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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" or the Company), which comprise the statements of financial position as of December 31, 2013 and 2012 and the corresponding statements of profit or loss and other 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 Auditing 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, 2013 and 2012, the refinery's assets for a sum of US$19.6 millions and US$19.6 millions, respectively, 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. Therefore, we could not apply the necessary audit procedures to audit the recoverable value of these assets, and consequently, the impairment amount, if any is required, that could have been recognized in the financial statements as of December 31, 2013 and 2012 has not been determined.

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 8 to the accompanying financial statements as of December 31, 2013 and 2012, the Company keeps an investment in SORESCO, S.A., for a sum of US$48,337,626 and US$30,447,583 and advances to joint ventures for a sum of US$1,328,166 and US$2,199,881, respectively. Such investment corresponds to the extension and renovation project of Moín's refinery. The Company does not have audited financial statements of this joint venture; consequently, the amount of the adjustment that could be required has not been determined. In addition, as indicated in Note 22.5, RECOPE, S.A.'s management is conducting the studies necessary to continue with the project's development; therefore, no other impairment has been estimated, if any is required, on such investment in its financial statements.

4. The financial statements as of December 31, 2013 and 2012 include an accrual for employees' severance benefits for US$15,240,190 and US$20,963,167, 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 1m 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 the current and previous periods. RECOPE's management is analyzing the actuarial study; thus, as of December 31, 2013, we could not obtain a detail of the effect of the results of such study on the accounting records. Therefore, the recorded liability as of December 31, 2013 and 2012, as well as the related expenses, are affected in amounts not determined by management.

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5. 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. As of December 31, 2013 and 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, 2013 and 2012, 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.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in paragraphs 1 to 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, 2013 and 2012, its financial performance, and its cash flows for the years then ended, in conformity with the International Financial Reporting Standards.

Other Matters

Without qualifying our opinion, as of December 31, 2013, RECOPE's total liabilities are equivalent to 7.7 times the capital stock, plus equity reserves and surplus from revaluation and donation, when according to the requirements of the General Superintendence of Securities for the issue of bonds, these should not be greater than 4 times. As indicated in Note 23.1, the Company's management has established a series of actions to comply with this requirement.

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

Rafael A. Castro Monge
Rafael A. Castro Monge - C.P.A. No.1795
Insurance Policy No.0116 FIG 7
Expires: September 30, 2014
Revenue law stamp for ¢1.000, Law No.6663

February 26, 2014

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(Stated in United States Dollars)

	Notes	2013	2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1c, 3	US$ 142,088,509	US$ 68,430,901
Accounts receivable	1d, 4	2,827,841	4,971,539
Inventories	1e, 1f, 1w, 5	352,196,570	247,783,309
Prepaid expenses	6	48,168,212	59,431,554
Total current assets		545,281,132	380,617,303
LONG TERM ACCOUNTS RECEIVABLE	1d, 4	4,158,076	339,193
ADVANCES TO JOINT VENTURE	16	1,328,166	2,199,881
PROPERTY, PLANT, VEHICLES AND EQUIPMENT - Net	1g, 1h, 1i, 1j, 7	620,954,042	583,624,820
INVESTMENT IN JOINT VENTURE	1k, 8	48,337,626	30,447,583
OTHER ASSETS	9	13,367,001	13,923,344
TOTAL		US$1,233,426,043	US$1,011,152,124
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Notes payable	12	US$ 61,520,918	
Current portion of the long term debt	13	6,285,714	US$ 8,916,258
Accounts payable	10	268,739,330	188,158,019
Deferred income	1m	45,085,734	20,585,154
Accumulated expenses and other liabilities	11	10,660,576	5,692,460
Current portion of the Income Tax	1*l*, 15	9,073,180	
Total current liabilities		401,365,452	223,351,891
LONG TERM DEBT	13	31,571,429	34,000,000
LONG-TERM BONDS PAYABLE	14	100,836,675	49,857,059
DEFERRED INCOME TAX	1*l*, 15	15,955,200	16,757,963
INCOME TAX	1*l*, 15	5,292,688	
PROVISION FOR EMPLOYEES' LEGAL BENEFITS	1n	15,240,190	20,963,167
Total liabilities		570,261,634	344,930,080

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(Stated in United States Dollars)

	Notes	2013	2012
STOCKHOLDERS' EQUITY:			
Capital stock	17	US$ 350,058	US$ 350,058
Investment reserve	1r, 19		44,816,631
Legal reserve	1q	3,981	3,981
Surplus from revaluation	1s, 7, 9	297,411,154	303,137,038
Surplus from donation	1t, 18	34,808,316	34,808,316
Retained earnings		578,400,631	540,354,015
Foreign currency translation adjustment	1b	(247,809,731)	(257,247,995)
Total stockholders' equity		663,164,409	666,222,044
TOTAL		US$1,233,426,043	US$1,011,152,124

(Concluded)

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

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Stated in United States Dollars)

	Notes	2013	2012
SALES	1u	US$ 3,232,363,172	US$ 3,116,216,828
COST OF SALES	1v	(2,979,430,780)	(2,924,181,138)
GROSS PROFIT		252,932,392	192,035,690
OPERATING EXPENSES	1x, 20	(200,986,317)	(179,638,322)
OPERATING PROFIT		51,946,075	12,397,368
OTHER INCOME (EXPENSES):			
Sale of services		316,024	291,202
Financial expenses		(5,197,727)	(6,908,545)
Financial income		2,710,533	2,865,189
Penalties and interest for assessment notices	15	(17,919,416)	
Other expenses - net		(9,674,310)	(6,829,034)
PROFIT BEFORE INCOME TAX		22,181,179	1,816,180
DEFERRED INCOME TAX	1*l*, 15	802,763	2,283,637
ASSESSMENT NOTICE	1*l*, 15	(36,370,896)	
INCOME TAX	1*l*, 15		(2,614,095)
NET PROFIT		(13,386,954)	1,485,722
OTHER COMPREHENSIVE INCOME:			
Foreign currency translation adjustment	1b	9,438,264	1,893,606
Effect from assets' revaluation	1s	891,055	1,181,260
COMPREHENSIVE INCOME OF THE YEAR		US$ (3,057,635)	US$ 4,560,588

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, 2013 AND 2012
(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, 2011		US$350,058	US$ 44,816,631	US$3,981	US$308,676,967	US$34,808,316	US$532,147,104	US$(259,141,601)	US$661,661,456
Comprehensive income of the year	9				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		350,058	44,816,631	3,981	303,137,038	34,808,316	540,354,015	(257,247,995)	666,222,044
Comprehensive income of the year	9				891,055		(13,386,954)	9,438,264	(3,057,635)
Reversal of investment reserve	19		(44,816,631)				44,816,631		
Realization to retained earnings	1s				(6,616,939)		6,616,939		
BALANCES, DECEMBER 31, 2013		US$350,058	US$	US$3,981	US$297,411,154	US$34,808,316	US$578,400,631	US$(247,809,731)	US$663,164,409

