



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Financial Statements

31 December 2019

(Together with the Auditor's Report)

(Free translation from the original report in Catalan. In the event of discrepancy, the Catalan-language version prevails)



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Balance sheet at 31 December 2019 with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

<u>Assets</u>	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Liabilities</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
Non-current assets	157,272,234	153,178,812	Net Equity	179,111,155	168,782,719
Intangible assets (note 5)	1,656,552	2,763,604	Capital	-	-
Set-up expenses	-	-	Capital	-	-
Research and Development expenses	-	-	Share premium	-	-
Goodwill	-	-	Reserves	-	-
Other intangible assets	1,656,552	2,763,604	Legal reserve	-	-
Tangible assets (note 6)	123,442,953	140,056,567	Revaluation reserve	-	-
Land and buildings	18,009,599	24,845,749	Reserve for treasury shares	-	-
Technical facilities and other tangible fixed assets	103,192,728	113,172,629	Statutory reserves	-	-
Tangible fixed assets under construction and advance payments	2,240,626	2,038,189	Other reserves	-	-
Investments in real estate (note 7)	-	-	Shareholders' equity instruments	-	-
Financial assets (note 8 (a))	32,172,729	10,358,641	Results of previous years (note 12)	164,220,017	154,195,410
Group companies and associates	31,741,053	9,884,285	Surplus	164,220,017	154,195,410
Equity instruments	18,447,371	3,005,122	Losses of previous years	-	-
Loans and accounts receivable	13,293,682	6,879,163	Income for the year (note 3)	14,891,138	14,587,309
Other	-	-	Interim dividend	-	-
Other companies	431,676	474,356	Non-current liabilities	15,326,090	16,934,161
Equity instruments	12,020	12,020	Long-term provisions (note 14 (a))	3,873,502	2,857,245
Loans and accounts receivable	-	-	Long-term debts (note 13 (a))	4,762,661	7,063,771
Other	419,656	462,336	Debentures and other marketable securities	-	-
			Amounts owed to credit institutions	3,144,098	5,426,964
			Other	1,618,563	1,636,807
Current assets	47,916,918	43,796,817	Long-term debts with group and partner companies (note 13 (b))	-	-
Other non-current assets on sale (note 10)	-	-	Subsidies (note 17)	6,689,927	7,013,145
Inventories (note 9)	1,119,891	1,530,433	Current liabilities	10,751,907	11,258,749
Raw materials and consumables	1,119,891	1,530,433	Liabilities linked to other non-current assets on sale	-	-
Products in progress and manufacturing	-	-	Short-term provisions (note 14 (b))	164,076	156,291
Finished products and goods	-	-	Short-term debts (note 13 (c))	3,946,303	3,703,871
Advance payments to suppliers	-	-	Debentures and other marketable securities	-	-
Other	-	-	Amounts owed to credit institutions	2,283,147	2,270,945
Short-term loans and accounts receivable (note 8 (b))	8,430,499	7,954,979	Short-term financial derivatives	-	-
Clients for sales and provision of services	8,006,558	7,614,375	Other	1,663,156	1,432,926
Credits and accounts receivable in Group companies and associates	132,398	11,589	Short-term debts with Group companies and partner companies (note 13 (d))	650,000	-
Rest of credits and accounts receivable	291,543	329,015	Commercial creditors and other accounts payable (note 13 (e))	5,991,528	7,398,587
Short-term financial investments (note 8 (c))	22,247,598	20,229,876	Suppliers	3,454,114	4,258,940
In Group companies and associated companies	6,626,114	7,177,183	Group companies and partner companies, creditors	282,981	179,256
Rest of financial assets	15,621,484	13,052,693	Sundry creditors	1,897,153	2,686,593
Liquid assets (note 8 (d))	15,978,457	13,933,978	Advances from customers	257,019	178,972
Accruals and prepayments (note 11)	140,473	147,551	Other	100,261	94,826
			Accruals and prepayments (note 15)	-	-
Total assets	205,189,152	196,975,629	Total liabilities	205,189,152	196,975,629

The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31 December 2019.

Profit and Loss Account for the reporting period ended 31 December 2019
with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	31/12/2019	31/12/2018
Operating income		
Net revenues (note 16 (a.1))	64,568,937	63,513,024
Variation of inventories of finished products and products in manufacturing process	-	-
Works carried out for the entity's fixed assets (note 16 (a.2))	1,312,897	1,742,584
Other trading income	85,054	47,564
Total trading income	65,966,888	65,303,172
Trading expenses		
Consumption of goods, raw materials and other materials (note 16 (b))	(28,171,872)	(29,932,139)
Staff expenses (note 16 (c))	(6,980,504)	(6,243,799)
Wages, salaries and similar	(5,177,107)	(5,082,660)
Staff welfare expenses	(812,243)	(788,501)
Other staff expenses	(991,154)	(372,638)
Depreciation, impairment of intangible and tangible assets (notes 5 and 6)	(7,902,093)	(8,585,323)
Depreciation	(7,904,198)	(8,222,433)
Income from sale or disposal	2,105	(362,890)
Impairment of current assets	(971)	(120,675)
Credits and accounts receivable	(44,790)	(38,007)
Impairment of inventories	43,819	(49,901)
Excess in provisions	-	(32,767)
Other trading expenses (note 16 (d))	(6,293,204)	(5,826,326)
Leases and royalties	(129,466)	(102,119)
Repairs and maintenance	(2,703,983)	(2,561,478)
Independent professional services	(1,471,226)	(968,690)
Insurance	(395,209)	(522,788)
Banking services	(135,234)	(145,380)
Advertising	(359,057)	(339,225)
Supplies	(203,511)	(213,395)
Taxes and duties	(230,655)	(227,675)
Other external services	(664,863)	(745,576)
Total trading expenses	(49,348,644)	(50,708,262)
Trading profit or loss	16,618,244	14,594,910
Financial income and expenses		
Financial income	46,502	79,302
From participations in equity instruments	300	300
From other financial assets	46,202	79,002
Financial expenses	(154,316)	(194,885)
Payable to related parties	-	-
Other accounts payable	(154,316)	(194,885)
Variation of fair value in financial instruments	138,245	178,444
Exchange differences	-	6,868
Impairment and income from sale or disposal of financial assets	(99,642)	-
Impairment	(99,642)	-
Income from sales or disposals	-	-
Financial profit/loss	(69,211)	69,729
Operating result	16,549,033	14,664,639
Other non-recurring income and expenses		
Other non-recurring income	561,636	772,538
Other non-recurring expenses	(759,462)	(16,200)
Total of other non-recurring income and expenses (note 16 (e))	(197,826)	756,338
Result before tax	16,351,207	15,420,977
Corporation tax (note 18)	(1,460,069)	(833,668)
Profit for the year	14,891,138	14,587,309

Statement of Changes in Equity for the reporting period ended 31 December 2019 and 31 December 2018

(Expressed in Euros)

	Company Capital	Legal Reserve	Other Reserves	Results of previous financial years	Other partners' contributions	Result of the financial year	Total Net Equity
Balance on the 31/12/2017	-	-	-	147,717,343	-	9,254,380	156,971,723
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2016 and previous years	-	-	-	-	-	-	-
Adjusted balance at 01/01/2018	-	-	-	147,717,343	-	9,254,380	156,971,723
Result of the 2018 Financial Year	-	-	-	-	-	14,587,309	14,587,309
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	6,478,067	-	(9,254,380)	(2,776,313)
Distribution of dividends	-	-	-	-	-	(2,776,313)	(2,776,313)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	6,478,067	-	(6,478,067)	-
Balance on the 31/12/2018	-	-	-	154,195,410	-	14,587,309	168,782,719
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2018 and previous years (note 2 (e))	-	-	-	(186,509)	-	-	(186,509)
Adjusted balance at 01/01/2019	-	-	-	154,008,901	-	14,587,309	168,596,210
Result of the 2019 Financial Year	-	-	-	-	-	14,891,138	14,891,138
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	10,211,116	-	(14,587,309)	(4,376,193)
Distribution of dividends	-	-	-	-	-	(4,376,193)	(4,376,193)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	10,211,116	-	(10,211,116)	-
Balance on the 31/12/2019	-	-	-	164,220,017	-	14,891,138	179,111,155

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Cash flow Statement for the reporting period ended 31 December 2019,
with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	31/12/2019	31/12/2018
CASH FLOWS OF TRADING ACTIVITIES		
Profit for the Year	14,891,138	14,587,309
Profit adjustments	8,615,167	7,726,042
Depreciation of intangible and tangible assets	7,904,198	8,222,434
Valuation corrections for impairment	61,751	-
Variation de provisions	1,024,042	(55,151)
Allocation of grants/subsidies	(904,382)	(923,158)
Income from disposals and disposal of tangible/intangible assets	421,744	366,334
Income from disposals and disposal of financial instruments	-	-
Financial income	(46,502)	(79,302)
Financial expenses	154,316	194,885
Exchange differences	-	-
Variation of fair value in financial instruments	-	-
Other income and expenses	-	-
Changes in the current capital	115,504	(711,295)
Inventories	410,542	(102,128)
Debtors and other accounts receivable	(475,520)	(126,855)
Other current assets	7,078	(70,592)
Creditors and other accounts payable	(1,328,967)	(1,060,630)
Other current liabilities	1,502,371	648,910
Other non-current assets and liabilities	-	-
Other cash flows of trading activities	(876,883)	(650,337)
Interest payments	(154,316)	(194,885)
Dividends receipts	300	300
Interest receipts	46,202	79,002
Receipts (payments) due to income tax	(769,069)	(534,754)
Other payments (receipts)	-	-
Cash flows of trading activities	22,744,926	20,951,719
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for investments	(57,126,397)	(21,943,957)
Group companies and associated companies	(13,274,823)	(3,644,890)
Intangible assets	(666,837)	(295,201)
Tangible assets	(4,998,221)	(4,991,336)
Real estate investments	-	-
Other financial assets	(38,186,516)	(13,012,530)
Other non-current assets held for sale	-	-
Other assets	-	-
Receipts from disinvestments	43,091,051	13,519,240
Group companies and associated companies	7,206,110	7,723,381
Intangible assets	-	-
Tangible assets	232,248	-
Real estate investments	-	-
Other financial assets	35,652,693	5,795,859
Other non-current assets held for sale	-	-
Other assets	-	-
Cash flows from investment activities	(14,035,346)	(8,424,717)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts and payments for equity instruments	-	-
Issue of equity instruments	-	-
Amortization of equity instruments	-	-
Purchase of own equity instruments	-	-
Sale of own equity instruments	-	-
Receipts and payments for financial liability instruments	(2,288,908)	(2,295,437)
Issue:	-	-
Bonds and similar securities	-	-
Amounts owed to credit institutions	-	-
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Repayment and amortization of:	(2,288,908)	(2,295,437)
Bonds and similar securities	-	-
Amounts owed to credit institutions	(2,288,908)	(2,295,437)
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Payments for dividends and remunerations of other equity instruments	(4,376,193)	(2,776,313)
Dividends	(4,376,193)	(2,776,313)
Remunerations of other equity instruments	-	-
Cash flow from financing activities	(6,665,101)	(5,071,750)
EFFECT OF EXCHANGE RATE VARIATIONS	-	-
NET INCREASE /DECREASE IN CASH OR EQUIVALENT	2,044,479	7,455,252
Cash or equivalent at the start of the period	13,933,978	6,478,726
Cash or equivalent at the end of the period	15,978,457	13,933,978

(1) Nature and activity of the Entity, organization and financial information

Forces Elèctriques d'Andorra (hereinafter referred to as FEDA or the Entity) was established by the Law passed by the General Council of the Valleys of Andorra at the extraordinary meeting of 14 January 1988 and subsequently amended on 18 January 1991, 4 November 1993 and 18 November 2010, as a public law Entity with its own legal status as a separate entity and autonomous organization with its own equity and full capacity for the development of its purposes, without prejudice to the limitations established in the law and in its regulations.

