

# FINANCIAL STATEMENTS

FORCES ELÈCTRIQUES D'ANDORRA

31 DECEMBER 2020  
(TOGETHER WITH THE AUDITOR'S REPORT)



FEDA

# **Forces Elèctriques d'Andorra (FEDA)**

Independent auditor's report

Annual accounts

31 December 2020



## Audit report issued by an independent auditor

***Translation of a report and annual accounts originally issued in Catalan. In the event of discrepancy, the Catalan-language version prevails***

To the Board of Directors of Forces Elèctriques d'Andorra (FEDA):

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### Opinion

We have audited the annual accounts of Forces Elèctriques d'Andorra (FEDA or the Entity), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of changes in equity, the cash flow statement and the notes thereto for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework in Andorra (as identified in Note 2 to the annual accounts) and, in particular, with the accounting principles and criteria contained therein.

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### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Entity in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the Appendices to the annual accounts, but does not include the annual accounts and our auditor's report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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### **Other matters**

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On March 26, 2020, other auditors issued their audit report on the annual accounts for the 2019 financial year in which they expressed an unmodified opinion.

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### **Responsibilities of the Directors for the annual accounts**

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The Entity's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the financial position and financial performance of the Entity, in accordance with the financial reporting framework applicable to the entity in Andorra, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the annual accounts**

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Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



Forces Elèctriques d'Andorra (FEDA)

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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PricewaterhouseCoopers Serveis Professionals Andorra, S.L.U.

Originally signed in Catalan by  
Jordi Toscas Vigara

March 23, 2021



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Financial Statements

31 December 2020

(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 2020 with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

<u>Assets</u>	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Liabilities</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
<b>Non-current assets</b>	<b>149,213,110</b>	<b>157,531,582</b>	<b>Net Equity</b>	<b>177,297,443</b>	<b>179,111,155</b>
<b>Intangible assets (note 6)</b>	<b>1,125,972</b>	<b>1,656,552</b>	<b>Capital</b>	-	-
Set-up expenses	-	-	Capital	-	-
Research and Development expenses	-	-	<b>Share premium</b>	-	-
Goodwill	-	-	<b>Reserves</b>	-	-
Other intangible assets	1,125,972	1,656,552	Legal reserve	-	-
<b>Tangible assets (note 7)</b>	<b>120,689,492</b>	<b>123,442,953</b>	Revaluation reserve	-	-
Land and buildings	17,349,787	18,009,599	Reserve for treasury shares	-	-
Technical facilities and other tangible fixed assets	99,302,627	103,192,728	Statutory reserves	-	-
Tangible fixed assets under construction and advance payments	4,037,078	2,240,626	Other reserves	-	-
<b>Investments in real estate (note 8)</b>	-	-	<b>Shareholders' equity instruments</b>	-	-
<b>Financial assets (note 9 (a))</b>	<b>27,132,950</b>	<b>32,172,729</b>	<b>Results of previous years (note 13)</b>	<b>164,643,814</b>	<b>164,220,017</b>
Group companies and associates	26,741,667	31,741,053	Surplus	164,643,814	164,220,017
Equity instruments	19,271,523	18,447,371	Losses of previous years	-	-
Loans and accounts receivable	7,470,144	13,293,682	<b>Income for the year (note 3)</b>	<b>12,653,629</b>	<b>14,891,138</b>
Other	-	-	<b>Interim dividend</b>	-	-
Other companies	391,283	431,676	<b>Non-current liabilities</b>	<b>13,711,594</b>	<b>15,326,090</b>
Equity instruments	12,020	12,020	<b>Long-term provisions (note 15 (a))</b>	<b>4,118,248</b>	<b>3,873,502</b>
Loans and accounts receivable	-	-	<b>Long-term debts (note 14 (a))</b>	<b>3,282,161</b>	<b>4,762,661</b>
Other	419,656	419,656	Debentures and other marketable securities	-	-
<b>Deferred tax assets (note 19)</b>	<b>264,696</b>	<b>259,348</b>	Amounts owed to credit institutions	1,600,000	3,144,098
			Other	1,682,161	1,618,563
<b>Current assets</b>	<b>50,954,580</b>	<b>47,657,570</b>	<b>Long-term debts with group and partner companies (note 14 (b))</b>	-	-
<b>Other non-current assets on sale (note 11)</b>	-	-	<b>Subsidies (note 18)</b>	<b>6,311,185</b>	<b>6,689,927</b>
<b>Inventories (note 10)</b>	<b>1,209,617</b>	<b>1,119,891</b>	<b>Current liabilities</b>	<b>9,158,653</b>	<b>10,751,907</b>
Raw materials and consumables	1,209,617	1,119,891	<b>Liabilities linked to other non-current assets on sale (note 11)</b>	-	-
Products in progress and manufacturing	-	-	<b>Short-term provisions (note 15 (b))</b>	<b>97,538</b>	<b>164,076</b>
Finished products and goods	-	-	<b>Short-term debts (note 14 (c))</b>	<b>3,109,755</b>	<b>3,946,303</b>
Advance payments to suppliers	-	-	Debentures and other marketable securities	-	-
Other	-	-	Amounts owed to credit institutions	1,545,083	2,283,147
<b>Short-term loans and accounts receivable (note 9 (b))</b>	<b>6,724,537</b>	<b>8,171,151</b>	Short-term financial derivatives	-	-
Clients for sales and provision of services	6,483,216	8,006,558	Other	1,564,672	1,663,156
Credits and accounts receivable in Group companies and associates	171,556	132,398	<b>Short-term debts with Group companies and partner companies (note 14 (d))</b>	-	<b>650,000</b>
Rest of credits and accounts receivable	69,765	32,195	<b>Commercial creditors and other accounts payable (note 14 (e))</b>	<b>5,951,360</b>	<b>5,991,528</b>
<b>Short-term financial investments (note 9 (c))</b>	<b>19,804,122</b>	<b>22,247,598</b>	Suppliers	3,500,007	3,454,114
In Group companies and associated companies	301,882	6,626,114	Group companies and partner companies, creditors	413,771	282,981
Rest of financial assets	19,502,240	15,621,484	Sundry creditors	1,692,073	1,897,153
<b>Liquid assets (note 9 (d))</b>	<b>23,136,161</b>	<b>15,978,457</b>	Advances from customers	243,166	257,019
<b>Accruals and prepayments (note 12)</b>	<b>80,143</b>	<b>140,473</b>	Other	102,343	100,261
			<b>Accruals and prepayments (note 16)</b>	-	-
<b>Total assets</b>	<b>200,167,690</b>	<b>205,189,152</b>	<b>Total liabilities</b>	<b>200,167,690</b>	<b>196,975,629</b>