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, 2013 AND 2012
(Stated in United States Dollars)

	Notes	2013	2012
OPERATING ACTIVITIES			
Net profit of the year		US$ (13,386,954)	US$ 1,485,722
Loss in the sale of assets	7	640,038	
Income tax expense	15		2,614,095
Assessment notice	15	36,370,896	
Deferred tax	15	(802,763)	(2,283,637)
Interest expense		5,197,727	5,068,861
Effect from participation in joint venture	8	1,233,761	884,296
Depreciation and amortization	7, 9	42,443,071	35,506,182
Unrealized exchange rate differences		(583,595)	(272,154)
Expense for doubtful accounts	4		87,206
Changes in operating assets and liabilities:			
Accounts receivable		(1,605,586)	(90,046)
Inventories		(101,197,339)	167,244,045
Prepaid expenses		12,078,140	(36,511,451)
Accounts payable		78,221,160	(82,782,364)
Deferred income		24,276,783	(30,528,304)
Accumulated expenses and other liabilities		4,088,396	121,654
Employees' legal benefits		(6,018,180)	(1,989,628)
Cash provided by the operating activities		80,955,555	58,554,477
Tax paid		(21,974,959)	
Interest paid		(4,384,066)	(4,887,753)
Net cash provided by the operating activities		54,596,530	53,666,724
INVESTMENT ACTIVITIES			
Additions of fixed assets	7	(69,360,600)	(86,697,902)
Disposals of fixed assets	7	32,152	78,704
Advances to joint venture		902,420	3,646,075
Other assets		(1,510,658)	(1,052,644)
Acquisition of investments in joint venture	8	(18,750,000)	(3,750,000)
Net cash used in the investment activities		(88,686,686)	(87,775,767)
FINANCING ACTIVITIES			
New loans		112,075,134	49,829,171
Debt amortization		(5,065,262)	(69,602,204)
Net cash used in the financing activities		107,009,872	(19,773,033)

(Continues)

REFINADORA COSTARRICENSE DE PETRÓLEO, S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Stated in United States Dollars)

	2013	2012
NET VARIATION IN CASH AND CASH EQUIVALENTS	US$ 72,919,716	US$ (53,882,076)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	68,430,901	121,804,330
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	737,892	508,647
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	US$142,088,509	US$ 68,430,901

TRANSACTIONS THAT DO NOT AFFECT THE USE OF CASH:

As of December 31, 2013 and 2012, an appraisal was registered on service stations, which originated an increase in these assets and a surplus from revaluation for the sum of US$884,072 and US$1,181,260, respectively.

In January 2013, a debt with the Central American Bank for Economic Integration (CABEI) for US$30,000,000 was paid off by acquiring a loan with Scotiabank. This did not generate neither receipt nor disbursement of cash for the Company since the transaction was simply a refinancing of liabilities.

As of December 31, 2013, RECOPE applied accounts receivable against the allowance for doubtful accounts for the sum of US$87,248 (Note 4), which not generated a cash disbursement for the Company.

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.

(Concluded)

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 (US$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, 2013 and 2012, the exchange rate of the colón regarding the US dollar for companies of the non banking public sector was ¢502,47 and ¢509,23 for selling transactions, respectively, and ¢501,97 and ¢508,73, for purchasing transactions, respectively.

   As of the date of issue of the financial statements, exchange rate was ¢544,56.

b. ***Currency Translation into U.S. Dollars*** - The Company's functional currency is the Costa Rican colón (¢). 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 does not include accounts receivable from clients because its sales are on cash. As of December 31, 2013 and 2012, the allowance for doubtful accounts is mainly composed by a balance of US$818,925 and US$894,131, 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 No.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 1st, 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 No.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 37999-H) published in official newspaper La Gaceta, Issue 220 as of November 14, 2013, effective from November 1st, 2013 to January 31st, 2014, provided for an adjustment of 0.52%. The tax broken down by product is as follows:

Fuel	Tax by Liter (¢)
91 Plus gasoline	224,00
Premium gasoline	234,50
Diesel	132,50
Asphalt	44,75

(Continues)

Fuel	Tax by Liter (¢)
Asphalt emulsion	33,50
Bunker (gasoil)	21,75
G.L.P	44,75
Jet Fuel A1	134,00
Av Gas	224,00
Kerosene	64,50
Heavy diesel (gasoil)	43,25
Heavy naphta	32,00
Light naphta	32,00

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 colón 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 No.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 begins 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 Ventures*** - According to IFRS 11, a joint arrangement is a contractual agreement in virtue of which two or more participants start an economic activity that is subject to joint control through a separate vehicle. Joint control is the contractually agreed sharing of control of an arrangement, which only exists when the decisions on relevant activities require unanimous consent of the parties sharing control.

The contractual agreement gives the parties of a joint arrangement the right to the agreement's net assets (that is to say, it is the vehicle, not the parties, who has the rights and obligation regarding liabilities related to the arrangement).

No party has individual control on the arrangement.

For RECOPE, there is no absolute control of the business interest; both companies have 50% of the participation; an agreement by the parties is needed for relevant decision making. Thus, the investment is recognized in the account denominated SORESCO, S.A., which RECOPE has registered under the equity method.

l. ***Income Tax*** - It is determined according to the provisions established by the Income Tax Law No.7092 and Law No.7722 "Law on the Obligation of Government Institutions to Income Tax Payment." Should any tax result from this calculation, it is charged to the 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 Resolution of the Constitution Chamber No.2013011506, published in Judicial Bulletin No.195 of October 1st, 2013, severance cannot exceed twenty-four months.

o. ***School Supplies Bonus and Vacations*** - 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.

The provision for vacation is registered according to the analysis made by the Section of Compensations and Incentives of RECOPE's Human Resources Department.

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 No.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 No.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.