Law 5/2016 regulating the public body Forces Elèctriques d'Andorra (FEDA) and the scheme for the activities of the electric, cold and heat sectors was passed on 10th March 2016, while the Law creating FEDA, of 14th January 1988, subsequently amended by laws of 18th January 1991, 4th November 1993 and 18th November 2010, was repealed

FEDA is entrusted by law with the following functions:

1) Activities managed directly:

- The importation and exportation of electrical energy.
- The wholesale purchase and sale of electric energy, useful cold and heat.
- The operation, maintenance and development of the electricity transport network.
- The supply of natural gas to the plants for the cogeneration of electric and useful thermal energy connected to a public heat network.
- The acquisition of liquefied natural gas (LNG) in the international markets.

2) Activities under a scheme of administrative concession:

- The production of electric energy, useful heat (cogeneration) and useful cold (trigeneration).
- The distribution and retail sale of useful cold and heat.

The activities under an administrative concession scheme may also be developed directly through a mercantile company, which must be authorised by the Government, and the majority of the capital must belong to FEDA. On 8 November 2018 after being authorised by the Government the company Capçelera d'Infraestructures Energètiques, SAU was constituted to perform activities under an administrative concession scheme. The entity owns 100% of its actions as at 31 December 2019 (see notes 5, 6 and 8 (a.1)).

As at 10 September 2018 the Entity proceeded to create a wholly owned affiliate called FEDA Solucions, SAU whose social object consists of energy saving and energetical efficiency services.

In order to pursue the above mentioned aim, the Entity will manage and operate all existing technical infrastructure and any that might be installed in the future.

The governing organs of the Entity are:

- The Board of Directors.
- The General Director.

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The Entity is subject to the budget scheme. Each year, the Board of Directors passes the budget project and sends it to the Government of Andorra together with the documents envisaged under the General Law on Public Finance.

The regulatory framework on financial information applicable to the Entity is the Andorran National Chart of Accounts, passed by the Government on 23rd July 2008 and amended by the Decree, of 15 February 2012, and which develops the provisions of Law 30/2007, of 20 December 2007, on the accounting of business persons, and the compulsory legal provisions in accounting matters (see note 2 (b)).

FEDA electricity rates for the reporting period ending 31 December 2019 are governed by the Decree of 12 December 2018 amending electricity rates, which was published in the Official Gazette of the Principality of Andorra of 19 December 2018. Additionally, and concerning charges for the retail sale of useful heat, these are governed by the Decree of 14 September 2016 creating the charges for the retail sale of useful heat, which was published in the Official Gazette of the Principality of Andorra of 21 September 2016, and by subsequent reviews that modify these charges.

Financial equilibrium is the objective of the economic management of the Entity. However, it may use a part of the operating surpluses to establish a reserve fund, which must be applied exclusively to financing improvements and extensions to the installations; the remainder of these operating surpluses will revert to the General Administration. The distribution of the surpluses will be decided by the FEDA Board of Directors.

(2) Rules of presentationa) Accurate Portrayal

These financial statements comprise the Balance Sheet, the Statement of Changes in Net Equity as at 31 December 2019, as well as the Profit and Loss Account, the Statement of cash flow and the explanatory notes corresponding to the reporting period ended on the aforementioned date.

These financial statements have been prepared by the Board of Directors of the Entity for the purpose of reflecting a fair true image of the equity and the financial situation of the Entity on 31 December 2019 and of the results of its operations corresponding to the reporting period ending on the aforementioned date.

These financial statements have been prepared in Euros using accounting auxiliary registers of the Entity. These financial statements are pending approval by the Administration Board of the Entity to be subsequently sent to the Government of Andorra for their approval. Despite this, the Board of Directors of the Entity expects that these annual accounts will be approved without any significant variations.

b) Basis of presentationb.1) First application of the Andorran National Chart of Accounts

At its session of 22 December 2016, the Government of the Principality of Andorra approved the Regulations for the adoption of the International Public Sector Accounting Standards as a matter for the framework plan for the state public sector in the Principality of Andorra.

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

With this Decree, the Government of Andorra requires the general Administration and its dependent entities to prepare their annual accounts for the financial years starting from 1st January 2017 in accordance with the International Accounting Standards of the Public Sector.

This Decree repeals that passed by Decree of 27 January 1999 which approved the General Public Accounting Plan of the Principality of Andorra and which had to be used by the general Administration and its dependent entities.

In accordance with Article 2.2 of the Regulations concerning the adoption of the -International Public Sector Accounting Standards, it is established that those entities, including FEDA, that depend on the general administration and which are considered to be public companies, must use the Andorran National Chart of Accounts approved by the Decree of 23 July 2008 and amended by the Decree of 15 February 2012 (note 1) as their accounting plan framework.

The annual accounts corresponding to 31 December 2017 were the first annual accounts prepared by FEDA in accordance with the Andorran National Chart of Accounts (PGCA). Up to that date, the Entity had prepared its financial statements in accordance with the compulsory accounting principles that affect equity, the financial situation and the results thereof, which were established in the Andorran National Chart of Public Accounts approved by the decree on 27 January 1999.

b.2) Generally Accepted Accountancy Principles

In the creation of these annual accounts, all the obligatory accountancy principles have been applied which affect the capital, the financial situation and the results of the Entity, as established in accordance with current legislation, i.e. the Public Finance Law and the Andorran National Chart of Accounts passed by the Government of Andorra on 23 July 2008 and amended by the Decree, of 15 February 2012.

c) Working capital

The accompanying Balance Sheet at 31 December 2019 shows a positive working capital for the sum of €37,165,011 (positive working capital for the sum of €32,538,068 at 31 December 2018). This situation is mainly a consequence of the benefits obtained during the last reporting periods and the application of the business plan which envisages the financing of investments with own funds and long-term borrowing.

As at 31 December 2019 cash flow previsions are positive and accordingly the Entity has sufficient liquidity to avoid the creation of cash-flow problems or jeopardising the going concern principle.

d) Comparing information

Management presents the annual accounts with comparative figures for the previous period (for the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity, the Statement of cash flow and the explanatory notes to the Financial Statements), for their information and consideration, classifying the figures for the previous reporting period comparatively with those of the current reporting period.

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

e) Changes in accounting criteria and correction of errors

In accordance with what is established in the Andorran National Chart of Accounts, during the reporting period ended 31 December 2019, the Directors have classified and adjusted the accounting of certain items of the balance sheet in relation to those presented in the annual accounts for the year ended 31 December 2018. Details of the reclassifications and adjustments that have been made are shown below:

- (e.1) The Directors of the Company have reclassified €186,509 from the heading "Intangible Assets" on the assets side of the balance sheet to the heading "Surplus" on the liabilities side of the balance sheet, corresponding to the value of the retroactive correction from the useful life of some assets, which were installed in a terrain obtained by an administrative concession. The terrain has been transferred during the 2019 reporting period with its corresponding intangible assets to the affiliate company Capçalera d'Infraestructures Energètiques, SAU (see note 6). Details of the aforementioned change are shown below:

	Euros	
	Debit	Credit
Surplus	186,509	-
Accumulated Depreciation	-	186,509
	<u>186,509</u>	<u>186,509</u>

(3) Distribution of results

The proposal for the distribution of results for the reporting period ended 31 December 2019, pending the approval by the Board of Directors, is as follows:

	Euros
Surplus	10,423,797
Dividends of the reporting period	4,467,341
	<u>14,891,138</u>

The proposal for the distribution of results for the reporting period ended 31 December 2018, approved by the Board of Directors, was as follows:

	Euros
Surplus	10,211,116
Dividends of the reporting period	4,376,193
	<u>14,587,309</u>

(Continued)

(4) Registry norms and evaluation

The main registry and evaluation norms applied by the Entity in these financial statements, in accordance with the provisions of the General Accounting Plan, are as follows:

a) Intangible Assets

Intangible assets are presented as being valued at net purchase cost or production cost, less the corresponding accumulated depreciation and, if applicable, less any loss for impairment.

Maintenance and repairs expenses for intangible assets which do not prolong their useful life are recognized as expenses at the time that they are incurred.

The depreciation of elements of the intangible assets shall be calculated on the cost value, which is calculated in accordance with the lineal method and for a useful estimated life of:

	<u>Years of useful life</u>
Administrative concessions	30
I. T. applications	5
Other intangibles assets	5

b) Tangible Assets

Tangible assets are presented in accordance with the net purchase cost, or production cost, less the accumulated depreciation and, if applicable, less any irreversible impairment losses.

The depreciation of elements of the tangible assets shall be calculated on the cost value, which is calculated in accordance with the lineal method and for a useful estimated life of:

	<u>Years of useful life</u>
Constructions	12-45
Infrastructures	40
Production teams	15-60
High Tension and ETR	20
Distribution of assets	10-20
Technical facilities of buildings	12
IT equipment and remote control	5
Transportation elements	5
Furniture	5

Expenses for maintenance and repairs of those assets which do not improve their use or prolong their useful life are charged to the account for profit and loss when they occur.

Impairment loss in value for tangible and intangible assets

At the end of each reporting period, or whenever there are signs of an irreversible loss in value for tangible assets other than systematic amortisation, the Entity assesses using the so-called "Impairment test" the possible existence of losses in value that reduce the recoverable value of the aforementioned assets to an amount below their book value.

c) Investments in real estate

This section is not applicable in these financial statements.

d) Financial Assets

Classification

The financial assets of the Entity are classified into the following categories:

- Financial assets at amortized cost: financial assets that originated in the sale of goods or in the provision of services for the everyday operations the Entity, or those which not having a commercial origin, are not equity instruments or derivatives and are charged at a fixed or determinable amount and are not traded on an active market.

Distributable expenses corresponding to the Entity's contribution to the outsourcing of the pensions plan for the future expense of staff members until they reach retirement age are among the financial assets measured at amortized cost that the Entity has recorded for the long term under the caption "Other companies – Others" and for the short term under the caption "Accruals and prepayments". These are measured at their acquisition cost and charged to the income statement until the maturity date of the contribution in accordance with a financial plan.

- Financial assets held for trading: it is considered that a financial asset (loan or credit whether commercial or not, debt security, equity instrument or derivative) is held for trading when:
 - It originated or was acquired with the intention of being sold in the short term.
 - It is a derived financial instrument, provided it is not a financial guarantee contract or designated as a hedging instrument.
- Financial assets at cost: investments in the equity of group and partner companies. Group companies are those linked to the Entity through a relationship of control, while partner companies are those over which the Entity exercises a significant influence.

Initial measurement

Financial assets are initially registered at the fair value of the consideration paid plus any directly imputable transaction costs, with the exception of financial assets held for trading, for which the transaction costs are recorded in the Profit and Loss Account of the reporting period.

Subsequent measurement

Loans and receivables are measured at their amortized cost.

