Exemption - The Agreement is exempt of any kind of taxes, All taxes and duties set forth by the laws of Costa Rica related to the goods and services financed under this Agreement shall be paid with resources other than the Loan's.

General Obligations from RECOPE Section 1.3:

a. Authorize CABEI officials to check any loan-related books, records and documents.

b. Purchase goods and services for implementation of the project useful to enable the JV's economy of scale.

c. Maintain a Project Execution Unit in accordance with the operational, organizational and operational structure approved by CABEI during the implementation period of the Project and up to execution of the construction agreement by RECOPE.

d. Submit financial statements every year.

e. Maintain an exclusive account for the management of CABEI's financed resources for the Project.

f. Submit bimonthly reports to CABEI regarding the project's implementation progress until its conclusion.

g. Develop and submit a final report to CABEI regarding the Completion of the Project in the bank's provided format no later than three (3) months after conclusion of the Project.

h. Keep properties, equipment, and upgrades properly insured. The insurance shall be endorsed to CABEI during the time of validity of the credit for at least an amount equivalent to the debit balance of the Loan.

Guarantee - The loan agreement is guaranteed through the issuance of a Standby letter of credit, confirmed and irrevocable issued by a bank approved by CABEI and the co-financer of the project. This letter of credit shall be issued in favor of CABEI and the co-financer of the project in an amount that covers, at least during the period of grace, a biannual fee to pay the interests of the Loan and the Loan granted by the co-financer, and during the repayment term (principal amortization), in an amount covering the equivalent of two biannual payments of the principal, interests and other charges of the contract.

20.4 JOINT VENTURE AGREEMENT - RECOPE- CNPCI

On December 14, 2009, RECOPE and CNPCI signed the bylaws of the new entity, which was named SORESCO S.A., wich was registered at National Property Registry. The objective of SORESCO, S.A. is implement the activities necessary for the development of the Refinery Expansion and Modernization Project.

The duration of the joint venture shall be 25 years. The authorized and registered capital of the joint venture shall be ten thousand dollars (US$10,000) or its equivalent in colones divided into 10 shares with a nominal value of one hundred (US$100) dollars or its equivalent in colones. The shares of the joint venture shall be distributed and issued by the parties in the following proportions: CNPCI 50 % and RECOPE 50%.

The Stockholders shall made a first contribution of capital of US$100 million out of which 5% shall be paid during the creation and development of a Feasibility Study period and RECOPE shall disburse US$2.5 million.

a. ***The Project*** - The parties hereby agree to join efforts and resources for the development of the Project whose main objectives are

- To expand the refinery and its support and auxiliary services up to a capacity of 60,000 barrels of crude processing a day.

- To produce fuels as specify in the Study, to offer significant improvements in product quality in compliance with international standards, to minimize the environmental impact of the process.

- To improve the Refinery’s competitiveness and profitability.

The Parties shall develop the project only if the financial results of the Study show an internal rate of return (IRR) of the project of at least 16 %.

b. ***Lease Purchase Agreement*** - RECOPE undertakes to sign a Lease-Purchase Agreement with the joint venture for the use and enjoyment of the Project's assets.

From the start date of the lease term, RECOPE shall be responsible of operating, monitoring, insuring, and maintaining the Project's assets.

RECOPE shall notify the joint venture within at least three months before the end of the lease term, its decision to exercise its right to the purchase option.

Furthermore, RECOPE may exercise the purchase option in advance at any time prior to the expiration of the lease term by paying an amount equal to the salary, the balance of the Project's total outstanding value at that time.

c. ***Administration of the Joint Venture*** - The joint venture shall have a Board of Directors of six (6) members; three (3) of them shall be appointed by RECOPE and the other three (3) by the CNPCI. The members appointed by either Party should l have the right to make the required decisions for the operation of the joint venture. Board members shall be elected for a three (3) year term commencing at the Stockholders' Meeting or until removed at the Stockholders' Meeting, or their resignation or death.

The position of President will alternate every four years, first directed by a Director appointed by CNPCI and then by a Director appointed by RECOPE. The position of President and Vice-president shall alternate in reverse direction every four years.

The fiscal year of the joint venture shall be from January 1st to December 31.

d. ***Miscellaneous Provisions*** - The Comptroller General of the Republic approved this agreement on September 2nd, 2009, according to Official Document No.091782009.

21. SUBSEQUENT EVENTS

The last list of prices published by the Regulatory Authority of Public Services and published in the official newspaper La Gaceta on February 5, 2013 is the following:

Extraordinary Price Adjustment to National Fuels- The sales prices of national fuels, effective for all customers at service stations, per resolution RIE-09-2013, published in La Gaceta No.25 on February 5, 2013, are as follows:

Products	Price / Liter without Single Tax	Price / Liter with Single Tax	Price / Liter Total	Local Service Stations Price
Premium gasoline	445.317	667.067	718,00	718,00
Plus 91 gasoline	415.344	627.344	678,00	678,00
Diesel 0,005%	464.639	589.889	640,00	640,00
Kerosene	462.294	523.294	574,00	574,00
Av-Gas	719.439	931.439	946,00	946,00
Jet-A1	470.474	597.224	612,00	612,00

On January 2013, the loan with the Central American Bank for Economic Integration (CABEI) for US$30 million was paid using funds obtained from a new loan signed with a local bank.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by RECOPE’s management on January 23, 2013.

* * * * *

EXHIBIT No.1

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

FINANCIAL RATIOS

(Figures Expressed in Dollars of the United States of America)

1. FINANCIAL WORKING CAPITAL

The financial working capital is determined by the following way: current assets, less cash and cash equivalents. The current liabilities are deducted from this result, net of the current portion of the long-term debt.