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 institutional 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/ Institution Price	ARESEP RESOLUTIONS (¢/LT. WITHOUT TAX)						
	003-RIE	0097-RIE	0095-RIE	0091-RIE	0088-RIE	0084-RIE	0083-RIE
Premium gasoline	382,421	377,895	403,234	403,234	432,563	463,971	463,552
91 Plus gasoline	368,670	371,832	396,426	396,426	423,878	450,960	450,547
Diesel 0.005% S (Automotive 500)	444,914	431,346	444,897	444,897	462,481	447,040	446,625
Diesel 0.50% S (Thermal)	439,308	432,149	442,791	442,791	454,944	433,536	433,536
Kerosene	442,342	433,730	441,258	441,258	458,152	444,144	443,711
Bunker	322,773	335,726	343,755	343,755	349,470	335,520	335,159
IFO 380	330,828	346,502	353,740	353,740	331,986	328,034	327,625
Asphalts AC20/30 and PG 70	282,833	289,854	302,369	302,369	304,253	296,956	296,492
Heavy diesel (gasoil)	388,671	389,401	395,926	395,926	405,263	387,194	386,784
Asphalt emulsion	187,725	193,431	201,126	201,126	202,710	197,362	196,951
G.L.P.	201,693	190,364	180,963	180,963	182,407	158,915	158,499
Av-Gas	696,861	641,861	633,048	633,048	642,846	650,115	649,704
Jet A-1	445,444	423,101	430,403	430,403	447,729	433,720	433,221
Light naphta	401,428	379,135	382,075	382,075	393,364	391,775	391,775
Heavy naphta	403,099	380,998	384,158	384,158	396,648	396,984	396,574

RIE-0003-2014, Gaceta, January 14-21, 2014. It includes K margin= 13.393%, all the products.
RIE-0097-2013, Gaceta 231, November 29, 2013. It includes K margin = 15.496%, all the products.
RIE-0095-2013, Gaceta 228, November 26, 2013. It includes K margin = 14.837%, all the products.
RIE-0091-2013, Gaceta 210, October 31, 2013. It includes K margin = 14.837%, all the products.
RIE-0088-2013, Gaceta 190, October 3, 2013. It includes K margin = 14.086%, all the products.
RIE-0084-2013, Gaceta 188, October 1, 2013. It includes K margin = 14.095%, all the products.
RIE-0083-2013, Gaceta 188, October 1, 2013. It includes K margin = 14.095%, all the 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 institutional 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 No.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.

- *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).

- *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:

$$1\text{-}\quad PPCi = NPPCi + Ti$$

$$2\text{-}\quad PCiDF = PPCi + MgTi + MgDi$$

Where -

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

PPC_i: Distribution institutional 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.

- *Fuel Sales to the National Fishing Fleet* - This refers to products such as gasoline and diesel sold to clients under Law No.7384 "Law on the Creation of INCOPESCA," with a differential price. Through Resolution RIE-097-2013 of November 29, 2013, ARESEP made a significant change in the procedure to establish the rates of fuels used by the National Fishing Fleet, as follows:

> *"...In conformity with the enforcement of Law 9134 of Authentic Interpretation of article 45 of Law 7384, Creation of the Costa Rican Fishing and Aquiculture Institute, as amended, of March 16, 1994 and of article 123 of the Fishing and Aquiculture Law N°8436, as amended, of March 1, 2005 and the provisions contained in resolution RIE-084-2013 of September 24, 2013, the subsidy for the fishing fleet is updated in the fuel prices, based on the actual billing of fuel purchases on September..."*

The Regulatory Authority states:

> *"...a. Determine the Si by applying the current rates: The value of Si is determined as the addition of all the differences between what is included in the current rate and the costs which, according to Law 9134, must be paid by such a sector, so that those differences are subtracted from the current rates ...."*
>
> *"i. Margin of RECOPE: The institutional price of diesel and gasoline for the non-sports fishing sector must consider, according to Law 9134, only: freight, insurance, and storage and distribution costs...."*

Therefore, through Resolution RIE-003-2014, of the official newspaper La Gaceta No.14 of January 21, 2014, ARESEP has decided to set an institutional price for products used by the National Fishing Fleet as follows, in colones per liter:

REGULAR GASOLINE	¢355.341
DIESEL 0.05% S	¢403.350

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, 2013 and 2012. RECOPE has not entered into any agreement whatsoever that involves derivative financial instruments, such as futures, option, and financial swaps.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New and Revised IFRS's Affecting Amounts Reported and/or Disclosures in the Financial Statements - In the current year, RECOPE has applied a number of new and revised IFRS's issues by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1st, 2013.

a. **Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities** - The Company has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments for IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

   The amendments have been applied retrospectively. As the Group does not have any offsetting arrangement in place, the application of the amendments has had no material impact on the disclosures or on the amount recognized in the consolidated financial statements.

b. **New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures** - In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associated and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first - time application of the standards.

   In the current year the Company has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11, and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Company as it deals only with separate financial statements.

   The impact of the application of these standards is set out below:

   The application of this standard did not have any impact in the RECOPE's financial statements.

c. **Impact of the Application of IFRS 11** - IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities - Non - Monetary Contributions by Ventures, has been incorporated in IAS 28 (revised in 2011). IRFS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of partied to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the partied to the arrangement, and when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements- jointly controlled entities, jointly controller operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each operation recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its shared or any expenses incurred jointly). Each joint operation accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation y accordance with the applicable Standards.

The application of this standard did not have any impact in the RECOPE's financial statements.

d. **Impact of the application of IFRS 12** - IFRS 12 is a new standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates and /or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. (Note 8).

e. **IFRS 13 Fair Value Measurement** - The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad, the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non - financial instruments items for which other IFRS's require or permit fair value measurements and disclosures about fair value measurements, except for share - based payment transactions that are within the scope for IFRS 2

Shared - based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories for value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 included extensive disclosure requirements.

IFRS 13 requires prospective application from January 1st, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosures requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

f. **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income -** The Company has applied the amendments to IAS 1 Presentation of Item of Other Comprehensive Income for the first time in the current year. The amendments introduced new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit and loss and other comprehensive income" (and the "income statement is renamed as the "statement of profit and loss"). The amendments to IAS 1 retain the option to present profit and loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require item of other comprehensive income to be grouped into two categories in the other comprehensive income section; (a) items that will not be reclassified subsequently to profit and loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present item of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

g. **Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRS's 2009-2011 Cycle Issued in May 2012)** - The Annual improvements to IFR's 2009 - 2011 have made a number of amendments to IFRS's. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial positions is required when a) an entity applied an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specific that related notes are not required to accompany the third statement of financial position.

The application of this amendments has had no impact on the financial statements of RECOPE.

h. **IAS 19 Employee Benefits (as Revised in 2011)** - In the current year, the Company applied the IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change related to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net interest" amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first - time application of IAS 19 (as revised in 2011. The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

New and Revised IFRS's in Issue But Not Yet Effective - The Company has no applied the following new and revised IFRS's that have been issued but are not yet effective:

Standard / Amendment	Effective for Annual Periods that Begins:
IFRS 9 - *Financial Instruments* (Revised 2010)	January 1st, 2015
IFRS 10 - *Consolidated Financial Statements - Amendments*	January 1st, 2014
Amendments to IAS 32 - *Offsetting of Financial Assets and Liabilities*	January 1st, 2014

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 included requirements for the classification and measurement of financial statements and for derecognition. Key requirements of IFRS 9 are as follows:

a. All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely payment of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities make an irrevocable election to present subsequent change in the fair value of an equity investment (that is not held for trading) in other comprehensive income, whit only dividend income generally recognized in profit or loss.

b. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designate as fair value through profit or loss is presented in profit or loss.