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Notes to the Financial Statements

At least at the close of the reporting period, the Entity carries out an impairment test for the financial assets that are not recorded at fair value. It is considered that there is objective proof of impairment if the recoverable value of the financial asset is less than its carrying value. When this occurs, the carrying value of this impairment is recorded in the Profit and Loss Account.

In particular, and regarding value adjustments related to short-term loans and accounts receivable, the criterion used by the Entity to calculate the corresponding value adjustments, where applicable, is the individualized monitoring of all balances payable at the close of the reporting period.

Financial assets at cost, which correspond to investments in group and partner companies are measured at their cost, reduced, where applicable, by the accumulated amount of any value adjustments for impairment. These adjustments are calculated as the difference between their carrying value and the recoverable amount, which shall be understood as the greater amount between their fair value less selling costs and the current value of the future cash flows deriving from the investment. Unless there is better proof of the recoverable amount, the equity of the investee entity, adjusted for any implicit capital gains existing on the date of the valuation (including goodwill if it exists), will be taken into consideration.

Financial assets held for trading are measured at their fair value, without deducting any transaction costs that there might be when they are disposed of.

The Entity recognizes financial assets when they expire or when the rights over the cash flows of the corresponding financial asset have been ceded, and the risks and benefits inherent in their ownership have been substantially transferred.

In contrast, the Entity does not derecognize the financial assets, and it recognizes a financial liability for an amount equal to the consideration received in the assignments of financial assets in which risks and benefits incidental to owning them, such as discounting drafts, are substantially retained.

e) Stocks

Stocks correspond to replacement parts and other materials for the maintenance and conservation or the production of assets. These are shown at the acquisition price in accordance with the weighted average price method.

The Entity follows the policy of applying valuation allowances when the market value of a good, or any other value that corresponds to it, is lower than its acquisition price or its production cost, and for this purpose the pertinent provision will be made when the depreciation is reversible. When the depreciation is irreversible this circumstance should be taken into account when valuing the stocks.

(Continued)

f) Financial liabilitiesClassification

The financial liabilities of the Entity are classified into the following categories:

- Financial liabilities at amortized cost: Financial liabilities are those debits and payable items that the Entity has, and which have originated in the purchases of goods and services in the normal course of business, as well as those which, without being commercial in origin, cannot be considered as derivative financial instruments.
- Financial assets held for trading: Financial assets held for trading are those held for trading with the idea of selling them in the short term.

Initial and subsequent measurement

Liabilities at amortized cost, which cover debits and payable items, are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. These liabilities are subsequently measured according to their amortized cost.

In the measurement of financial liabilities held for trading, the same criteria as those established for financial assets held for trading are applied (see note 4 (d) above).

The Entity derecognizes financial liabilities when the obligations that generated them have expired.

g) Provisions and contingencies

In the preparation of these annual accounts, the Entity differentiates between:

- Provisions: creditor balances covering current obligations resulting from past events, the cancellation of which will probably cause an outflow of resources, but which remain undefined in terms of the amount and/or moment that they will be cancelled.
- Contingent liabilities: possible obligations that arise as a result of past events and whose future materialization is conditioned by whether one or more future events beyond the control of the Company actually occur or not.

The annual accounts include all the provisions where it is estimated that there is a greater probability of having to meet the obligation than not having to do so. Contingent liabilities are not recognized in the annual accounts, but rather information is provided on them in the notes to the Report, insofar as they are not considered as remote.

Provisions are measured at the current value of the best possible estimate of the amount required to cancel or transfer the obligation, taking into consideration the information available on the event and its consequences, and the adjustments that arise from the updating of these provisions are recorded as a financial expense as they accrue.

The Administrators are responsible for estimating and quantifying the risks related to possible provisions that must be recorded, or contingent liabilities that must be referred to in the report.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

g.1) Provisions for pensions and similar obligations

In accordance with the Staff Regulations of the Entity, all employees who joined FEDA between 1st March 1988 and 31st December 2000, as well as all FHASA/EASA employees, who joined those entities between 1st May 1985 and 1st March 1988, is entitled to a retirement scheme complementary to that of the Andorran Social Security System guaranteed by FEDA (retirement plan B). Likewise, all FHASA/EASA employees, who joined the entity before 1st May 1985 were also entitled to a retirement scheme complementary to that of the Andorran Social Security System guaranteed by FEDA (retirement plan C).

As a result of these Regulations in the 2019 reporting period the Entity has carried out the actuarial study measuring liabilities to be recognised at 31 December 2019 for pension commitments undertaken by FEDA (the previous ones were for the reporting periods of 2002, 2003, 2005, 2007, 2009, 2011, 2013, 2015 and 2017) with the following main hypotheses:

Nominal discount rate	1.40%
Salary increase	1%
Mortality tables	PERM/F2000

Since the invalidity table has no economic effect on the measurement, it was eliminated from the hypotheses of the actuarial calculation carried out for the 2019 reporting period.

The accrued liability, at 31st December 2019, is €2,069,038 (€1,937,978 at 31st December 2018) (see note 14 (a)).

Employees who join FEDA from 1st January 2001 will participate in a pension fund managed by an external company to which FEDA contributes 4% with the worker contributing 4% of his salary to the fund (retirement plan A). This plan has been extended to all employees who have decided to join the plan. FEDA has contributed the total risk of the actuarial study of the employees who joined FEDA before 1st January 2001 and who have opted to join new plan. The contributions accrued in the 2019 reporting period amount to €176,460 (€171,952 in the 2018 reporting period), corresponding to the participation of FEDA in plans B and C for €136,812 (€131,788 in the 2018 reporting period) and the transfer of plan A to deferred expenditure for €39,648 (€40,164 in the 2018 reporting period).

FEDA has registered a provision, in the financial statements under this same heading, corresponding to the free consumption of energy for the years following the retirement of the workers who joined the Entity. Until the 2014 reporting period, the price used to calculate the provision for the consumption of employees was the average purchase price of the electricity bought in France, Spain and that acquired from CTRA,SA with the respective purchase prices paid by FEDA in each reporting period.

For the 2015 reporting period and afterwards, in order to include the effect of the production of the central hydroelectric power station and offer the most accurate information possible, the provision from 2009 has been recalculated to include the production of the hydroelectric power station. The average purchase price has been calculated by proportionally dividing the electricity bought according to the purchase price of each supplier (EDF, Endesa and CTRA, SA) and the electricity produced by the hydroelectric station by its estimated average price.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

For the 2018 reporting period and afterwards, the price is based on the selling prices which are published in the BOPA provided that the liability are welfare provisions and are therefore subject to taxation and contribution.

On the other hand, the technical interest to be applied is now aligned with that used by Mora Assegurances in the assessment of the provision for pensions made in 2017. Accordingly, the interest has changed from 2.5% to the current rate of 1.4%.

h) Recognition of income and expenses

Income and expenses are recorded following the accrual criteria, in other words, according to the real current value of goods and services that they represent and independent of the moment that the receipt or payment of the same took place. These income and expenses are valued by the fair value of the payment received less any commercial discounts and rebates.

The recognition of sales income occurs at the moment that the risks and benefits inherent in the ownership of the sold good are transferred to the buyer, and neither the effective management is maintained over this good nor effective control is retained over it.

Income from services provided is recorded considering the degree to which the service provided is done on the date of the balance sheet, provided that the result of the transaction can be reliably assessed.

i) Classification of assets as current/non-current

The assets and liabilities presented in the Balance Sheet are classified as either current or non-current. In this regard, assets and liabilities are classified as current when they are related to the normal operating cycle of the Entity and it is expected that they will be sold, consumed, settled or put into effect during the course of that cycle. The normal operating cycle is one year for the activity carried out by the Entity.

j) Transactions in foreign currency

j.1) Tangible and intangible assets

As a general rule, conversions to national currency shall be made by applying the exchange rate in force on the date on which the assets were incorporated into equity to the acquisition price or to the production cost.

As a general rule, amortisations and provisions for depreciation should be calculated on the amount resulting from the application of the previous paragraph.

In the event of acquisitions of investments destined for general use or managed investments being made in a foreign currency, the conversion shall be made by applying the exchange rate in force on the date on which the assets were incorporated into equity.

j.2) Stocks

The conversion to national currency shall be made by applying the exchange rate in force on the date on which each acquisition takes place to the acquisition price or to the production cost, applying the average weighted pondered price method.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

It will be necessary to make the provision when the valuation obtained in this manner exceeds the market price of the stocks on the date of the closing of the accounts, if this market price is set in a foreign currency, the conversion to the national currency shall be made by applying the exchange rate in force on the aforementioned date.

j.3) Variable income securities

The conversion to the national currency shall be made by applying the exchange rate in force on the date on which these securities were incorporated into the equity to the acquisition price.

The provision must be made when the valuation obtained in this way exceeds the price that the securities had on the market on the date of the closing of the accounts. If this market price is established in foreign currency, the conversion to national currency shall be made by applying the exchange rate that is in force on the aforementioned date.

j.4) Liquid assets, fixed income securities, credits and debits

The conversion of these assets and liabilities in foreign currency into the national currency shall be made by applying the exchange rate that is in force on the date on which the assets, credits and debits were incorporated into the balance sheet. At the close of the reporting period they will appear in the balance sheet in accordance with the exchange rate that was in force at that moment.

If a negative or positive change difference occurs as a consequence of this valuation, it will respectively be charged against or paid into the result of the reporting period.

k) Indirect General Tax

The General Council of the Principality of Andorra, at its session of 21 June 2012 passed Law 11/2012 on the General Indirect Tax which came into force on 1 January 2013. This law was amended on 18 October 2012 by Law 29/2012 and subsequently on 23 May 2013 by Law 11/2013. The aforementioned law was supplemented by the regulations dated 5 November 2012 and amended subsequently on 17 April 2013. With the coming into effect of this tax the ISI is repealed together with the IMI and the 5.5% canon on electricity consumption, among others.

This law levies a tax on consumption by taxing the provision of goods and services by business people or professionals as well as taxing the importation of goods.

With the coming into effect of Law 11/2012, there are now different tax rates: the general rate (4.5%), the reduced rate (1%), the super-reduced rate (0%) and the increased rate (9.5%).

The general rate is established at 4.5% in favour of the administration unless the application of a different rate has been expressly envisaged.

Tax obligors must decide the tax liability in each assessment period, with the General Indirect Tax applicable in the period being reduced by the amounts of General Indirect Tax that are considered to be deductible.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The assessments of the General Indirect Tax can be made on an annual, half-yearly, quarterly or monthly basis depending on the annual turnover of the activities carried out by the tax obligor during the immediately preceding years. In the case of FEDA, assessments are made on a monthly basis since the turnover of the Entity exceeded the €3,600,000 threshold during the previous reporting period.

Pursuant to the provisions of article 40 of the aforementioned law and given the particular case of FEDA, imports of electricity are exempt from IGI in order to avoid double taxation.

l) Corporate Tax

The General Council of the Principality of Andorra, at its session of 29 December 2010 passed Law 95/2010 on Corporate Income Tax which came into force on 1 January 2012. This law was subsequently amended on 1 December 2011 by Law 17/2011 and supplemented by the regulations of 20 June 2012.

This law taxes world income obtained by legal persons who are fiscally resident in the territory of Andorra and who carry out business activities.

A tax rate of 10% is established on the profits of companies.

Expenditure or income for Corporate Income Tax comprises the part relating to the expenditure or income for the current tax and the part corresponding to the expenditure or income for deferred tax.