	2012	2011
Current assets	US$ 380,617,303	US$ 565,714,583
Cash and cash equivalents	(68,430,901)	(121,804,330)
Current liabilities (does not include current portion)	(214,435,633)	(387,165,607)
Financial working capital	US$ 97,750,769	US$ 56,744,646

This index shows that in 2012, the financial working capital increased compared to 2011, since RECOPE required less financing with oil suppliers to purchase inventories.

2. LIQUIDITY RATIO

The liquidity ratio shows that RECOPE's capacity to generate cash from its most liquid assets and cover its short-term obligations. It is measured dividing the total of current assets among the current liabilities:

	2012	2011
Current assets	US$380,617,303	US$565,714,583
Current liabilities	223,351,891	396,065,752
Current assets/ Current liabilities	170.41%	142.83%

This ratio reveals that RECOPE has more capacity to cover with its more liquid assets all short-term liabilities. The acid test ratio is not estimated, since in the case of RECOPE, the inventory has a very high turnover and does not distort the calculations; in addition, it gives content to the current asset.

3. TOTAL ASSET TURNOVERS

It indicates the relation of the assets total and income by showing the number of times that RECOPE uses them to generate that income.

	2012	2011
Sales	US$3,116,216,828	US$3,003,877,030
Assets	1,011,152,124	1,142,493,420
Sales/assets	3.08	2.63

In 2012, for every dollar invested in assets, RECOPE generated 3.08 times in sales, which represents an increase in the indicator obtained in 2011. The conversion from assets to sales was more efficient.

4. FIXED ASSETS TURNOVER

This financial index determines the level of efficiency reached by the investments in properties, plant and equipment, in its function of generating income:

	2012	2011
Sales	US$3,116,216,828	US$3,003,877,030
Property, plant, vehicles and equipment, net	583,624,820	527,880,929
Sales/ property, plant, vehicles, and equipment - net	5.34	5.69

The result of the turnover in 2012 indicates that for every dollar invested in fixed assets, RECOPE generated 5.34 times in sales, which represents a slight decrease compared to the situation that occurred in 2011.

5. DEBT RATIO

It represents the proportion in which the existing assets have been financed by other persons, different from RECOPE.

	2012	2011
Liabilities	US$ 344,930,080	US$ 480,831,964
Assets	1,011,152,124	1,142,493,420
Liabilities / assets	34.11%	42.09%

An improvement was observed in the ratio resulting from the decrease in liabilities such as deferred income, accounts payable and notes payable. According to the debt ratio, for 2012, 34.11% of the asset is owned by equity investors (the Government) while in 2011, it was 42.09%.

6. DEBT RATIO (COST)

It indicates the proportion in which the existing resources have been financed by long-term loans.

	2012	2011
Long term debt	US$ 92,773,317	US$ 51,800,291
Assets	1,011,152,124	1,142,493,420
Long term debt/assets	9.18%	4.53%

In 2012, the long-term debt funded 9.18% of the total asset, and the remaining 90.82% was provided by RECOPE, which shows a 4.65 percentage point increase compared to the previous year.

7. PROFIT MARGIN ON SALES

This indicator shows the percentage obtained from the period's profit in relation to RECOPE's net sales.

	2012	2011
Net (loss) profit	US$ 1,485,722	US$ 24,829,958
Sales	3,116,216,828	3,003,877,030
Net (loss) profit/ sales	0.05%	0.83%

This indicator reveals a decrease compared to the 2011 period, where the profit percentage of the period in terms of sales is close to zero, reflecting the need for the Regulatory Authority to approve price increases to cover RECOPE's normal operation.

8. YIELD ON THE INVESTMENT

The yield on the investment measures the final profitability obtained on the total investment in RECOPE's assets. This index shows how satisfactory is the level of net income obtained in relation to the total investments in assets made by RECOPE.

	2012	2011
Net (loss) profit	US$ 1,485,722	US$ 24,829,958
Assets	1,011,152,124	1,142,493,420
Net (loss) profit / assets	0.15%	2.17%

In 2012, a significant decline of this ratio was observed in comparison to 2011.

9. PROFIT MARGIN ON EQUITY

This indicator estimates the yield obtained by the equity investors (the State).

High profitability of the equity means that RECOPE generates a high level of net income in relation with the investment of the State.

	2012	2011
Net (loss) profit	US$ 1,485,722	US$ 24,829,958
Stockholders' equity	666,222,044	661,661,456
Net (loss) profit /equity	0.22%	3.75%

In 2012, a significant decline of this ratio was observed in comparison to 2011.

10. OPERATIONS / SALES EXPENSES

This ratio allows to measure the level of efficiency of a Company, which is related directly to the policies and measures imposed to control the growth of the operative expenses.

	2012	2011
Operating expenses	US$ 179,638,322	US$ 163,790,453
Sales	3,116,216,828	3,003,877,030
Net (loss) profit/ sales	5.76%	5.45%

This ratio has remained similar to the previous period, which is consistent since, at large, these expenses lack a direct and immediate relationship with the sales activity; therefore, it is reasonable that they remain constant or show lower growth.

11. COVERAGE OF EXPENSES

The ratio between EBITDA and financial expenses is defined as coverage of financial expenses. For the effects of the calculation, it will be understood for EBITDA the sum of the operative income, the depreciation and the amortization of intangibles; and for financial expenses the sums paid for interests of the long-term debt.

	2012	2011
Operating profit	US$12,397,368	US$42,210,195
Depreciations and amortizations	35,506,182	26,793,476
Total EBITDA	US$47,903,550	US$69,003,671
Financial expenses	US$ 2,766,296	US$ 3,139,898
EBITDA/financial expenses	17,32	21.98

This ratio discloses that in 2012 RECOPE considerably reduced its capacity to cover long-term debt financial expenses, as compared to 2011.

* * * * *