The amendments to IFRS 10 define investment equity and required a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The Company's management does not anticipate any significant impact on the financial statements as a result of this amendment.

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement". The Company's management does not anticipate any significant impact on the financial statements as a result of this amendment.

3. CASH AND CASH EQUIVALENTS

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

	2013	2012
Cash on hand and due from banks	US$124,159,151	US$68,430,901
Cash equivalents:		
Certificate of deposit, in colones, with maturity on January 15, 2014 and annual yield of 4.5% per annum	17,929,358	
Total	US$142,088,509	US$68,430,901

4. ACCOUNTS RECEIVABLE

A detail of accounts receivable is the following:

	Note	2013	2012
Short term:			
Clients		US$ 71,117	US$ 17,619
Employees		201,325	248,724
Government	16	1,426,675	4,634,932
Autonomous institutions		1,085,457	27,649
Others		43,267	42,615
Subtotal		2,827,841	4,971,539
Long term:			
Related parties	16	4,522,757	598,527
Others		454,245	634,798
Subtotal		4,977,002	1,233,325
Allowance for doubtful accounts		(818,926)	(894,132)
Subtotal		4,158,076	339,193
Total		US$6,985,917	US$5,310,732

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

	2013	2012
Initial balance	US$894,132	US$804,443
(Decrease) increases	(87,248)	87,206
Foreign currency translation adjustment	12,042	2,483
Final balance	US$818,926	US$894,132

5. INVENTORIES

The inventory account is broken down as follows:

	2013	2012
Raw materials	US$ 12,307,013	US$ 18,510,050
Finished product	205,431,982	200,102,414
Semi-finished product	5,665,125	5,655,275
Inventory in transit	123,010,214	17,907,806
Material inventory	7,624,306	7,525,988
Subtotal	354,038,640	249,701,533
Allowance for obsolete inventory	(1,842,070)	(1,918,224)
Total	US$352,196,570	US$247,783,309

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

	2013	2012
Initial balance	US$1,918,224	US$1,928,568
Increases		897
Decreases	(101,987)	(17,193)
Foreign currency translation adjustment	25,833	5,952
Final balance	US$1,842,070	US$1,918,224

6. PREPAID EXPENSES

Prepaid expenses are detailed as follows:

	2013	2012
Contractor's cash in advance	US$32,982,411	US$37,795,644
Tax advances (partial payments)		13,078,746
Income tax withholdings to clients	8,812,022	2,765,550
Letters of credit for services	2,013,334	4,492,259
Insurance	1,287,992	1,294,607
Others	3,072,453	4,748
Total	US$48,168,212	US$59,431,554

7. PROPERTY, PLANT, VEHICLES AND EQUIPMENT

The detail of property, plant, vehicles and equipment as of December 31, 2013 is the following:

Description	Initial Balance	Additions	Capitalizations	Disposals	Transferred	Foreign Currency Translation Adjustment	Final Balance
Fixed assets at cost:							
Properties	US$ 11,836,180					US$ 159,398	US$ 11,995,578
Moín port complex	20,432,551					275,164	20,707,715
Facilities	280,314,939		US$22,282,958	US$ (757,052)	US$ 9,284,084	3,774,984	314,899,913
Building	25,758,268		6,085,947			346,886	32,191,101
Heavy machinery and equipment	38,772,270	US$ 2,965,507	9,562,759	(640,739)	(9,284,084)	522,144	41,897,857
Furniture and equipment	27,934,483	5,028,871	4,570,467	(934,821)		376,192	36,975,192
Vehicles	9,666,920	1,123,629	144,112	(279,111)		130,184	10,785,734
Works in progress	199,856,669	60,242,593	(42,646,243)			2,691,457	220,144,476
Total at cost	614,572,280	69,360,600		(2,611,723)		8,276,409	689,597,566
Revaluated fixed assets:							
Properties	20,030,792					269,753	20,300,545
Moín port complex	106,638,251					1,436,092	108,074,343
Facilities	201,878,911			(2,625,988)		2,718,691	201,971,614
Building	34,342,076					462,482	34,804,558
Plant machinery and equipment	9,341,774			(812,306)		125,805	8,655,273
Furniture and equipment	7,848,799			(619,711)		105,699	7,334,787
Vehicles	3,575,229			(378,123)		48,147	3,245,253
Revaluated total	383,655,832			(4,436,128)		5,166,669	384,386,373
Subtotal fixed assets	998,228,112	69,360,600		(7,047,851)		13,443,078	1,073,983,939
Depreciation at cost:							
Moín port complex	(4,733,347)	(592,204)				(63,744)	(5,389,295)
Facilities	(90,172,824)	(20,063,128)	(2,880,606)	633,169		(1,214,352)	(113,697,741)

(Continues)

Description	Initial Balance	Additions	Capitalizations	Disposals	Transferred	Foreign Currency Translation Adjustment	Final Balance
Building	US$ (2,923,955)	US$ (642,522)				US$ (39,376)	US$ (3,605,853)
Plant machinery and equipment	(12,549,376)	(4,060,222)	US$ 2,867,244	US$ 574,866		(169,002)	(13,336,490)
Furniture and equipment	(13,073,099)	(2,818,639)	(13,673)	835,417		(176,055)	(15,246,049)
Vehicles	(4,269,304)	(966,800)	(53,799)	247,002		(57,494)	(5,100,395)
Works in progress	(137,276)	(627,110)				65,312	(699,074)
Total accumulated depreciation of assets at cost	(127,859,181)	(29,770,625)	(80,834)	2,290,454		(1,654,711)	(157,074,897)
Revaluated depreciation:							
Moín port complex	(86,448,115)	(2,872,684)				(1,164,192)	(90,484,991)
Facilities	(168,349,298)	(5,139,122)		2,480,046		(2,267,149)	(173,275,523)
Building	(14,335,898)	(706,404)				(193,061)	(15,235,363)
Plant machinery and equipment	(8,090,512)	(241,310)		685,653		(108,955)	(7,755,124)
Furniture and equipment	(6,575,708)	(307,851)	13,673	561,690		(88,555)	(6,396,751)
Vehicles	(2,944,580)	(180,833)		357,818		(39,653)	(2,807,248)
Total accumulated depreciation of revaluated assets	(286,744,111)	(9,448,204)	13,673	4,085,207		(3,861,565)	(295,955,000)
Total depreciation	(414,603,292)	(39,218,829)	(67,161)	6,375,661		(5,516,276)	(453,029,897)
Total	US$ 583,624,820	US$ 30,141,771	US$ (67,161)	US$ (672,190)	US$	US$ 7,926,802	US$ 620,954,042

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
Subtotal 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

8. INVESTMENTS IN JOINT VENTURE

Investment in joint venture corresponds to a participation of 50% that RECOPE has in the stockholders' equity of Soresco, S.A. (Note 22.5).