The current tax is the amount that the Entity pays as a consequence of the fiscal settlements of the Corporate Income Tax relating to a reporting period. The deductions and other fiscal advantages in the tax amount, excluding retentions and payments on account, and also the tax losses carried forward from previous reporting periods and effectively applied in this reporting period, result in a lesser amount of the current tax.

Expenditure or income for deferred tax corresponds to the recognition and cancellation of deferred tax assets and liabilities.

Deferred taxes are registered for the temporary differences existing on the date of the balance sheet between the tax base of the assets and liabilities and their book values. The amount attributed to an asset for fiscal purposes is considered as its tax base.

The tax effect of the temporary differences are included under the corresponding headings of "Deferred tax assets" and "Deferred tax liabilities" of the accompanying balance sheet.

The Entity recognizes a deferred tax liability for all taxable temporary differences.

The Entity recognizes the deferred tax assets for all the deductible temporary differences, tax credits not used and negative tax bases pending payment, to the extent that it is probable that the Entity will dispose of future tax profits that will allow these assets to be applied.

At the close of the reporting period, the Entity values deferred tax assets that have been recognized and those that have not been previously recognized. In accordance with this analysis, the Entity retires a previously recognized asset if it is no longer probable that it will be recovered, or it will proceed to register any deferred tax asset not previously recognized provided that it is probable that the Entity has future tax gains that will allow it to be applied.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(5) Intangible assets

A summary on the intangible assets on the 31 December 2019 and 2018, in addition to their movement during the 2019 reporting period is as follows:

	Euros				Balance on the 31/12/19
	Balance on the 31/12/18	Additions	Disposals	Transfers	
<u>Cost</u>					
I.T. Applications	1,069,600	114,471	-	-	1,184,071
Other intangible assets	17,622,861	3,646	(1,400,000)	38,098	16,264,605
Intangible assets under construction	421,421	548,720	(37,560)	(37,748)	894,833
	<u>19,113,882</u>	<u>666,837</u>	<u>(1,437,560)</u>	<u>350</u>	<u>18,343,509</u>
<u>Accumulated Depreciation</u>					
I.T. Applications	(405,024)	(233,195)	-	-	(638,219)
Other intangible assets	(15,945,254)	(410,706)	307,222	-	(16,048,738)
	<u>(16,350,278)</u>	<u>(643,901)</u>	<u>307,222</u>	<u>-</u>	<u>(16,686,957)</u>
<u>Net book value</u>	<u>2,763,604</u>	<u>22,936</u>	<u>(1,130,338)</u>	<u>350</u>	<u>1,656,552</u>
			(note 6)		

A summary on the intangible assets on the 31 December 2018 and 2017, in addition to their movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
<u>Cost</u>					
I.T. Applications	781,047	234,878	-	53,675	1,069,600
Other intangible assets	17,583,922	38,939	-	-	17,622,861
Intangible assets under construction	1,085,717	21,383	(363,501)	(322,178)	421,421
	<u>19,450,686</u>	<u>295,200</u>	<u>(363,501)</u>	<u>(268,503)</u>	<u>19,113,882</u>
<u>Accumulated Depreciation</u>					
I.T. Applications	(208,764)	(196,260)	-	-	(405,024)
Other intangible assets	(15,386,106)	(559,148)	-	-	(15,945,254)
	<u>(15,594,870)</u>	<u>(755,408)</u>	<u>-</u>	<u>-</u>	<u>(16,350,278)</u>
<u>Net book value</u>	<u>3,855,816</u>	<u>(460,208)</u>	<u>(363,501)</u>	<u>(268,503)</u>	<u>2,763,604</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

As at 31 December 2019 there were fully-depreciated assets in use for a value of €14,312,185 (same amount as at 31 December 2018).

On 31 December 2019 and 2018 the Entity had not capitalized financial expenses on its fixed assets.

The criteria of amortization of the elements of the intangible assets is based on the cost value, once they came into use, following the lineal method according to the valuation criteria as defined in note 4 (a) of the Financial Statements enclosed herewith.

(6) **Tangible assets**

A summary of the tangible assets on 31 December 2019 and 2018, in addition to their movement during the 2019 reporting period is as follows:

	Euros					Balance on the 31/12/19
	Balance on 31/12/18	Error correction (note 2 (e))	Additions	Disposals	Transfers	
<u>Cost</u>						
Land	4,629,682	-	-	-	-	4,629,682
Buildings and other constructions	69,718,643	-	55,096	(6,653,572)	183,514	63,303,681
Equipment and technical facilities	165,281,925	-	2,984,779	(10,750,936)	1,040,893	158,556,661
Furniture and other assets	4,580,571	-	9,628	(223,676)	-	4,366,523
Assets under construction	2,038,196	-	1,948,718	(521,530)	(1,224,757)	2,240,627
	<u>246,249,017</u>	<u>-</u>	<u>4,998,221</u>	<u>(18,149,714)</u>	<u>(350)</u>	<u>233,097,174</u>
<u>Accumulated Depreciation</u>						
Buildings and other constructions	(23,410,154)	(186,509)	(1,765,626)	684,872	-	(24,677,417)
Equipment and technical facilities	(78,522,211)	-	(5,086,707)	3,076,329	(343,438)	(80,876,027)
Furniture and other assets	(4,260,085)	-	(407,964)	223,834	343,438	(4,100,777)
	<u>(106,192,450)</u>	<u>(186,509)</u>	<u>(7,260,297)</u>	<u>3,985,035</u>	<u>-</u>	<u>(109,654,221)</u>
<u>Net book value</u>	<u>140,056,567</u>	<u>(186,509)</u>	<u>(2,262,076)</u>	<u>(14,164,679)</u>	<u>(350)</u>	<u>123,442,953</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the tangible assets on 31 December 2018 and 2017, in addition to their movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
<u>Cost</u>					
Land	4,629,682	-	-	-	4,629,682
Buildings and other constructions	68,939,495	55,232	(16,192)	740,108	69,718,643
Equipment and technical facilities	162,001,645	3,658,802	(2,359,929)	1,981,407	165,281,925
Furniture and other assets	4,197,848	123,382	(46,086)	305,427	4,580,571
Assets under construction	3,642,715	1,153,920	-	(2,758,439)	2,038,196
	<u>243,411,385</u>	<u>4,991,336</u>	<u>(2,422,207)</u>	<u>268,503</u>	<u>246,249,017</u>
<u>Accumulated Depreciation</u>					
Buildings and other constructions	(21,523,001)	(1,902,659)	15,506	-	(23,410,154)
Equipment and technical facilities	(75,622,709)	(5,258,105)	2,358,603	-	(78,522,211)
Furniture and other assets	(3,999,089)	(306,262)	45,266	-	(4,260,085)
	<u>(101,144,799)</u>	<u>(7,467,026)</u>	<u>2,419,375</u>	<u>-</u>	<u>(106,192,450)</u>
<u>Net book value</u>	<u>142,266,586</u>	<u>(2,475,690)</u>	<u>(2,832)</u>	<u>268,503</u>	<u>140,056,567</u>

On 5 July 2019 the affiliate corporation Capçelera d'infraestructures energètiques, SAU, proceeded to increase its stock capital through the issuance of 17,000 new shares each priced at €600 (for a total of €10,200 thousand) with a €312 issue premium each (for a total of €5,304 thousand) which were fully subscribed and paid entirely by its sole shareholder (FEDA) through a €863 thousand monetary contribution and a €14,641 thousand non-monetary contribution corresponding to the main necessary assets to operate (see note 8 (a.1)).

The aforementioned capital increase's subscription proceeded according to the detail below:

	Euros
	2019
Monetary contribution	862,975
Non-monetary contribution	14,641,025
	<u>15,504,000</u>
	(note 8 (a.1))

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A detail of the assets which form the aforementioned non-monetary contribution -which make the majority of the tangible disposals during the reporting period 2019- is shown below:

	Euros
	<u>2019</u>
Intangible Assets (nota 5)	1,130,338
Land from administrative concession in Soldeu	1,092,778
Intangible assets under construction	37,560
Immobilitzat tangible	13,510,687
Buildings and cogeneration technical facilities	7,820,264
Heat Distribution network	5,401,141
Tangible assets under construction	<u>289,282</u>
Total non-monetary contribution	<u>14,641,025</u>

The heading "Land from administrative concession in Soldeu" refers to FEDA's ceded right of use over a communal plot of land in Soldeu, in the so-called "Solà d'Íncles", in the Parish of Canillo. This cession was carried out through a concession contract dated at 12th November 2012 and modified on 15th April 2019. According to this modification FEDA was transferred the rights of use over the aforementioned plot of land during 30 years since the original contract date to be used to build a cogeneration plant which will run on liquified natural gas (LNG), included in the LNG storage deposit and the necessary auxiliary facilities for the correct operation of both the cogeneration plant and the urban heat network. During the reporting period 2019 such activity has been transferred to the affiliate company Capçalera d'Infraestructures Energètiques, SAU, through the aforementioned assets to run it.

The heading "Buildings and cogeneration technical facilities" refers to the building in which the cogeneration as well as all the other internal facilities, the cogeneration engine, the boiler room and any other auxiliary elements required for a correct plant performance, the re-gasification satellite plant as well as any immobilized material which constitutes the cogeneration plant equipment and/or are used in its exploitation and proper operation.

The heading "Heat Distribution network" refers to the 3,000 meters long underground urban heating facilities below the public road from El Tarter village to the cogeneration plant and from the cogeneration plant to the Soldeu village as well as the electrical substations which consists of heat exchangers of variable power in accordance with final users' needs.

The heading "Tangible assets under construction" refers to the projects and viability studies for the future cogeneration plant heat Distribution network in Andorra la Vella parish, in the so-called Comella.

On 31 December 2019, there are fully depreciated assets in use for a value of €38,614,752 (€38,428,759 on 31 December 2018).

On 31 December 2019 and 2018 the Entity had not capitalized financial expenses.

On 31 December 2019 and 2018 the Entity has carried out works on its fixed assets for a value of €1,312,897 and €1,742,584 respectively (see note 16 (a.2)).

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The criteria of amortization of the elements of the tangible assets is based on the cost value, once they came into use, following the lineal method according to the valuation criteria as defined in note 4 (b) of the Financial Statements enclosed herewith.

(7) Investments in real estate

This section is not applicable in these Financial Statements.