The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31 December 2020.

Profit and Loss Account for the reporting period ended 31 December 2020  
with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>Operating income</b>		
Net revenues (note 17 (a.1))	55,825,617	63,051,711
Variation of inventories of finished products and products in manufacturing process	-	-
Works carried out for the entity's fixed assets (note 17 (a.2))	881,697	1,312,897
Other trading income	1,156,207	1,603,038
<b>Total trading income</b>	<b>57,863,521</b>	<b>65,967,646</b>
<b>Trading expenses</b>		
Consumption of goods, raw materials and other materials (note 17 (b))	(24,488,764)	(28,578,328)
Staff expenses (note 17 (c))	(6,648,857)	(6,980,504)
Wages, salaries and similar	(5,130,749)	(5,218,167)
Staff welfare expenses	(803,031)	(812,243)
Other staff expenses	(715,077)	(950,094)
Depreciation, impairment of intangible and tangible assets (notes 6 and 7)	(7,531,075)	(7,902,093)
Depreciation	(7,534,328)	(7,904,198)
Income from sale or disposal	3,253	2,105
Impairment of current assets	(118,859)	(971)
Credits and accounts receivable	(56,956)	(44,790)
Impairment of inventories	(61,903)	43,819
Excess in provisions	-	-
Other trading expenses (note 17 (d))	(5,275,499)	(5,886,748)
Leases and royalties	(158,220)	(129,466)
Repairs and maintenance	(2,198,090)	(2,703,983)
Independent professional services	(1,301,906)	(1,064,770)
Insurance	(405,261)	(395,209)
Banking services	(127,196)	(135,234)
Advertising	(212,096)	(359,057)
Supplies	(198,508)	(203,511)
Taxes and duties	(232,348)	(230,655)
Other external services	(441,874)	(664,863)
<b>Total trading expenses</b>	<b>(44,063,054)</b>	<b>(49,348,644)</b>
<b>Trading profit or loss</b>	<b>13,800,467</b>	<b>16,619,002</b>
<b>Financial income and expenses</b>		
Financial income	15,184	46,502
From participations in equity instruments	-	300
From other financial assets	15,184	46,202
Financial expenses	(113,212)	(154,316)
Payable to related parties	-	-
Other accounts payable	(113,212)	(154,316)
Variation of fair value in financial instruments	195,026	138,245
Exchange differences	48	-
Impairment and income from sale or disposal of financial assets	(145,957)	(99,642)
Impairment	(145,957)	(99,642)
Income from sales or disposals	-	-
<b>Financial profit/loss</b>	<b>(48,911)</b>	<b>(69,211)</b>
<b>Operating result</b>	<b>13,751,556</b>	<b>16,549,791</b>
<b>Other non-recurring income and expenses</b>		
Other non-recurring income	263,050	560,877
Other non-recurring expenses	(140,425)	(759,461)
<b>Total of other non-recurring income and expenses (note 17 (e))</b>	<b>122,625</b>	<b>(198,584)</b>
<b>Result before tax</b>	<b>13,874,181</b>	<b>16,351,207</b>
<b>Corporation tax (note 19)</b>	<b>(1,220,552)</b>	<b>(1,460,069)</b>
<b>Profit for the year</b>	<b>12,653,629</b>	<b>14,891,138</b>