The movement of year in the investment is the following:

	Note	2013	2012
Initial balance		US$30,447,583	US$27,558,492
Increases		18,750,000	3,750,000
Effect from participation from previous years		(968,874)	
Effects from participation		(264,887)	(885,661)
Foreign currency translation adjustment		373,804	24,752
Final balance	16	US$48,337,626	US$30,447,583

Through agreement of Board of Directors No.4707-260, contributions for the sum of US$18,750,000 (¢9.393.750.000) were approved in April 2013.

Through agreement of the Board of Directors No.4688-241, contributions for the sums of US$3,750,000 (¢1.877.062.500), respectively, were approved in November 2012.

A detail of assets, liabilities, and results of Soresco, S.A. as of December 31, 2013 and 2012 in US dollars is the following:

	2013	2012
Assets:		
Current	US$ 48,110,118	US$44,886,026
Non current	49,562,265	36,822,498
Total assets	US$ 97,672,383	US$81,708,524
Liabilities:		
Current	US$ 2,066,467	US$ 4,365,837
Total liabilities	US$ 2,066,467	US$ 4,365,837
Stockholders' equity:		
Capital stock	US$ 10,000	US$ 10,000
Additional paid-in capital	100,000,000	81,250,000
Accumulated losses	(4,404,084)	(3,917,313)
Total assets	US$ 95,605,916	US$77,342,687
Expenses		
Financial (income) expenses - net	US$ 680,042	US$ 396,343
Net loss	US$ 680,042	US$ 396,343

As of December 31, 2013 and 2012, the additional paid in capital by RECOPE is US$50,000,000 y US$28,750,000, respectively.

9. OTHER ASSETS

Other assets are broken down as follows:

	2013	2012
Software licenses	US$13,020,159	US$11,879,103
Service stations - cost	18,938	18,687
Service stations - revaluation	7,448,713	6,471,536
Security deposits	2,156,332	1,606,920
Others	200	197
Subtotal	22,644,342	19,976,443
Accumulated amortization of software	(9,277,341)	(6,053,099)
Total	US$13,367,001	US$13,923,344

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 September, 2013, and it was made by an independent expert from the Costa Rican Tax Authority (Dirección General de Tributación Directa).

10. ACCOUNTS PAYABLE

Accounts payable are broken down as follows:

	Note	2013	2012
Supplier of oils and byproducts		US$198,352,955	US$143,802,434
Law No.8114 Single Tax	16	63,281,060	33,168,786
Trade		3,428,646	6,963,259
Others		3,676,669	4,223,540
Total		US$268,739,330	US$188,158,019

11. ACCUMULATED EXPENSES AND OTHER LIABILITIES

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

	2013	2012
Provision for school supplies bonus	US$ 4,679,421	US$4,525,610
Provision for thirteenth month	396,915	385,309
Provision for vacations	3,980,099	
Accumulated interest	1,604,141	781,541
Total	US$10,660,576	US$5,692,460

12. NOTES PAYABLE

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

	2013	2012
Banco Latinoamericano de Comercio Exterior, S.A., in dollars, interest rate of 3.5% (Libor rate at three months plus 1.05%) Maturity in March 27, 2014, secured through promissory note	US$61,520,918	
Total	US$61,520,918	US$

13. LONG TERM DEBT

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

	Notes	2013	2012
Banco Scotiabank, S.A., in dollars, annual interest rate of 4.6%, maturity in 2017, guarantee of the Government of Costa Rica	22.4	US$27,857,143	
Central American Bank of Economic Integration, in dollars, annual interest rate of 3.5% on 2013 and 6.30% on 2012 (prime rate plus 3.5%) maturity in 2017, guarantee of the Government of Costa Rica	22.3		US$30,000,000
Corporación Andina de Fomento, in dollars, annual interest rate of 5.48% on 2013 and 5.55% on 2012 (Libor rate at six months plus 2%) maturity in 2018, guarantee of the government of Costa Rica	22.2	10,000,000	12,000,000
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	22.1		916,258
Subtotal		37,857,143	42,916,258
Less: Current portion of the long-term Debt		(6,285,714)	(8,916,258)
Total		US$31,571,429	US$34,000,000

Scheduled maturities of long term debt as of December 31, 2013 and 2012 are the following:

Year	2013	2012
2013		US$ 8,916,258
2014	US$ 6,285,714	8,000,000
2015	6,285,714	8,000,000
2016	6,285,714	8,000,000
2017	6,285,714	8,000,000
2018 and on	12,714,287	2,000,000
Total	US$37,857,143	US$42,916,258

14. LONG-TERM BONDS PAYABLE

Long-term bonds payable as of December 31, 2013 and 2012 are described below:

	2013	2012
Series A1 bonds payable	US$ 50,000,000	US$49,069,183
Premium in placement	722,539	787,876
Series A2 bonds payable	50,000,000	
Premium in placement	114,136	
Total	US$100,836,675	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.

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 thousand 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).

On April 3, 2013, RECOPE auctioned the A2 Series, and Series A bonds were issued (at a 15-year term and 5.83% return for a total of US$50 million, which was executed on said date.

For Series A2 bonds, the weighted average price was 100.20%. The premium in the borrowing of the bonds payable of the public debt was US$722,539, 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: April 3, 2013.
- Nominal value of the series: US$1,000 (one thousand dollars).
- Redemption price for each series: 100% of its nominal value.
- Series A2 maturity date: April 3, 2028 (15-year term).
- Series A2 Code ISIN: CRRECOPB0020.
- 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 A2 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.

15. 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 No.7092. Regarding the income tax returns of the last two fiscal years (2012-2011), they were timely filed in accordance with the current regulations.

Income Tax Calculation - Income tax is calculated on the net profit, less non-taxable income plus non-deductible expenses, less the investment reserve at the end of the fiscal year to get the net income (taxable income or taxable surplus) to which 30% is applied and corresponding to the current rate. It is filed and paid in March of the following year.

Additionally and based on the provisions contained in the ruling of the Tax Administrative Court No. TFA-504-2011, which was ratified by the Contentious-Administrative and Civil Treasury Court through ruling No.125-2012-VI of July 27, 2012, it stated that for the purposes of the deduction by RECOPE of the Investment Reserve as set forth in Article No.2 of Law No.7722, this reserve must meet the following requirements:

- To be authorized by ARESEP,

- To be created from an accounting point of view, registered, controlled, and adjusted (showing its actual level of use - implementation), and

- To be useful, necessary, and relevant to the service provision and the generation of taxable income.