(8) Financial assets

The table below shows details of the categories of financial assets at 31 December 2019:

Financial Assets	Euros		
	Amortized cost	Held for trading	Cost
<u>Non-current assets</u>			
Financial investments	419,656	13,293,682	18,459,391
Total	419,656	13,293,682	18,459,391
<u>Current Assets</u>			
Short-terms loans and accounts receivable	8,430,499	-	-
Short-term financial investments	-	22,247,598	-
Liquid assets	15,978,457	-	-
Total	24,408,956	22,247,598	-

(a) Financial investments

A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Equity instruments	18,459,391	3,017,142
Long-term financial investments	13,293,682	6,879,163
Other	419,656	462,336
	<u>32,172,729</u>	<u>10,358,641</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(a.1) Equity instruments

A summary of the heading "Equity instruments" on 31 December 2019 and 2018, in addition to its movement during the 2019 reporting period, is as follows:

<u>Cost</u>	Euros				Balance on the 31/12/19
	Balance on the 31/12/18	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
FEDA SOLUCIONS, SAU shares	60,000	-	-	-	60,000
CIE, SAU shares	60,000	15,504,000	-	-	15,564,000
	<u>3,017,142</u>	<u>15,504,000</u>	<u>-</u>	<u>-</u>	<u>18,521,142</u>
<u>Impairment</u>		(note 6)			
SEMTEE, SA shares	-	-	-	-	-
CTRA, SA shares	-	-	-	-	-
FEDA SOLUCIONS, SAU shares	-	(60,000)	-	-	(60,000)
CIE, SAU shares	-	(1,751)	-	-	(1,751)
	<u>-</u>	<u>(61,751)</u>	<u>-</u>	<u>-</u>	<u>(61,751)</u>
	<u>3,017,142</u>	<u>15,442,249</u>	<u>-</u>	<u>-</u>	<u>18,459,391</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the heading "Equity instruments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period, is as follows:

<u>Cost</u>	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
FEDA SOLUCIONS, SAU shares	-	60,000	-	-	60,000
CIE, SAU shares	-	60,000	-	-	60,000
	<u>2,897,142</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>3,017,142</u>
<u>Impairment</u>					
SEMTEE, SA shares	-	-	-	-	-
CTRA, SA shares	-	-	-	-	-
FEDA SOLUCIONS, SAU shares	-	-	-	-	-
CIE, SAU shares	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,142</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>3,017,142</u>

Details of the most representative information on participations in group companies as at 31 December 2019 are shown here:

Company / Domicile/ Activity	% Direct participation	Euros				Result of year 2018	Total net assets
		Capital	Legal Reserve	Other Reserves	Issue Premium		
CTRA, SA Comella, Andorra la Vella	71.70%	3,289,700	657,940	2,894,843	-	673,059	7,515,542
FEDA SOLUCIONS, SAU Av. La Bartra, Encamp	100%	60,000	-	-	-	(97,891)	(37,891)
Capçalera d'Infraestructures Energètiques, SAU Av. La Bartra, Encamp	100%	10,260,000	-	-	5,304,000	(1,751)	15,562,249

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The corporate purpose of the Company CTRA, SA is the development of the conception, construction and operating project for the Waste Treatment Plant to provide a public service for the treatment of waste generated in the Principality of Andorra.

The establishment of a new Company called "FEDA SOLUCIONS, SAU", of which the Entity is the owner of 100% of the shares, was formalized on 10 September 2018. The corporate purpose of the company is the provision of services within the area of energy and savings, as well as energy efficiency.

The establishment of a new Company known as "Capçalera d'infraestructures energètiques, SAU", of which the Entity owns 100% of the shares, was formalized on 8 November 2018. The corporate purpose of the Company is the production of electric energy, thermal energy (cogeneration), electric energy and thermal energy and useful cold (trigeneration) and, the distribution and the retailing of useful cold and heat.

In order to carry on its activity, on 5 July 2019 the Capçalera d'infraestructures energètiques, SAU company proceeded to increase its stock capital through the issuance of 17,000 new shares each priced at €600 (for a total of €10,200 thousand) with a €312 issue premium each (for a total of €5,304 thousand) which were fully subscribed and paid entirely by its sole shareholder (FEDA) through a €863 thousand monetary contribution and a €14,641 thousand non-monetary contribution corresponding to the main necessary assets to operate (see note 6).

(a.2) Long-term financial investments

A summary of the heading "Long-term financial investments" on 31 December 2019 and 2018, in addition to its movement during the 2019 reporting period is as follows:

	Euros				Balance on the 31/12/19
	Balance on the 31/12/18	Additions	Disposals	Transfers	
Long-term Public Debt	6,879,164	7,119,648	(28,927)	(3,460,236)	10,509,648
Other Long-term Debt	-	2,950,000	-	(165,966)	2,784,034
	<u>6,879,164</u>	<u>10,069,648</u>	<u>(28,927)</u>	<u>(3,626,202)</u>	<u>13,293,682</u>
				(note 8 (c))	

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the heading "Long-term financial investments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/19
	Balance on the 31/12/18	Additions	Disposals	Transfers	
Long-term Public Debt	10,531,456	3,489,163	(21,179)	(7,120,276)	6,879,164
Other Long-term Debt	-	-	-	-	-
	<u>10,531,456</u>	<u>3,489,163</u>	<u>(21,179)</u>	<u>(7,120,276)</u>	<u>6,879,164</u>
				(note 8 (c))	

The amount of Long-term Public Debt registered at 31 December 2019 corresponds in full to the Entity's acquisition of Andorran Treasury Bills maturing on 12 April 2020 and 29 May 2022 with an interest rate between 0.45% and of 1.75%, respectively (note 19 (a)).

The amount of other Long-term Debt registered at 31 December 2019 corresponds in full to FEDA's affiliate corporations, namely Capçalera d'Infraestructures Energètiques, SAU and Feda Solucions, SAU, as shown in the detail below:

	Euros	
	2019	2018
L/T Debt from Feda Solucions, SAU (nota 19 (a))	48,000	-
L/T Debt from CIE, SAU (nota 19 (a))	2,736,034	-
	<u>2,784,034</u>	<u>-</u>

The heading "L/T Debt from CIE, SAU" includes the debt with the company, which have been formalised and granted through contracts between both parties, on the basis of a framework agreement signed on 1 October 2019, in accordance to which both parties agree to FEDA granting CIE a total of €5,500,500 worth of loans from up to 10 loans depending CIE, SAU's repayment plan so that CIE, SAU can finance the construction project of Comella's Cogeneration plant and its heat Distribution network first phase (note 6), which refers to the investments with a foreseeable liquidation between 1 October 2019 and 1 October 2020.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

As at 31 December 2019 the Entity has granted CIE, SAU four (4) loans, three of which (those formalised as of 1 October 2019) belong to the aforementioned framework agreement. A detail of the credit is shown below:

Entity	Type	Euros		Initial Borrowing date	Maturity date	Interest
		Credit limit / Principal	Unpaid Principal Balance			
CIE, SAU	Préstec	140,000	140.000	18/04/19	18/04/24	3,50%
CIE, SAU	Préstec	600,000	600.000	20/11/19	20/11/34	2,25%
CIE, SAU	Préstec	1,500,000	1.500.000	16/12/19	16/12/34	2,25%
CIE, SAU	Préstec	650,000	650.000	24/01/20	24/01/35	2,25%
Total principal balance from CIE, SAU			<u>2,890,000</u>			
Current portion of L/T debt (note 8 (c))			<u>153,966</u>			
Total CIE, SAU's S/T loan, SAU			<u>153,966</u>			
Total CIE, SAU's L/T loan			<u>2,736,034</u>			

It is necessary to mention that the €650,000 loan has not been given yet as at 31 December 2019 and therefore there has been no cash transfer as at 31 December 2019 (see notes 13 (d) and 19). The loan's contract was formalised on 30 December 2019 but its transaction occurred during January 2020 (see note 20 (c)).

(a.3) Other

The amount registered as at 31 December 2019 corresponds fully to the contribution of the Entity in 2003 to the externalization of the pensions plan for the concept of the future cost of staff until their retirement. The expenditure of the reporting period ended on 31 December 2019 and 2018 is registered in the Profit and Loss Account under the heading "Staff expenses".

A summary of this heading on 31 December 2019 and 2018, in addition to its movement during the 2019 reporting period is as follows:

	Euros				
	Balance on the 31/12/18	Expenditure for the reporting period	Redemptions for early retirements	Transfert to short term	Balance on the 31/12/19
Deferred expenses	<u>462,336</u>	<u>(39,648)</u>	<u>(3,032)</u>	-	<u>419,656</u>
	<u>462,336</u>	<u>(39,648)</u>	<u>(3,032)</u>	-	<u>419,656</u>
		(note 16 (c))		(note 11)	

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of this heading on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Expenditure for the reporting period	Redemptions for early retirements	Transfert to short term	
Deferred expenses	542,667	(40,164)	-	(40,167)	462,336
	<u>542,667</u>	<u>(40,164)</u>	<u>-</u>	<u>(40,167)</u>	<u>462,336</u>
		(note 16 (c))		(note 11)	

(b) Short-term loans and accounts receivable

A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Clients for provision of services	3,629,763	3,487,636
Clients under collection management	3,386,762	3,196,055
Clients of group companies (note 19 (a))	121,168	4,383
Advance payment	991	-
Accounts receivable with partner companies (note 19 (a))	11,230	14,796
Energy pending invoicing	935,063	883,671
Doubtful trade debts	54,970	39,423
Public Administrations, debtors (Note 18)	<u>290,552</u>	<u>329,015</u>
	8,430,499	7,954,979
Impairment of clients for trading operations	<u>-</u>	<u>-</u>
	<u>8,430,499</u>	<u>7,954,979</u>

The caption "Clients for provision of services" mainly corresponds to the pending balance that the country's electricity supply companies had with the Entity at 31 December 2019.

The caption "Customers under collection management" mainly corresponds to invoicing for the month of December based on the reading of the meters taken on dates around the time of the closing. These amounts were settled at the start of the following reporting period.

The caption "Energy pending invoicing" mainly corresponds to the estimated energy consumption by clients whose meters have not yet been read.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The caption "Impairment of clients for trading operations" covers outstanding customer account provisions that are more than 180 days old. Details of this caption at 31 December 2019 and 2018 are shown below:

	Euros	
	2019	2018
Balance at the start of the reporting period	-	-
Applications of the reporting period	-	-
Recoveries to be charged against profits for the reporting period	-	-
Allocations to be charged against profits for the reporting period	-	-
Balance at the end of the reporting period	-	-

The allocations for the reporting period are presented under the "Impairment of current assets" heading of the attached Profit and Loss Account.

The recoveries of the reporting period are presented under the "Other non-recurring income" heading of the attached Profit and Loss Account.

(c) Short-term financial investments

A summary of the heading "Short-term financial investments" on 31 December 2019 and 2018, in addition to its movement during the 2019 reporting period is as follows:

	Euros				Balance on the 31/12/19
	Balance on the 31/12/18	Additions	Disposals	Transfers	
Short-term public debt	7,177,183	2,992,200	(7,177,183)	3,460,236	6,452,436
Short-term deposits	13,052,693	38,221,484	(35,652,693)	-	15,621,484
Other short-term loans	-	7,712	-	165,966	173,678
	<u>20,229,876</u>	<u>41,221,396</u>	<u>(42,829,876)</u>	<u>3,626,202</u>	<u>22,247,598</u>
				(note 8 (a.2))	

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the heading "Short-term financial investments" on 31 December 2018 and 2017, in addition to its movement during the 2018 reporting period is as follows:

	Euros				Balance on the 31/12/18
	Balance on the 31/12/17	Additions	Disposals	Transfers	
Short-term public debt	7,723,381	56,907	(7,723,381)	7,120,276	7,177,183
Short-term deposits	5,795,766	13,052,693	(5,795,766)	-	13,052,693
Other short-term loans	93	-	(93)	-	-
	<u>13,519,240</u>	<u>13,109,600</u>	<u>(13,519,240)</u>	<u>7,120,276</u>	<u>20,229,876</u>
				(note 8 (a.2))	

The amount of public debt registered at 31 December 2019 for "Short-term Public Debt" corresponds mainly to transferring Andorran Treasury Notes maturing during the 2020 reporting period, as well as new additional investments from long term to short term by the Entity (note 19 (a)).

Short-term deposits are made up of several deposits in Andorran banking entities with a maturity of less than one year from the closing date and which have an interest rate between 0.05% and 0.7%.