## Statement of Changes in Equity for the reporting period ended 31 December 2020 and 31 December 2019

(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
<b>Balance on the 31/12/2018</b>	-	-	-	<b>154,195,410</b>	-	<b>14,587,309</b>	<b>168,782,719</b>
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2017 and previous years	-	-	-	(186,509)	-	-	(186,509)
<b>Adjusted balance at 01/01/2019</b>	-	-	-	<b>154,008,901</b>	-	<b>14,587,309</b>	<b>168,596,210</b>
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)	-
<b>Balance on the 31/12/2019</b>	-	-	-	<b>164,220,017</b>	-	<b>14,891,138</b>	<b>179,111,155</b>
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2019 and previous years (note 2 (e))	-	-	-	-	-	-	-
<b>Adjusted balance at 01/01/2020</b>	-	-	-	<b>164,220,017</b>	-	<b>14,891,138</b>	<b>179,111,155</b>
Result of the 2020 Financial Year	-	-	-	-	-	12,653,629	12,653,629
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	423,797	-	(14,891,138)	(14,467,341)
Distribution of dividends	-	-	-	(10,000,000)	-	(4,467,341)	(14,467,341)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	10,423,797	-	(10,423,797)	-
<b>Balance on the 31/12/2020</b>	-	-	-	<b>164,643,814</b>	-	<b>12,653,629</b>	<b>177,297,443</b>

**FORCES ELÈCTRIQUES D'ANDORRA (FEDA)**

Cash flow Statement for the reporting period ended 31 December 2020,  
with comparative figures corresponding to the previous reporting period

(Expressed in Euros)