Tax Review for Fiscal Years 2009 and 2010 - On May 25, 2012, the Audit Subdirectorate of the National Large Taxpayer Directorate sent the Communication to Conduct Tax Review No.1972000125794, aimed to verify the Income Tax returns of fiscal years 2009 and 2010.

On May 14, 2013, the competent office held a hearing to inform about the results of the Tax Review. The assessments made are based on the rejection of the deduction of the investment reserve and the assessment notice determined an additional tax amount for a total of US$36,085,888 plus interest; according to the payment date this determination is as follows:

2009 Period	US$ 7,177,289
2010 Period	28,908,599
Total	US$36,085,888

RECOPE accepted the terms of the assessments made and rectified the additional tax amounts in accordance with instructions by RECOPE's Board of Directors as set forth in the agreement contained in Article No.4 of Ordinary Session No.4707-260 of April 24, 2013, as reported to the Finance and Administration Management through Official Letter JD-150-2013 of May 8, 2013, which was ratified by an agreement set forth in Article No.5 of Ordinary Session No.4711-264 of May 15, 2013, reported to this Management area through official letter JD-175-2013 of May 21, 2013.

To pay the assessed tax, a request to approve tax partial installment payments was filed with the Tax Administration in accordance with provisions contained in Article No.38 of the Code of Tax Standards and Procedures and Guideline DGT-R-006-2011, which was approved in document No.SRCST-FR-02-2013, which considers the initial payment of 50% of the amount of the assessed tax, plus interest of ¢6.871.496.034 as of the payment date (last day of July 2013). 50% of the remaining tax will be paid within a maximum term of twenty-four (24) months in equal installments of US$751,789, plus the corresponding interest, as of August 2013 and until July 2015 (including both).

A detail of the payments made by RECOPE in 2013 to the main balance of the income tax payable as assessed by the Tax Administration is as follows:

Initial balance of tax payable:	
Less payments made:	US$ 36,085,888
July 2013	(17,961,085)
August 2013	(751,789)
September 2013	(751,789)
October 2013	(751,789)
November 2013	(751,789)
December 2013	(751,789)
Tax payable balance as of December 31, 2013	US$ 14,365,858

The scheduled due dates and amounts for the income tax payable in the long run as of December 31 are detailed below:

Year	
2014	US$ 9,073,180
2015	5,292,678
Total	US$14,365,858

A detail of the interest paid to the Tax Administration in 2013 is as follows:

	Amount
July 2013	US$13,597,499
August 2013	8,465
September 2013	17,211
October 2013	25,232
November 2013	32,734
December 2013	38,167
Total paid	US$13,719,308

As of December 31, 2013, the interest paid was included by RECOPE in the account of Penalties and Interest from the assessment notice.

Moreover, the Sanctioning Resolution Proposal as set forth in Article No.81 of the Code of Tax Standards and Procedures No.1-10-12-024-511-3, was notified for a total amount of US$9,021,532, a sanction resulting from the tax assessments that were not paid to the Tax Authorities. The itemization is as follows.

2009 Period	US$1,794,382
2010 Period	7,227,150
Total	US$9,021,532

RECOPE accepted the sanction and paid by applying a 55% reduction granted by the provisions contained in Article No.88 of the Code of Tax Standards and Procedures; therefore, the expense to be recorded by RECOPE is US$4,200,108, which was paid through an offsetting of balances requested in conformity with provisions contained in Article No.46 of the Code of Tax Standards and Procedures. As of December 31, 2013, this amount was included by RECOPE in the account of Penalties and Interest from the assessment notice.

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:

	2013	2012
Profit before income tax	US$ 22,181,179	US$ 1,816,180
Plus: non deductible expenses	37,204,732	12,617,237
Less: other non deductible	(82,750,203)	(4,836,044)
Less: non taxable income	(327,760)	(883,722)
Taxable (loss) gain	US$(23,692,052)	US$ 8,713,651
Current income tax (30% on taxable gain)		US$ (2,614,095)
Assessment notice	US$(36,370,896)	
Deferred tax	802,763	2,283,637
Income tax of the period	US$(35,568,133)	US$ (330,458)

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

	2013	2012
Balance at the beginning	US$ 6,288,950	US$6,848,070
Translation adjustment	90,468	39,381
Severance benefit accrual	(1,807,361)	(598,501)
Balance at the end	US$ 4,572,057	US$6,288,950

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

	2013	2012
Balance at the beginning:	US$(23,046,913)	US$(25,831,675)
Translation adjustment	(310,063)	(97,376)
Asset revaluation		
Deferred income tax on revaluated depreciation	2,829,719	2,882,138
Deferred income tax liability of the year	US$(20,527,257)	US$(23,046,913)
Deferred income tax of the year - net	US$(15,955,200)	US$(16,757,963)

16. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties are broken down as follows:

	Notes	2013	2012
Investment in joint venture:			
Soresco, S.A.	8	US$48,337,626	US$30,447,583
Account receivable:			
Ministry of Financing	4	US$ 1,426,675	US$ 4,634,932

(Continues)

	Notes	2013	2012
Account receivable - long term:			
JAPDEVA		US$ 3,917,198	
National Concession Board		605,559	US$ 598,527
Total	4	US$ 4,522,757	US$ 598,527
Advances:			
Soresco, S.A.		US$ 1,328,166	US$ 2,199,881
Accounts payable:			
Ministry of Financing	10	US$63,281,060	US$33,168,786
Total		US$63,281,060	US$33,168,786

The account receivable from JAPDEVA corresponds to a payment settlement for the engagement of a tow truck and generating an interest equal to the basic borrowing rate set by the Central Bank of Costa Rica (6.5% in 2013).

For the other accounts receivable, there is no expiration date or guarantee of their balance, and they do not earn interest.

The transactions with related parties are the following:

	2013	2012
Sales:		
Costa Rican Institute of Electricity	US$247,791,363	US$122,775,786
To the Ministries of the Government of Costa Rica	6,372,533	5,286,004
Total	US$254,163,896	US$128,061,790
Cost of sales:		
Costa Rican Institute of Electricity	US$228,401,691	US$115,163,687
To the Ministries of the government of Costa Rica	5,873,882	4,958,272
Total	US$234,275,573	US$120,121,959
Expenses:		
Seating fees to the Board of Directors	US$ 22,486	US$ 33,330
Salaries to directors and managers	1,517,417	1,581,023
Total	US$ 1,539,903	US$ 1,614,353

17. CAPITAL STOCK

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

18. SURPLUS FROM DONATION

As of December 31, 2013 and 2012 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 (carbon exploration)	326,840
Debit remission - Government of The Netherlands	1,129,446
Castella pipeduct	151,830
Total	US$34,808,316

19. INVESTMENT RESERVE

Ruling No.125-2012-VI of the Contentious-Administrative and Civil Treasury Court defined the tax situation for RECOPE's Income Tax, thus ratifying the decision issued by the Administrative Treasury Court through Ruling No.TFA-504-2011-P and resolution No.DT10R-004-11 of the Tax Administration. These rulings ratified the binding requirements to be met by the investment reserve to be considered as deductible items for the calculation of the income tax as follows:

- To be authorized by ARESEP,
- To be created from an accounting point of view, registered, controlled, and adjusted (showing its actual level of use - implementation), and
- To be useful, necessary, and relevant to the service provision and the generation of taxable income.