Other short-term loans refers to the current portion of the long term debt FEDA granted its affiliate companies Capçalera d'Infraestructures Energètiques, SAU and Feda Solucions, SAU during the reporting period 2019 and its interests in accordance with the following detail:

	Euros	
	2019	2018
Feda Solucions, SAU's S/T loan (note 19 (a))	12,000	-
CIE, SAU's S/T loan (note 19 (a))	153,966	-
Interest receivable	7,712	-
	<u>173,678</u>	<u>-</u>

(d) Liquid assets

On 31 December 2019 and 2018, the "Liquid assets" heading corresponds to different current accounts, which the Entity has with various Andorran banking institutions.

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(9) Inventories

A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Stocks to be consumed by the entity itself and replacements	1,295,887	1,750,248
Advances to suppliers	-	-
	<u>1,295,887</u>	<u>1,750,248</u>
Provision	<u>(175,996)</u>	<u>(219,815)</u>
	<u><u>1,119,891</u></u>	<u><u>1,530,433</u></u>

The caption for inventories corresponds mainly to material to be consumed by the Entity itself and to replacements. It includes material for extensions to the electrical networks of FEDA, as well as material used for the maintenance and conservation of these networks.

The detail of the balance and of the movement of the provision for inventories at 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Balance at the start of the reporting period	(219,815)	(169,914)
Allocation for the reporting period	-	(49,901)
Recoveries of the reporting period	43,819	-
Applications of the reporting period	<u>-</u>	<u>-</u>
	<u>(175,996)</u>	<u>(219,815)</u>

The net effect of the allocation for the reporting period and recoveries of the reporting period is shown in the Profit and Loss Account under heading "Impairment of current assets".

(10) Other non-current assets on sale

This section is not applicable in these Financial Statements.

(Continued)

(11) End of period adjustments of assets

The Entity, in accordance with the accounting principle of correlation of income and expenditure, as well as the accounting principle of accrual, has proceeded to enter certain expenses into the accounts, such as maintenance and other recurring costs, according to their respective accruals. A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Anticipated expenses for maintenance	87,792	93,575
Anticipated expenses for leases	741	-
Anticipated expenses for rent	12,809	13,809
Anticipated expenses for the retirement plan (nota 8 (a.3))	39,131	40,167
	<u>140,473</u>	<u>147,551</u>

(12) Net equity
(a) Surplus

According to Article 15.3 of Law 5/2016, the aim of FEDA's financial management is financial equilibrium. To this end, FEDA may establish a reserve fund with operating surpluses and this must be applied exclusively to financing improvements and extensions to its services and installations, or those owned by its subsidiary companies. Any operating surpluses that are not allocated for this purpose must revert back to the general Administration.

The aforementioned reserve fund is classified under the heading Surplus.

At 31 December 2019 the Entity had a remaining balance for the sum of 164,220,017 euros proceeding from the positive results of previous reporting periods (154,195,410 euros at 31 December 2018).

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(13) Financial liabilities

A detail of the financial liabilities classified by categories at 31 December 2019 is shown below:

Financial liabilities	Euros	
	Amortized cost	Held for trading
<u>Non-current liabilities</u>		
Long-term debts	4,762,661	-
Long-term debts with group and partner companies	-	-
Total	<u>4,762,661</u>	<u>-</u>
<u>Current liabilities</u>		
Short-term debts	3,946,303	-
Short-term debts with group and partner companies	650,000	-
Commercial creditors and other accounts payable	5,991,528	-
Total	<u>10,587,831</u>	<u>-</u>

(a) Long-term liabilities

A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Long-term debts with credit institutions	3,144,098	5,426,964
Long-term advances from customers	1,618,563	1,628,473
Other debts	-	8,334
	<u>4,762,661</u>	<u>7,063,771</u>

A detail of the conditions of the loans appearing in the heading "Long-term debts with credit institutions" at 31 December 2019 are shown below:

Type	Maturity date	Interest	Euros	
			Principal	Outstanding Principal
Morabanc loan	31/12/2023	3.46%	8,000,000	3,200,000
Crédit Andorrà loan	01/06/2021	Euribor + 1%	14,000,000	2,227,245
				<u>5,427,245</u>
				Less short term maturity (note 13 (c))
				<u>(2,283,147)</u>
				<u>3,144,098</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The balance of the heading "Long-term advances from customers" corresponds to deposits made by customers of the Entity at the moment they contracted or changed the electrical service, which are expected to be returned in a period of more than one year.

As at 31 December 2019, the heading "Other debts" includes the amount retained from suppliers as a guarantee with a maturity of more than one year, which have been returned during the 2019 reporting period.

(b) Long-term debts with group and partner companies

This section is not applicable in these Financial Statements.

(c) Short-term liabilities

The breakdown of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Short-term amounts owed to credit institutions (note 13 (a))	2,283,147	2,270,945
Public Administrations, creditors (note 18)	1,663,156	1,432,926
	<u>3,946,303</u>	<u>3,703,871</u>

(d) Short-term debts with group and partner companies

This heading is mainly composed by the €650,000 loan which was formalised on 30 December 2019 with the affiliate company CIE, SAU but has not been given yet as at 31 December 2019 and therefore there has been no cash transfer as at 31 December 2019. The effective date of the cash transfer occurred during January 2020 (see notes 8 (a.2), 19 and 20 (c)).

(e) Commercial creditors and other accounts payable

The breakdown of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Suppliers of energy	3,454,114	4,258,940
Partner-company creditors (note 19 (a))	282,981	179,256
Sundry accounts payable	1,897,153	2,686,593
Short-term advances from customers	257,019	178,972
Other	100,261	94,826
	<u>5,991,528</u>	<u>7,398,587</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The balance for the caption "Suppliers of energy" corresponds to the balance pending settlement at 31 December 2019 and 2018 by the Entity to its suppliers of energy.

The balance for the caption "Partner-company creditors" corresponds to the €138,099 balance pending settlement to CTRASA, the €104,925 balance pending settlement to CIE, SAU and the €39,957 pending balance with other associated companies.

The balance for the caption "Sundry accounts payable" corresponds to the balance pending settlement at 31 December 2019 and 2018 by the Entity to its suppliers of assets and services.

The balance of the caption "Short-term advances from customers" corresponds to deposits made by customers of the Entity at the moment they contracted or changed the electrical service, which are expected to be returned in a period of less than one year.

The "Other" caption is composed in its majority by the amount still to be contributed at 31 December 2019 to the pensions fund managed by an external company that the Entity guarantees to its workers.

(14) Provisions

A summary of this heading of the balance sheet on 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Long-term provisions	3,873,502	2,857,245
Short-term provisions	165,828	156,291
	<u>4,039,330</u>	<u>3,013,536</u>

FEDA follows the principle of prudence in the valuation of all those possible and probable expenses relating to the normal running of the Entity, classifying them under the corresponding caption of provisions of the attached balance sheet.

(a) Long-term provisions

A detail of the balance of this heading of the balance sheet at 31 December 2019 and 2018, and its movement during the 2018 reporting period is shown below:

	Euros				Balances at 31/12/19
	Balances at 31/12/18	Allocations	Reversals	Payments	
Pension fund provision (note 4 (g.1))	1,937,978	558,605	(290,733)	(136,812)	2,069,038
Staff consumption provision	396,013	744,019	-	-	1,140,032
Dismantling provision	523,254	645,919	(473,799)	(49,455)	645,919
Other provisions	-	18,513	-	-	18,513
	<u>2,857,245</u>	<u>1,967,056</u>	<u>(764,532)</u>	<u>(186,267)</u>	<u>3,873,502</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

In accordance with the actuarial study carried out in the 2019 reporting period, the allocations deriving from the pension fund provision of the annual reporting period ending 31 December 2019 correspond to expenses for the sum of €18,631, that is staff costs of €14,991 and financial costs of €3,640.

In accordance with the actuarial study from the reporting period 2019 the Entity has proceeded to actualise its liability's provision on 31 December 2019 for the pension commitments assumed for a total of €249,240, which is composed by €539,974 belonging to the risc associated with its liabilities' collective and a reversal for €290,733 corresponding to the risc of FEDA's assets' past services.

The payments for €136,812 deriving from the pension fund provision correspond to pensions paid during the 2019 reporting period.

The provision corresponding to the consumption by employees includes the actual net cost at 31 December 2019 of the estimate of the future free consumption that the workers of the Entity are entitled to once they retire. There is a breakdown of the allocations corresponding to the aforementioned provision in the "Other provisions" caption of the attached Profit and Loss Account (see note 16(e)). It also includes an estimation of workers' free future consumption rights until retirement.

On the one hand, during the reporting period 2019 the Entity has reversed the €458,858 provision for dismantling the installation erected on the land ceded by the Commune (municipality) of Canillo for the Cogeneration Plant provided that these assets have been transferred to the affiliate corporation Capçalera d'Infraestructures Energètiques, SAU (see notes 5, 6 and 8 (a.1)). The Entity has also reversed the €64,397 provision for dismantling the high and medium voltage line between Canillo and Ransol (LMT 212 from A68 to A88 d/6067 CAN).

On the other hand the Entity has registered a €645,919 provision which corresponds to the estimated cost of dismantling the High Voltage Overhead Power Line between Encamp and Grau. It is expected for such dismantling to occur during mid 2023.

(b) Short-term provisions

A detail of the balance of this heading of the balance sheet at 31 December 2019 and 2018, and its movement during the 2019 reporting period is shown below:

	Euros				Balance at 31/12/19
	Balance at 31/12/18	Allocations	Reversals	Payments	
Provision for holidays	97,535	82,704	-	(97,535)	82,704
Provision for social contributions for payments in kind	7,599	19,864	-	(7,599)	19,864
Other provisions	51,157	61,508	-	(51,157)	61,508
	<u>156,291</u>	<u>164,076</u>	<u>-</u>	<u>(156,291)</u>	<u>164,076</u>

At 31 December 2019, the Entity made provisions for the amount corresponding to the holidays accumulated by its workers, but which remained to be taken on the aforementioned date. For calculation purposes, the gross salary plus the average of the variable salary for the entire year has been taken in consideration to calculate the daily salary, as established under the Industrial Relations Code Act 35/2008.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The "Other provisions" caption recorded by the Entity is related to a charge made by the Commune (municipality) of Canillo, and easements that are also expected to be settled during the next reporting period. It also includes a provision for FEDA's affiliate corporation FEDA Solucions, SAU's recapitalisation, provided that as at 31 December 2019 it presents negative €37,891 own funds.

(c) Contingent liabilities

At 31 December 2019, the Entity is the defendant in an administrative litigation. The Cooperative Interurbana Andorrana, SA company has challenged the International public tender issued by FEDA for the implementation and maintenance of an intermodal mobility platform.

The risk relies on the consequences of a potentially mandatory annulation of the current award given that the current bid winner may sue the Entity for damages which are unquantifiable during the preparation of the current Financial Statements.

Additionally, among the Entity's different contingent liabilities it is included the one corresponding to the normal corporate responsibility due to it's the Entity's commercial activity. On 31 December 2019 the Entity's Board of Directors considers that there are no judicial litigation which may have a significant effect on the current Financial Statements.

(15) End of period adjustments

This section is not applicable in these Financial Statements.

(16) Income and expenses

(a) Income

(a.1) Net revenues

The following is a breakdown of the Income Statement for the years ended 31 December 2019 and 2018:

	Euros	
	2019	2018
Sales of energy to end consumers	45,927,455	45,598,342
Sales of energy to distributors	16,458,709	16,498,727
Attached sales	2,182,773	1,415,955
	<u>64,568,937</u>	<u>63,513,024</u>

The headings "Sales of energy to end consumers" and "Sales of energy to distributors" include the income from the actual activity of the Entity: the distribution of electrical energy resulting from the production of electrical energy, taking advantage of the country's own resources and those of any necessary imports, as well as other income directly linked to the main activity of FEDA.