	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>CASH FLOWS OF TRADING ACTIVITIES</b>		
<b>Profit for the Year</b>	<b>13,874,181</b>	<b>14,891,138</b>
<b>Profit adjustments</b>	<b>7,059,277</b>	<b>8,615,167</b>
Depreciation of intangible and tangible assets	7,534,328	7,904,198
Valuation corrections for impairment	264,816	61,751
Variation de provisions	216,099	1,024,042
Allocation of grants/subsidies	(855,667)	(904,382)
Income from disposals and disposal of tangible/intangible assets	(3,253)	421,744
Income from disposals and disposal of financial instruments	-	-
Financial income	(15,184)	(46,502)
Financial expenses	113,212	154,316
Exchange differences	(48)	-
Variation of fair value in financial instruments	(195,026)	-
Other income and expenses	-	-
<b>Changes in the current capital</b>	<b>1,151,237</b>	<b>115,504</b>
Inventories	(151,629)	410,542
Debtors and other accounts receivable	1,389,658	(475,520)
Other current assets	60,330	7,078
Creditors and other accounts payable	(147,122)	(1,328,967)
Other current liabilities	-	1,502,371
Other non-current assets and liabilities	-	-
<b>Other cash flows of trading activities</b>	<b>(1,315,410)</b>	<b>(876,883)</b>
Interest payments	(113,212)	(154,316)
Dividends receipts	-	300
Interest receipts	15,184	46,202
Receipts (payments) due to income tax	(1,217,382)	(769,069)
Other payments (receipts)	-	-
<b>Cash flows of trading activities</b>	<b>20,769,285</b>	<b>22,744,926</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>Payments for investments</b>	<b>(47,072,075)</b>	<b>(57,126,397)</b>
Group companies and associated companies	(2,895,754)	(13,274,823)
Intangible assets	(314,591)	(666,837)
Tangible assets	(4,359,490)	(4,998,221)
Real estate investments	-	-
Other financial assets	(39,502,240)	(38,186,516)
Other non-current assets held for sale	-	-
Other assets	-	-
<b>Receipts from disinvestments</b>	<b>49,669,474</b>	<b>43,091,051</b>
Group companies and associated companies	237,234	7,206,110
Intangible assets	-	-
Tangible assets	3,253	232,248
Real estate investments	-	-
Other financial assets	49,428,987	35,652,693
Other non-current assets held for sale	-	-
Other assets	-	-
<b>Cash flows from investment activities</b>	<b>2,597,399</b>	<b>(14,035,346)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Receipts and payments for equity instruments</b>	-	-
Issue of equity instruments	-	-
Amortization of equity instruments	-	-
Purchase of own equity instruments	-	-
Sale of own equity instruments	-	-
<b>Receipts and payments for financial liability instruments</b>	<b>(1,741,639)</b>	<b>(2,288,908)</b>
Issue:	541,508	-
Bonds and similar securities	-	-
Amounts owed to credit institutions	-	-
Amounts owed to Group companies and associated companies	-	-
Other	541,508	-
Repayment and amortization of:	(2,283,147)	(2,288,908)
Bonds and similar securities	-	-
Amounts owed to credit institutions	(2,283,147)	(2,288,908)
Amounts owed to Group companies and associated companies	-	-
Other	-	-
<b>Payments for dividends and remunerations of other equity instruments</b>	<b>(14,467,341)</b>	<b>(4,376,193)</b>
Dividends	(14,467,341)	(4,376,193)
Remunerations of other equity instruments	-	-
<b>Cash flow from financing activities</b>	<b>(16,208,980)</b>	<b>(6,665,101)</b>
<b>EFFECT OF EXCHANGE RATE VARIATIONS</b>	-	-
<b>NET INCREASE /DECREASE IN CASH OR EQUIVALENT</b>	<b>7,157,704</b>	<b>2,044,479</b>
<b>Cash or equivalent at the start of the period</b>	<b>15,978,457</b>	<b>13,933,978</b>
<b>Cash or equivalent at the end of the period</b>	<b>23,136,161</b>	<b>15,978,457</b>

**(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 10<sup>th</sup> March 2016, while the Law creating FEDA, of 14<sup>th</sup> January 1988, subsequently amended by laws of 18<sup>th</sup> January 1991, 4<sup>th</sup> November 1993 and 18<sup>th</sup> 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 2020 (see notes 7 and 9).

On the other hand, on September 10, 2018, the Entity set up a subsidiary company wholly owned by FEDA, called FEDA Soluciones, SAU, whose corporate purpose is to provide services in the field of energy and savings, and energy efficiency. During 2020, the Entity transferred the assets related to these activities to FEDA Soluciones, S.A.U (note 9).

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.

FEDA's electricity tariffs for the year ended 31 December 2020 are governed by the Decree of 18 December 2019 amending the electricity tariffs, published in the Official Gazette of the Principality of Andorra on 27 December of 2019, as well as the subsequent modifications that are framed within Law 3/2020 of March 23, 2020, approved by the Decree of March 25, 2020 and subsequent correction by the Decree of March 27, 2020, which detail the actions to be applied in terms of electricity tariffs as a result of the Covid-19. Subsequently, successive Decrees were approved on 18 November 2020, 25 November 2020 and 30 December 2020, which are part of Law 16/2020 of 4 December 2020, which details the application of discounts.

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 presentation****a) Accurate Portrayal**

These financial statements comprise the Balance Sheet, the Statement of Changes in Net Equity as at 31 December 2020, 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 2020 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.

The annual accounts for the year ended 31 December 2019 were prepared by the Directors on March 26, 2020 and approved by the Government of Andorra on the same date.