The movement of the investment reserve is as follows:

	2013	2012
Initial balance	US$ 44,816,631	US$44,816,631
Increases	214,864,026	
Decreases	(259,680,657)	
Final balance	US$	US$44,816,631

20. OPERATING EXPENSES

Expenses by nature are detailed as follows:

	2013	2012
Personal services	US$ 90,565,456	US$ 82,926,983
Non personal services	45,776,203	39,121,634
Materials and supplies	16,705,079	17,360,134
Depreciations and amortizations	42,411,505	35,442,077
Applied expenses	(717,186)	(1,043,325)
Ordinary transfers	6,245,260	5,830,819
Total	US$200,986,317	US$179,638,322

21. FINANCIAL INSTRUMENTS

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

21.1 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.

21.2 FINANCIAL INSTRUMENTS - CATEGORIES

Financial instruments are categorized as follows:

	2013	2012
Financial assets:		
Cash	US$124,159,151	US$ 68,430,901
At amortized cost:		
Cash equivalents - held to maturity	17,929,358	
Accounts receivable	6,985,917	5,310,732
Total assets	US$149,074,426	US$ 73,741,633
Financial liabilities:		
At amortized cost	US$468,954,066	US$280,931,336
Total liabilities	US$468,954,066	US$280,931,336

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 No.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 colón 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 colón 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:

	2013	2012
Assets:		
Cash and cash equivalents	US$ 27,729,659	US$ 35,334,060
Accounts receivable	34,276,435	39,995,526
Total assets	62,006,094	75,329,586
Liabilities:		
Accounts receivable	(198,550,530)	(143,802,434)
Debt	(200,414,165)	(84,000,000)
Total liabilities	(398,964,695)	(227,802,434)
Net exposure	US$(336,958,601)	US$(152,472,848)

Exchange Rate Sensitivity Analysis - The following description shows sensitivity to decrease or increase in foreign exchange rate. The sensitivity rate used by Management is 4%, accounting for the best estimate of exchange rate variation.

Sensitivity to Increase / Decrease in Exchange Rate -

Net exposure	US$(336,958,601)
Closing exchange rate	502,47
Exchange rate variation of 4%	20,10
Loss / Profits	¢ (6.772.867.880)

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, 2013 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 6.5%	US$138,732,344			US$3,917,198	US$142,649,542
Non-interest rate bearing instruments		3,356,165	US$2,817,179	US$10,661	240,879	6,424,884
Total		US$142,088,509	US$2,817,179	US$10,661	US$4,158,077	US$149,074,426

Scheduled payments of financial liabilities as of December 31, 2013 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			US$ 61,520,918	US$ 6,285,714	US$132,408,104	US$200,214,736
Non-interest rate bearing obligations			263,763,535	4,975,795		268,739,330
Total		US$	US$325,284,453	US$11,261,509	US$132,408,104	US$468,954,066

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$68,430,900				US$68,430,900
Non-interest rate bearing instruments			US$4,971,540		US$339,193	5,310,733
Total		US$68,430,900	US$4,971,540	US$	US$339,193	US$73,741,633

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$3,458,128	US$5,458,129	US$83,857,059	US$ 92,773,316
Non-interest rate bearing obligations		US$188,158,020				188,158,020
Total		US$188,158,020	US$3,458,128	US$5,458,129	US$83,857,059	US$280,931,336

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$71,520,918	US$(715,209)	US$(1,430,418)
Decrease	US$71,520,918	US$ 715,209	US$ 1,430,418

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.

21.3 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:

	2013	2012
Notes payable and bank debt	US$ 200,214,736	US$ 92,773,316
Cash and cash equivalents	(142,088,509)	(68,430,901)
Net debt	US$ 58,126,227	US$ 24,342,415
Stockholders' equity	US$ 663,164,409	US$666,222,044
Leverage index	8.76%	3.65%

21.4 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 of 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*** - 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.

22. AGREEMENTS

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

Through Law No.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 was in July 2013.

22.2 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.

22.3 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.

In January 2013, this operation was duly paid.

22.4 LOAN AGREEMENTS WITH SCOTIABANK

On January 11, 2013, a loan agreement was entered into with Scotiabank for the refinancing of liabilities:

Amount - US$30 million.

Disbursements - 14 bi-annual installments as of the execution date of the loan agreement.

Term and Amortization - 7 years, 14 bi-annual installments with a maturity date in January 2020.

Interest Rate - An interest rate of 4.6% for the first 3 years and thereafter, a six-month Libor Rate + 3.80%.

Interest in Arrears - An interest rate of 2 additional points will be recognized for the previously defined rate.

Commitment Fee - In conformity with provisions set forth in Section 3.6, RECOPE will pay to the Bank a commitment fee of 0.25% per year on the disbursed loan balances. A prepayment fee of 2% on the amounts prepaid by the debtor is set for the loan.

Positive obligations in accordance with Clause 8.1:

a. Keep the assets in the same preservation and working conditions, except for ordinary impairment over time, so that businesses related to them can be always conducted.

b. Comply with all the significant aspects related to any applicable laws, regulations, executive orders, resolutions, and taxes.

c. Comply with the terms and conditions of any commitments, arrangements, and agreements to which it is a party or which affect its assets.

d. Keep its corporate capacity in full force and effect to be able to operate.

e. Notify the Bank in writing about any case of non-compliance or circumstances that, over time, can become a case of non-compliance.

f. Notify the Bank about any litigation and court, administrative, or arbitration proceedings that might have an adverse impact on its business.

g. File any and all tax returns and other taxes on a timely basis.

h. Provide the Bank with the following information: annual audited financial statements and annual projected cash flows, which must be sent within one hundred twenty calendar days of the end of the fiscal year (December 31 according to the definition set forth in item 1.13), interim quarterly financial statements, which must be sent within thirty calendar days of the end of the fiscal year.

i. Keep a debt/capitalization ratio not higher than 60%.

j. Keep a coverage ratio for the debt service (EBITDA/ interest expenses + current portion of the long-run debt) not less than two times. EBITDA stands for 'Earnings Before Interest, Taxes, Depreciation and Amortization, plus other non-cash expenses and the income tax.