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The following is a breakdown of the heading "Attached sales" at 31 December 2018 and 2017:

	Euros	
	2019	2018
Extensions and improvements (note 17)	904,382	923,157
Connection fees (Policies)	<u>1,278,391</u>	<u>492,798</u>
	<u>2,182,773</u>	<u>1,415,955</u>

(a.2) Works carried out for the entity's fixed assets

The balance of this caption of the Profit and Loss account on the 31 December 2019 is €1,312,897 (€1,742,584 on the 31 December 2018) and corresponds to the income recognised for use when capitalising the costs incurred internally in the construction of several fixed assets for the concept of direct and/or indirect labour and materials. Given the fact that the Entity considers these costs as a production cost of its fixed assets in progress, it recognizes an entry in the Profit and Loss account under this heading (note 6).

(b) Consumption of goods, raw materials and other materials

The following is a breakdown of this heading of the Profit and Loss account for the reporting periods ended 31 December 2019 and 2018:

	Euros	
	2019	2018
Energy purchases	24,630,088	26,692,865
Energy purchases from CTRA,SA (note 19 (b))	1,464,552	1,394,167
Purchase from Liquefied Natural Gas	698,115	435,039
Other consumptions	1,914,037	1,689,878
Stock variations	<u>(534,920)</u>	<u>(279,810)</u>
	<u>28,171,872</u>	<u>29,932,139</u>

The caption "Energy purchases" corresponds to energy acquired from the Spanish and French Companies producers and suppliers, as well as contracts to access the electricity networks of the respective countries with "Réseau de Transport d'Electricité" and with "Red Eléctrica". Likewise, this caption also includes the purchase of photovoltaic energy produced in the principality of Andorra.

The caption "Energy purchases from CTRA,SA" corresponds to the energy acquired from the aforementioned company by virtue of the agreement signed in November 2006 and which is in force until the end of the concession of the aforementioned company to operate the centre for the treatment of waste (*Centre de Tractament de Residus*).

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

During the 2017 reporting period, FEDA started to import Liquefied Natural Gas to supply the cogeneration plant located in Soldeu, in order to generate electricity and heat using this new source of energy. During the reporting period 2019 the heat and electricity generation through Liquefied Natural Gas has been transferred to the affiliate company Capçalera d'Infraestructures Energètiques, SAU (see note 6). The entity provides the Liquefied Natural Gas to its affiliate for its transformation to electrical and heat energy, and bears a transformation expense for the latter (see note 16 (d)). Afterwards this energy is sold to the same affiliate corporation (CIE, SAU), which is an energy distributor and retailer.

As at 31 December 2019 Liquefied Natural gas been bought for a total of €698,115.

(c) Staff expenses

Detailed information on staff expenses for the reporting period ended 31 December 2019, and 2018 is as follows:

<u>Staff expenses</u>	Euros	
	2019	2018
Wages and the Salaries	5,177,107	5,082,660
Staff welfare expenses (note 19 (b))	812,243	788,501
Other staff expenses	991,154	372,638
	<u>6,980,504</u>	<u>6,243,799</u>

Detailed information on "Other staff expenses" for the reporting period ended 31 December 2019, and 2018 is as follows:

<u>Other staff expenses</u>	Euros	
	2019	2018
Contribution to the pensions plan (note 8 (a.3))	39,648	40,164
Other social benefits	705,448	163,594
Other	246,058	168,880
	<u>991,154</u>	<u>372,638</u>

The balance of the captions "Contribution to the pensions plan" corresponds to the costs associated with the externalized pension fund as well as the expenses of the internal FEDA pension fund.

The caption "Other social benefits" is mainly composed of the €539.974 provision which in accordance with the actuarial study from the reporting period 2019 the Entity has proceeded to actualise its liability's provision on 31 December 2019 for the pension commitments assumed. The provision has been actualised by a total of €249,240, which is composed by €539.974 belonging to the risc associated with its liabilities' collective and debited on the "Staff expenses - other staff expenses" heading and a €290,733 reversal corresponding to the risc of FEDA's assets' past services credited on the heading "Other non-recurring income" from the profit and loss account (see notes 14 (a) and 16 (e)).

There was an average number of 107 workers on the staff of the Entity for the reporting period ended 31 December 2019 (107 workers on the staff of the Entity for the reporting period ended 31 December 2018).

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

Detailed information on the average number of workers for the reporting period ended 31 December 2019 and 2018 distributed by categories is as follows:

	Average number of workers	
	2019	2018
Officials	25	25
Administrative assistants	12	12
Medium-level technicians	21	22
High-level technicians	24	24
Area heads	13	14
Managers	10	10
Total	105	107

(d) Other trading expenses

Detailed information on the heading "Other trading expenses" for the years ended 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Leases	129,466	102,119
Repairs and maintenance	2,703,983	2,561,478
Supplies	203,511	213,395
Independent professional services	1,471,226	968,690
Insurance	395,209	522,788
Taxes	230,655	227,675
Banking services	135,234	145,380
Advertising and Public Relations	359,057	339,225
Other services	664,863	745,576
	6,293,204	5,826,326

During the reporting period 2017 FEDA started importing Liquefied Natural Gas to run the cogeneration plant in Soldeu in order to produce electricity and heat through this energy source. During the reporting period 2019 this activity has been transferred to its affiliate company Capçalera d'Infraestructures Energètiques, SAU (see note 6). The entity provides the Liquefied Natural Gas to its affiliate for its transformation to electrical and heat energy, and bears a transformation expense for the latter (see note 16 (d)). Afterwards this energy is sold to the same affiliate corporation (CIE, SAU), which is an energy distributor and retailer. The caption "Independent professional services" includes €406,456 which belong to the transformation from Liquefied Natural Gas to heat and electrical power (see note 16 (b)).

The caption "Other services" at 31 December 2019 includes 522,807 euros corresponding to the contributions made to the Actua Tech Foundation during the reporting period, as well as other contributions made. The amount of the contributions at 31 December 2018 was 574,385 euros.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(e) Other non-recurring income and expenses

Detailed information on the caption "Other non-recurring income and expenses" for the reporting periods ended 31 December 2019 and 2018 is as follows:

	Euros	
	2019	2018
Other non-recurring income	561,636	772,538
Other non-recurring expenses	<u>(759,462)</u>	<u>(16,200)</u>
	<u>(197,826)</u>	<u>756,338</u>

The heading "Other non-recurring income" is mainly composed of the €290,733 provision reversal which in accordance with the actuarial study from the reporting period 2019 the Entity has proceeded to actualise its liability's provision on 31 December 2019 for the pension commitments assumed. The provision has been actualised by a total of €249,240, which is composed by €539,974 belonging to the risc associated with its liabilities' collective and debited on the "Staff expenses - other staff expenses" heading and a €290,733 reversal corresponding to the risc of FEDA's assets' past services credited on the heading "Other non-recurring income" from the profit and loss account (see notes 14 (a) and 16 (e)).

The caption "Other non-recurring expenses" at 31 December 2019 is mainly composed of the €744,019 prevision of workers' future consumption, which is an estimate of the cost of the future free electricity consumption FEDA's workers will enjoy after retirement (see note 14 (a)).

(17) Subsidies

This heading includes the amounts received from subscribers for the connection rights corresponding to the investments necessary to make new supplies possible and the installations transferred by the subscribers themselves and which are simultaneously incorporated into the assets of the Entity.

A detail of the balance of this heading of the balance sheet at 31 December 2019 and 2018, and its movement during the 2019 reporting period is shown below:

	Euros			Balance at 31/12/19
	Balance at 31/12/18	New clients	Transfer to Income	
Deferrable income	<u>7,013,146</u>	<u>581,163</u>	<u>(904,382)</u> (note 16 (a.1))	<u>6,689,927</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A detail of the balance of this heading of the balance sheet at 31 December 2018 and 2017, and its movement during the 2018 reporting period is shown below:

	Euros					
	Balance at 31/12/2017	Correction of errors	Balance at 01/01/2018	New clients	Transfer to Income	Balance at 31/12/18
Deferrable income	<u>7,422,526</u>	<u>99,182</u>	<u>7,521,708</u>	<u>414,595</u>	<u>(923,157)</u> (note 16 (a.1))	<u>7,013,145</u>

The increases correspond to finished works for the concept of "extensions and improvements" that are invoiced to clients and which have been registered under fixed assets, and which will be assigned to profits during the remaining useful years of the transferred investments.

The income is attributed to profits on a straight-line basis in same proportion as that of the depreciation of the transferred assets.

(18) Tax note

The details of the balances relating to tax assets and liabilities with Public Administrations at 31 December 2019 and 2018 are shown below:

	Euros	
	2019	2018
<u>Tax assets</u>		
Social Security System, debtor (note 19 (a))	8,198	7,161
Deferred tax assets	77,494	50,706
Government in debt for photovoltaic energy	23,006	48,394
Deductions pending application	<u>181,854</u>	<u>207,025</u>
	<u>290,552</u>	<u>313,286</u>
	(note 8 (b))	
<u>Tax liabilities</u>		
Social Security System, creditor (note 19 (a))	238,260	218,066
Andorran Government, creditor for IGI	470,308	419,034
Andorran Government, creditor for IRNR	1,031	2,178
Andorran Government, creditor for IS	925,993	769,069
Andorran Government, creditor for IRPF	<u>27,564</u>	<u>24,579</u>
	<u>1,663,156</u>	<u>1,432,926</u>
	(note 13 (c))	

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

In accordance with current legal provisions, tax settlements cannot be considered definitive until such time as they have been inspected by the fiscal authorities or until the statutory period of limitations - currently set at 3 years - has concluded. The Entity has opened an inspection in the last 3 reporting periods for all the taxes that are applicable to it. In the opinion of the Management of the Entity and its tax advisors, there are no significant tax contingencies for imports that could arise in the event of an inspection from possible different interpretations of the fiscal regulations applicable to the operations carried out by the Entity.

(a) Calculation of Corporation Tax

The reconciliation between pre-tax income for the reporting period and adjusted profit (tax base) of Corporation Income Tax is as follows:

	Euros	
	2019	2018
Pre-tax income	16,351,207	15,420,977
+/- Permanent differences	1,126,381	122,386
+/- Temporary differences	<u>18,159</u>	<u>(221,066)</u>
Adjusted profit (tax base)	17,495,747	15,322,297
Negative tax bases	<u>-</u>	<u>-</u>
Adjusted profit (definitive tax base)	<u><u>17,495,747</u></u>	<u><u>15,322,297</u></u>

The permanent differences include mainly €744,019 employee's future free consumption provision, Actuatech's collaboration transfers worth €522,807 as well as other provisions recovery.

The temporary differences correspond to FEDA's employee's pension provision for a total of €267,873 and the differences between the useful life criteria adopted by the Entity to apply the provision for the depreciation of fixed assets, in relation to that established in accordance with tax tables summing up to €(251,719).