**b) Basis of presentation****b.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.

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.

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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 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 December 31, 2020 shows a working capital (current assets less current liabilities) that amounts 41,795,927 euros (positive working capital of 36,905,663 euros at December 31, 2019). This situation is mainly due to the profits obtained during the last years and the implementation of the business plan that provides for the financing of investments with own resources and long-term debt.

The net financial position of the Entity (considering liquid financial assets less financial debt) is positive in the amount of 36,247 thousand euros, which is 6 times the financial debt of the Entity. Therefore, the Directors consider that the Entity has sufficient liquidity so as not to create treasury tEntityions or affect the principle of operation of the company.

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.

Some amounts corresponding to the 2019 financial year have been reclassified to these annual accounts in order to make them comparable with those of the current financial year and to facilitate their comparison. The reclassifications are as follows:

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

	Euros	
	Debit	Credit
<b>Reclassification of long-term deferred tax assets (1)</b>		
Deferred tax assets	259,348	-
Credits and accounts for short-term receivables	-	259,348
<b>Reclassification of net income from turnover to other operating income (2)</b>		
Net amount of turnover	1,517,227	-
Other operating income	-	1,517,227
<b>Reclassification of expenditure for the transformation of liquefied natural gas into useful heat (3)</b>		
Consumption of goods, raw materials and other materials	406,456	-
Other operating expenses	-	406,456
	<u>2,183,031</u>	<u>2,183,031</u>

(1) Corresponds to the long-term reclassification of deferred tax assets.

(2) Corresponds to the reclassification to "Other operating income" of the transfer to the result of the year for "Expansion and improvements" in the amount of 904,382 euros, to the reclassification in the amount of 22,156 euros corresponding to the income received associated with electric vehicles and 506,512 euros for the sale of heat from the Soldeu cogeneration plant and the reclassifications of other one-off income in the amount of 84,175 euros.

(3) Corresponds to the reclassification to "Consumption of goods, raw materials and other materials" of the cost of transforming Liquefied Natural Gas into electricity and thermal energy.

### (3) **Distribution of results**

The proposal for the distribution of results for the year ended 31 December 2020, submitted by the Administrators of the Entity and pending approval by the Government of Andorra, was as follows:

	Euros
Surplus	8.857.540
Dividends of the reporting period	<u>3.796.089</u>
	<u>12.653.629</u>

The "Dividends for the year" section corresponds to the 30% proposed as the distribution of dividends for the year to the Government.

The proposal for the distribution of results for the year ended 31 December 2019, presented by the Administrators of the Entity and approved by the Government of Andorra, was as follows:

	Euros
Surplus	10.423.797
Dividends of the reporting period	<u>4.467.341</u>
	<u>14.891.138</u>

(Continued)

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

In addition, on May 19, 2020, the Directors approved the distribution of an extraordinary dividend charged to the results of previous financial years' of an amount of 10,000,000 euros.

**(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. Intangible assets are depreciated on a straight-line basis over their useful lives from the time they are in use.

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>
Computer applications	5
Other intangible 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 future costs that the Ent will have to face in relation to the dismantling of certain facilities are included in the value of the asset at present value, including the corresponding provision (note 4 (g)).

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 TEntityion 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.

(Continued)

*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.

The recoverable amount is determined as the higher of fair value less costs to sell and its value in use.

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 Entity's 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.

(Continued)



## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## 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.

f) Financial liabilities

*Classification*

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.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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 Entity has an obligation to dismantle certain facilities. For this purpose, the present value of the cost of carrying out these tasks is recorded in property, plant and equipment. This estimation is reviewed annually so that the provision reflects the present value of future costs by increasing or decreasing the value of the asset.