Non-compliance with Clause 10.1:

a. Failure to pay the principal and interest at maturity.

b. In the event of non-compliance with the implementation of any other term, obligation, or condition contained in the loan agreement and this non-compliance is not corrected or removed within 30 calendar days of the occurrence date.

c. Use of loan funds for non-approved purposes.

d. In the event of a change that significantly and adversely affects the debtor's financial situation that prevents the compliance with the loan requirements in accordance with the terms agreed.

e. The failure to pay any applicable fees, rates, or taxes.

22.5 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., which 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 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.

Through Official Letter DFOE-DI-1409 of the Office of the Comptroller General of the Republic, of June 20, 2013; the comptroller body ordered RECOPE to refrain from using the feasibility study conducted by HQCEC and any other study based on the results of the latter because HQCC is a related party of CNPCI (with a 50% interest in Soresco) and the holding company CNPC, and ordered RECOPE to take any relevant corrective actions because it questioned the independence of the feasibility study of the Moín Refinery Expansion and Modernization Project because it lacks the necessary relevance for the decision making process of the parties related to the Project, thus failing to comply with clause 5.02 subparagraph c) of the Joint-Venture Agreement. Moreover, the Board of Directors, through Official Letter JD-245-2013, ratified during ordinary session No.4720-273, Article No.7.3, the statements made by the Office of the Comptroller General of the Republic and ordered the compliance with the provisions set forth by the comptroller body; therefore, the studies needed to continue with the development of the project are being conducted.

23. SUBSEQUENT EVENTS

23.1 Through agreement by the Board of Directors No.JD-4772-325 of February 10, 2014, the Board of Directors of RECOPE asked the President's office to ask RECOPE's Stockholders' Meeting to establish an accounting reserve amounting to ¢200.100 million, by taking RECOPE's accumulated profit as of December 31, 2013. The purpose of such reserve will be to restrict profits and use them in a future capital increase after the Company's Stockholders' Meeting authorizes such an increase and duly records it, so that RECOPE complies with the leverage ratio stipulated by SUGEVAL, in conformity with provisions contained in Article No.14 of the "Regulations on the requirement to authorize the public offering of securities," with a result not higher than 4.

23.2 Pursuant to the terms of the resolution by the Regulatory Authority for Public Services RIE-055-2013, published in Supplement No.106 of the official newspaper La Gaceta No.111 of June 11, 2013, the regulatory body ruled in subparagraph III, of the Whereas section, as follows:

> *"IV. Approve for fiscal year 2014 an investment reserve for a total amount of ¢30.676,76 million, considered in the k factor of the fuel sales price structure and also corresponded to the investment reserve and development funds stipulated by Law 7722 referred to as "Compliance of Governmental Companies with the Payment of the Income Tax."*

This express approval by ARESEP is in conformity with provisions contained in Ruling No.TFA-504-2011-P by the Administrative Treasury Court and Ruling No.125-2012 by the Administrative Contentious Court; therefore, it asked the Board of Directors for an authorization to proceed with the accounting recording and create the Investment Reserve for 2014.

Pursuant to GAF-0114-2014, a request was made to RECOPE's Board of Directors to authorize the recording of such Investment Reserve, and the agreement by the Board of Directors No.4771-324 of February 5, 2014 finally approved the recording of such a reserve for 2014.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by RECOPE's management on February 26, 2014.

*** * * * ***

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.

	2013	2012
Current assets	US$ 545,281,132	US$ 380,617,303
Cash and cash equivalents	(142,088,509)	(68,430,901)
Current liabilities (does not include current portion)	(395,079,738)	(214,435,633)
Financial working capital	US$ 8,112,885	US$ 97,750,769

This index shows that in 2013, the financial working capital decreased compared to 2012, since RECOPE required more 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:

	2013	2012
Current assets	US$545,281,132	US$380,617,303
Current liabilities	401,365,452	223,351,891
Current assets/ Current liabilities	135.86%	170.41%

This ratio reveals that RECOPE has less 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.

	2013	2012
Sales	US$3,232,363,172	US$3,116,216,828
Assets	1,233,426,043	1,011,152,124
Sales/assets	2.62	3.08

In 2013, for every dollar invested in assets, RECOPE generated 2.62 times in sales, which represents an decrease in the indicator obtained in 2012. The conversion from assets to sales was less 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:

	2013	2012
Sales	US$3,232,363,172	US$3,116,216,828
Property, plant, vehicles and equipment - net	620,954,042	583,624,820
Sales/ property, plant, vehicles and equipment - net	5.21	5.34

The result of the turnover in 2013 indicates that for every dollar invested in fixed assets, RECOPE generated 5.20 times in sales, which represents a slight decrease compared to the situation that occurred in 2012.

5. DEBT RATIO

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

	2013	2012
Liabilities	US$ 570,261,634	US$ 344,930,080
Assets	1,233,426,043	1,011,152,124
Liabilities / assets	46.23%	34.11%

There has been a lack of improvement in the ratio given for the increase in the liabilities, such as the deferred income, accounts payable, and notes payable. According to the debt ratio, 2013, 53.77% of the asset belongs to the equity investors (the State), while in 2012, it was 65.89%.

6. DEBT RATIO (COST)

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

	2013	2012
Long term debt	US$ 138,693,818	US$ 92,773,317
Assets	1,233,426,043	1,011,152,124
Long term debt/assets	11.24%	9.18%

In 2013, the long-term debt funded 11.24% of the total asset, and the remaining 88.76% was provided by RECOPE, which shows a 2.06 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.

	2013	2012
Net (loss) profit	US$ (13,386,954)	US$ 1,485,722
Sales	3,232,363,172	3,116,216,828
Net (loss) profit/ sales	(0.41)%	0.05%

This indicator discloses a decrease compared to the 2013 period, since RECOPE obtained net losses mainly from the assessment notice (Note 15.)

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.

	2013	2012
Net (loss) profit	US$ (13,386,954)	US$ 1,485,722
Assets	1,233,426,043	1,011,152,124
Net (loss) profit / assets	(1.09)%	0.15%

In 2013, a significant decline of this ratio was observed in comparison to 2012.

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.

	2013	2012
Net (loss) profit	US$ (13,386,954)	US$ 1,485,722
Stockholders' equity	663,164,409	666,222,044
Net (loss) profit /equity	(2.02)%	0.22%

In 2013, a significant decline of this ratio was observed in comparison to 2012.

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.

	2013	2012
Operating expenses	US$ 200,986,317	US$ 179,638,322
Sales	3,232,363,172	3,116,216,828
Net (loss) profit/ sales	6.22%	5.76%

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.

	2013	2012
Operating profit	US$51,946,075	US$12,397,368
Depreciations and amortizations	42,443,071	35,506,182
Total EBITDA	US$94,389,146	US$47,903,550
Financial expenses	US$ 5,197,727	US$ 5,068,861
EBITDA/financial expenses	18,16	9,45

This ratio discloses that in 2013 RECOPE considerably increase its capacity to cover long-term debt financial expenses, as compared to 2012.

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