The reconciliation between the tax base and expenditure / (income) for Corporation Tax is as follows:

	Euros	
	2019	2018
Adjusted profit (tax base)	17,495,747	15,322,297
x Tax rate	10%	10%
Gross amount (theoretic positive charge)	1,749,574	1,532,230
- Deductions applied	<u>(287,890)</u>	<u>(460,847)</u>
Tax liability (Current tax)	<u><u>1,461,684</u></u>	<u><u>1,071,383</u></u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(b) Detail of the Negative Tax Bases and deductions pending application

At 31 December 2019, the Entity did not have any negative tax bases pending application.

The deductions that the Company had pending application at 31 December 2019 are shown below:

Deductions	Year of generation/expiry	Euros			
		Balance at 31/12/2018	Deductions generated	Deductions applied	Balance at 31/12/2019
Location tax	2019/2022	-	101,254	(101,254)	-
New investments	2019/2022	-	186,636	(186,636)	-
		-	287,890	(287,890)	-

In accordance with Article 24 of the Corporation Tax Law, tax subjects may reduce their tax liability by applying 5% to the amount of new investments made in Andorra in fixed assets that affect their business activity. The total amount of the new investments carried out by the Entity during the 2018 reporting period, as well as activations of the 2019 reporting period corresponding to elements in progress from the 2015, 2016, 2017 and 2018 reporting periods, was €3,732,720, which implies a total of €186,636 for deductions for new investments. The Entity plans to maintain these assets for a minimum of five years.

A detail of the origin and maintenance of the investments generating deductions at 31 December 2019 is shown below:

Type of fixed assets	Year generation /expiry	End year of commitment to remain	Euros				Amount pending application	Surplus amount in fixed assets
			Amount connections	Base of the deduction	Deduction (5%)	Deductions applied		
Computer applications	2018/2021	2023	288.553	288.553	14.428	(14.428)	-	288.553
Other intangible fixed assets	2018/2021	2023	38.939	38.939	1.947	(1.947)	-	38.939
Buildings and other constructions	2018/2021	2023	795.340	795.340	39.767	(39.767)	-	795.340
Technical equipment and installations	2018/2021	2023	5.640.209	5.640.209	282.010	(282.010)	-	5.640.209
Furniture and other fixed assets	2018/2021	2023	428.809	428.809	21.440	(21.440)	-	428.809
Computer applications	2019/2022	2024	114.471	114.471	5.724	(5.724)	-	114.471
Other intangible fixed assets	2019/2022	2024	41.743	41.743	2.087	(2.087)	-	41.743
Buildings and other constructions	2019/2022	2024	238.609	238.609	11.930	(11.930)	-	238.609
Technical equipment and installations	2019/2022	2024	3.328.267	3.328.267	166.413	(166.413)	-	3.328.267
Furniture and other fixed assets	2019/2022	2024	9.630	9.630	482	(482)	-	9.630
			<u>10.924.570</u>	<u>10.924.570</u>	<u>546.228</u>	<u>(546.228)</u>	-	<u>10.924.570</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The breakdown of the expenditure / (income) for Corporation Tax is as follows:

	Euros	
	2019	2018
Current tax	1,461,684	1,071,383
Deferred assets	(1,615)	(237,715)
Deferred liabilities	-	-
Corporation Income Tax expenditure / (income)	<u>1,460,069</u>	<u>833,668</u>

(c) Calculation of the Corporation Tax payable

The calculation of the Corporation Tax payable is as follows:

	Euros	
	2019	2018
Tax liability (Current tax)	1,461,684	1,071,383
Payments on account	(535,691)	(302,314)
Tax difference/ (to be returned)	<u>925,993</u>	<u>769,069</u>

(19) Transactions with related companies(a) Balances with related parties

Details of the balances with related parties at 31 December 2019 are shown below:

	Euros	
	Assets	Liabilities
Andorra Telecom, SAU (note 13 (e))	-	-
Customs (note 13 (e))	-	9,800
Ministry of the Environment (note 13 (e))	-	27,660
RTVA, SA (note 13 (e))	-	2,497
Government of Andorra (note 8 (b) and note 18)	34,236	1,424,896
Government of Andorra (public debt) (note 8 (a.2) and 8 (c))	16,962,084	-
Ministry of the Economy (note 8 (b))	-	-
CTRA, SA (note 8 (b) and 13 (e))	-	138,099
CIE, SAU (note 8 (a.2 i c) i 13 (d i e))	3,017,411	754,925
FEDA Solucions, SAU (note 8 (a.2 i c))	61,470	-
CASS (note 18)	8,198	238,260
	<u>20,068,511</u>	<u>2,596,137</u>

The balance with the Government of Andorra (public debt) corresponds to the investments carried out by the Entity in fixed-income securities which are classified under the heading "Financial assets" and "Short-term financial investments" of the balance sheet, according to their maturity.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(b) Transactions with related parties

Details of transactions with related parties at 31 December 2019 are shown below:

	Euros	
	Ingressos	Despeses
Andorra Telecom, SAU	564,798	165,119
STA TV	78,182	2,241
SAAS	564,099	-
CASS	148,034	1,150,898
INAF	5,761	-
Government of Andorra	12,241,532	10,223,564
Andorra Turisme	5,851	402
Ministry of Economy	808	-
CIE, SAU	249,013	420,654
FEDA Solucions, SAU	1,470	-
CTRA, SA	33,280	1,464,552
	<u>13,892,828</u>	<u>13,427,430</u>

(c) Remunerations and balances with the members of the Management and of the administrative body

During the 2019 and 2018 reporting periods, the members of the Board of Directors of the Entity had not accrued any amounts as members of the Board, nor have been given any advance or any credit, nor has any type of obligation been contacted with them in matters related to pensions or life insurance policies.

Likewise, at 31 December 2019 and 2018 the Entity did not have any debit or credit balances with the members of the Board of Directors or with the Management of the Entity for advances, credits granted or for any other concept.

(20) Other information(a) Guarantees

There are guarantees in favour of FEDA for €931,306 for the concept of guarantees deposited by suppliers for the purpose of being able to enter bids in public tenders and to guarantee the execution of the works. Similarly, FEDA has guarantees in favour of the Ministry of the Environment, in favour of the Government of Andorra and in favour of Operador del Mercado Ibérico de Energía – Polo Español, SA and others for a lesser amount, to the sum of €720,206.

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FORCES ELÈCTRIQUES D'ANDORRA (FEDA)
Notes to the Financial Statements

(b) Information on data protection

Qualified Law 15/2003 of 18 December on personal data protection came into force on 4 February 2004 with the object of protecting and guaranteeing the fundamental rights of persons and especially those concerning intimacy, with regard to the processing and use of personal data.

Before the Law came into force, the public Entity FEDA used files that contained information of a personal nature for its various aims.

Consequently, and in order to make the legal mandate effective, and in order to guarantee maximum transparency in the processing of data of a personal nature and at the proposal of the FEDA Board of Directors, the Government, at its session of 29 December 2005, passed the decree regulating the files of a personal nature of the public Entity Forces Elèctriques d'Andorra.

The Government, at its session of 12 November 2014, at the proposal of the FEDA Board of Directors, passed the amendment of the decree regulating the creation of files of a personal nature of the public Entity Forces Elèctriques d'Andorra.

(c) Subsequent events

Effective loan grant to affiliate corporation

On January 24th the entity has paid to its affiliate company Capçalera the amount of €650,000, which corresponds to the loan formalised through the loan agreement signed on 30 December 2019 between the aforementioned affiliate company and the Entity which was outstanding on 31 December 2019. The aforementioned company commits to repay the loan in 15 years at a 2,25% interest rate and the loan will therefore the loan maturity will be on 24 January 2035 (see note 8 (a.2)).

Share subscription agreement in affiliate company

On 11 February 2020, the Entity's board of directors has agreed to subscribe its affiliate company FEDA Solucions, SAU's share issuance after the affiliate corporation's board of directors had already agreed to it. The affiliate company will increase its capital through the already subscribed issuance of 63 new shares numbered from 11 to 73, both included, at a nominal value equivalent to the previous shares -€6,000 each for a total of 378,000- and an issue premium of €10.000 each for a total of 630,000 therefore raising a grand total of 1,008,000 through the subscribed shares issuance.

Its disbursement will be composed as shown in the detail below:

	Euros
	<u>2020</u>
Monetary contribution	584,206
Non-monetary contribution	<u>423,794</u>
	<u><u>1,008,000</u></u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The non-monetary contribution will consist of the assets explained in this paragraph which, in accordance with the Independent Expert Report from 10 February 2020 by Mr. Eduard Jordi Bober which values the assets at 423,794 due to their net book value as at 29 February 2020, derived from FEDA's trial balance as at 31 December 2019, which are attached as annexes I and II respectively in the aforementioned Independent Expert Report. A detail of the assets is as follows:

1. Bus management platform valued at €17,822.
2. Tangible fixed assets under construction consisting of the projects for the development of the intermodal mobility platform and the electric vehicle management platform valued at €405,972.

On the date of the signature of these financial accounts the Entity has neither yet made the disbursement nor the notarial deed.

New loan granted to affiliate corporation

As at 11 February 2020 the entity has agreed to grant a €20,000 loan to its affiliate company FEDA Solucions, SAU in order to cover its operating needs at the start of its activity. The loan has a 2.25% interest rate with a 5 years maturity Lump-Sum payment.

Decrees of exceptional measures due to SARS-CoV-2 sanitary emergency

During March 2020 several decrees have been approved which enforce exceptional measures as a consequence of the medical emergency situation caused by SARS-CoV-2. Such decrees establish a number of measures to restrain the pandemic caused by SARS-CoV-2 and so prevent a potential medical system collapse in the principality of Andorra.

On 23 March 2020 the Principality of Andorra's General Council approved the "Llei de mesures excepcionals i urgents per la situació d'emergència sanitària causada per la pandèmia de SARS-CoV-2". Through this law (omnibus law with impact in different current legislations) several urgent and exceptional measures are introduced to alleviate the sanitary and economic crisis that Andorran people and companies will have to face.

It is as a consequence of this reason and in accordance with the aforementioned decrees and law, the Entity has prepared a contingency plan by which the Entity's workers will telecommute, just as their suppliers and subcontractors who can continue their activity in accordance with the aforementioned decrees. It is expected that even with the closure of its offices and telecommuting the Entity will be able to continue with normality. Nonetheless most of the Entity's clients have had to reduce or halt their activity temporarily. As at the formulation of the current financial accounts the administrators do not have enough evidence to evaluate the potential consequences of their clients' activity reduction or complete halt in activity provided that they do neither have a reliable estimation of its duration nor the possible consequences of the economic measures approved by the Andorran Government and the General Council established in the "Llei de mesures excepcionals i urgents per la situació d'emergència sanitària causada per la pandèmia de SARS-CoV-2".

There has been no other significant subsequent event between 31 December 2019 and the date of the presentation of the current financial accounts.

(Continued)



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

SIGNATURE CERTIFICATE

With the FEDA Administrators having met in compliance with the requirements established under current legislation, they sign and present the annual accounts for the reporting period from 1 January 2019 to 31 December 2019, consisting of the attached documents, which precede this deed of incorporation, and which are made up of the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes to the Report of the Annual Accounts, drawn up on 43 pages, all of which have been signed by the Chairperson and the Director General, with all the members of the Board of Directors signing this certificate of signature.

Encamp, 26 March 2020

Mrs Sílvia Calvó Armengol
(Chairperson)

Mr Albert Moles Betriu
(Director General)

Mr Gilbert Saboya Sunyé
(Member)

Mr Carles Miquel Garcia
(Member)

Mr Manel Riera Martínez
(Member)

Mr Jaume Forné Angrill
(Member)