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.

g.1) Provisions for pensions and similar obligations

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

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

As a result of these Regulations in the 2020 reporting period the Entity has carried out the actuarial study measuring liabilities to be recognised at 31 December 2020 for the commitments undertaken by FEDA (the previous ones were for the reporting periods of 2002, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017 and 2020) with the following main hypotheses:

Nominal discount rate	0,84%
Salary increase	1%
Mortality tables	PERM/F2020

The accrued liability, at December 31, 2020, is 2,178,166 euros (2,069,038 euros on December 31, 2019) (see note 15 (a))

Employees who join FEDA from 1 January 2001 participate in a pension fund managed by an external company in which FEDA contributes 4% and the worker 4% of their salary to the fund. (Retirement Plan A). This defined contribution plan has been extended to all employees who have decided to take advantage of it. FEDA has contributed the total risk of the actuarial study of the employees incorporated in FEDA before January 1, 2001 who have wanted to take advantage of the new plan. The contributions accrued in the year 2020 are 199,953 euros (176,460 euros in the year 2019), corresponding to the participation of FEDA in plan B and C for 161,256 euros (136,812 euros in the year 2019) and the transfer to expenditure to be distributed from plan A for 38,696 euros (39,648 euros in 2019).

In this same section of the annual accounts, FEDA has registered a provision corresponding to free energy consumption in the years following the retirement of workers incorporated into the Entity and who live in parishes where the distribution of electricity is the responsibility of private distributors.

The price is calculated in accordance with the sale prices published in the BOPA since the provisions are for social benefits, which are subject to taxation and contribution.

On the other hand, the technical interest applied is in line with that used by Mora Assegurances in the valuation of the pEntityion provision made during the current financial year 2020. Thus the interest rate has gone from 1.40% to 0.84 % current.

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.

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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) Indirect General Tax

The General Council of the Principality of Andorra, in its session of 21 June 2012, approved Law 11/2012 on indirect general tax, which entered into force on 1 January 2013. This law was amended with dated 18 October 2012 by Law 29/2012 and subsequently dated 23 May 2013 by Law 11/2013. This law was supplemented by the regulation dated November 5, 2012, subsequently amended on April 17, 2013. With the entry into force of this tax, the ISI was repealed, as well as the IMI and the 5.5% fee for electricity consumption, among others.

This law taxes consumption through the taxation of deliveries of goods and the provision of services performed by employers or professionals, as well as imports of goods.

At the entry into force of Law 11/2012 there are different types of tax: the general tax rate (4.5%), the reduced tax rate (1%), the super reduced tax rate (0%) and the increased tax rate (9.5%) applicable to banking and financial services.

The general tax rate is set at 4.5% payable by the administration as long as the application of another type of tax is not expressly provided for.

Taxpayers must determine in each settlement period the tax debt, less the indirect general tax passed on in the period, for the contributions of the general indirect tax incurred that are deductible.

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.

k) 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.

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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.

l) Significant accounting estimates and assumptions

The preparation of the annual accounts requires the use by the Entity of certain estimates and judgments in relation to the future that are continuously evaluated and based on historical experience and other factors, including expectations of future events that are they believe reasonable under the circumstances analyzed.

The resulting accounting estimates, by definition, will rarely equal the corresponding actual results.

The valuation rules that require a higher number of estimates are listed below:

- Impairment of Assets: Non-financial assets are reviewed for possible impairment losses whenever an event or change in circumstances indicates that the carrying amount may not be recoverable. Additionally, it is reviewed annually for goodwill and intangible assets that are either not in operation or have an indefinite life.

When the recoverable amount is less than the net book value of the asset, an impairment loss is recognized in the income statement due to the difference between the two. The recoverable amount is calculated as the higher of the fair value of the asset less costs to sell and its value in use using the future cash flow discount procedure. The entity is considering the value in use as a recoverable amount.

For the purpose of assessing impairment losses, the assets are grouped at the lowest level for which it is possible to identify independent cash flows. Both assets, including those of indefinite useful life, and goodwill are allocated to these cash-generating units (CGUs).

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

For those CGUs that have required the analysis of possible impairment losses, cash flows have been based on the best available forward-looking information, based on regulation and market development expectations, with the available sectoral forecasts and historical experience on the evolution of prices and volumes produced.

- Deferred tax assets: Deferred tax assets are recorded for all those deductible temporary differences, negative tax bases pending offsetting and deductions pending application, for which the Company is likely to have future tax gains, which allow the application of these assets. To determine the amount of deferred tax assets that may be recorded, the Directors estimate the amounts and dates on which future tax gains will be obtained and the reversal period of the taxable temporary differences, taking into account in turn the changes in the business model that may affect the Entity in the future.
- Provisions: The Entity makes an estimate of the amounts to be settled in the future, including those corresponding to contractual obligations, pending litigation, future costs for the dismantling and closure of certain facilities and restoration of land or other liabilities. These estimates are subject to interpretations of current facts and circumstances, projections of future events, and estimates of the financial effects of such events.
- Revenue Recognition: Revenue from the supply of electricity is recognized when the good has been delivered to the customer on the basis of periodic meter readings. It also includes an estimate of the electricity supplied pending billing at the end of the year, as it has not been measured as a result of the normal development of the reading process cycles. The main variables involved in determining the estimated revenue to be invoiced are the price and volumes consumed and purchased. Prices are determined based on the prices applied to customers according to the contracted rates. The volumes consumed are determined based on the estimated consumption at the end of the month of customers who do not yet have Smart-meters meters installed. Historically, no material adjustments have been made to the amounts recorded as uninvoiced revenue and are not expected to be available in the future.

m) COVID-19

On March 11, 2020, the World Health Organization raised the public health emergency caused by the SARS-CoV-2 virus (commonly known as coronavirus or COVID-19 to refer to the disease it causes). The fast expansion of COVID-19, on an international scale, has led to an unprecedented health, social and economic crisis that is still evolving.

During the month of March 2020, several decrees were issued adopting exceptional measures for the health emergency situation caused by the SARS-CoV-2 coronavirus. The aforementioned decrees establish a series of measures to contain the spread of the pandemic caused by the SARS-CoV-2 coronavirus, and to prevent a possible collapse of the health system of the Principality of Andorra.

Also, on March 23, 2020, the General Council of the Principality of Andorra approved the Law of exceptional and urgent measures for the health emergency situation caused by the SARS-CoV-2 pandemic. Through this Law (Omnibus Law with impact on different regulatory texts in force), a series of exceptional and urgent measures are introduced that must alleviate the situation of health and economic crisis that will have to face both the people like Andorran companies.

These measures approved during the month of March 2020, which are still in force at the date of preparation of these annual accounts, mean that the supply contracts of the establishments in which a commercial, industrial or professional activity is carried out may enjoy a reduction of electricity tariffs, as set out below:

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

- 100% in the case of companies or professionals affected by the obligation to temporarily suspend the activity or who, without being affected by this obligation, have effectively and completely suspended the activity.
- 80% in the case of companies or professionals subject to a guard or permanence regime.

On the other hand, the following compensations to the distribution companies were approved:

- The amount of energy (kWh) supplied with the 100% reduction will be deducted by FEDA at the average purchase price of the distribution company.
- The amount of energy (kWh) supplied with the 80% reduction will be deducted by FEDA at 80% of the average purchase price of the distribution company.

It should be noted that during this period distributors were also allowed to temporarily reduce their power term to also compensate for the effect not only of the decrease in consumption, but also of the income from the fixed part.

As a result of the following waves, the General Council of the Principality of Andorra approved during the months of November and December 2020, through successive Decrees, the following aid:

- Reduction of the electricity tariff of 100% applicable to both the term power and the term consumption, if individual or social entrepreneurs who have obtained aid from the extraordinary program of aid for the payment of rent or mortgage installments of commercial premises enjoy an aid of 75% of the amount of the rent or the mortgage installment, or of 50% in the case that it enjoys an aid of 25% or 50%.
- Reduction of the electricity tariff of 50% to those companies that have obtained an authorization for the temporary suspension of employment contracts or for the reduction of the working day, or that meet the criteria to obtain the said authorization in accordance with the parameters established in Law 5/2020, of 18 April, on new exceptional and urgent measures for the health emergency situation caused by the SARS-CoV-2 pandemic, developed by the Decree of 27 May 2020 of development of measures in labor matters and measures in matters of social security of Law 5/2020, which applies to both the term power and the term energy.
- Reduction of the electricity tariff of 100% to those companies that operate ski resorts or snowfields, which applies to both power and energy.
- Compensation for the reductions previously approved to the distribution companies, so that the amount of energy (kWh) supplied with the 50% reduction will be deducted by FEDA at 50% of the average purchase price of the distribution company and if the reduction is 100% FEDA will deduct it at the average purchase price of the distribution company.

For this reason and in compliance with the aforementioned decrees and the aforementioned Law, the Entity prepared a Contingency Plan for this aspect in which the Entity workers are expected to work from home (telework), as well as its suppliers and subcontractors to whom it is possible to carry out their work in accordance with the provisions of the aforementioned decrees. With the Contingency Plan, the Entity has been able to continue to carry out its activities with a certain normality and guarantee the quality of the service and the supply of electricity. However, most of the Entity's customers have had to temporarily reduce or cease operations. The fall in activity was partly offset by a more favorable energy purchase price environment (mainly due to the fall in electricity prices in the Spanish wholesale market) and higher hydraulic production (which has a virtually zero marginal cost of production).

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

Following the approval of the Law exceptional and urgent measures in March, the Government of Andorra has been modulating the restrictions so that, once several of the previous measures were lifted, the new "normality" with the in order to control the spread of the disease.

During the month of May, the Entity made an extraordinary contribution with a surplus of 10 million euros to the fund that the Government used to address the needs generated by the pandemic situation.

Even in these difficult circumstances, the Entity has maintained the safe operation of its business. In addition, the main accounting estimates have been revalued, without considering that there are significant impacts on them.

**(5) Financial risk management**

The Entity's activities are exposed to various financial risks: credit risk, market risk (including interest rate risk) and liquidity risk.

The management of the financial risk of the companies belonging to the FEDA Group is controlled by the FEDA Financial Department.

**a. Credit risk**

Credit risk arises from cash and cash equivalents, long-term and short-term government debt, and deposits with banks and financial institutions, as well as trade or other debt, including outstanding accounts receivable and compromised transactions.

In relation to banks and financial institutions, the Entity only works with financial institutions of recognized solvency.

In relation to long-term and short-term public debt, it only corresponds to Andorran Treasury Bills, from the Government of Andorra, a company linked to the Entity.

In relation to commercial debtors, the Entity assesses the credit quality of the client, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal criteria. The Entity follows the criterion of providing those provisions for insolvencies that allow the coverage of balances of a certain age or in which there are circumstances that reasonably allow its classification as doubtful collection.

**b. Interest rate risk**

Interest rate risk arises mainly from the financial accounts that the Ent has with financial institutions. Obtaining these resources is contracted at a fixed interest rate of 3.46% or at an interest rate referenced to the EURIBOR.

**c. Liquidity risk**

The Entity carries out prudent management of liquidity risk, which implies the availability of financing for a sufficient amount through the availability of credit, both from the Entity and its Group, as well as, where applicable, from external financial institutions.

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

**(6) Intangible assets**

A summary on the intangible assets on the 31 December 2020 and 2019, in addition to their movement during the 2020 reporting period is as follows:

	Euros				Balance on the 31/12/20
	Balance on the 31/12/19	Additions	Disposals	Transfers	
<u>Cost</u>					
IT Applications	1,184,071	171,472	(18,760)	296,340	1,633,123
Other intangible assets	16,264,605	-	-	(233,005)	16,031,600
Intangible assets under construction	894,833	143,119	(405,972)	(63,335)	568,645
	<u>18,343,509</u>	<u>314,591</u>	<u>(424,732)</u>	<u>-</u>	<u>18,233,368</u>
<u>Accumulated Depreciation</u>					
IT Applications	(638,219)	(261,507)	938	(233,005)	(1,131,793)
Other intangible assets	(16,048,738)	(159,870)	-	233,005	(15,975,603)
	<u>(16,686,957)</u>	<u>(421,377)</u>	<u>938</u>	<u>-</u>	<u>(17,107,396)</u>
<u>Net book value</u>	<u>1,656,552</u>	<u>(106,786)</u>	<u>(423,794)</u>	<u>-</u>	<u>1,125,972</u>

On March 1, 2020, the subsidiary FEDA Solucions, SAU, proceeded to increase its share capital through a monetary contribution of 584,206 euros, as well as the non-monetary contribution of 423,794 euros, as stated in specifics in note 9.a.1.

A summary on the intangible assets on the 31 December 2019 and 2018, in addition to their 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	
<u>Cost</u>					
IT 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>					
IT 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>

In addition, on July 5, 2019, the subsidiary Capçalera d'Infraestructures Energètiques, SAU, proceeded to increase its share capital through a cash contribution of 863 thousand euros, as well as the non-monetary contribution of 14,641 thousand euros, as specified in note 9.a.1.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

At 31 December 2020, there were fully depreciated assets in use in the amount of 16,176,310 euros (14,312,185 euros at 31 December 2019).

As of December 31, 2020 and 2019, the Entity has not capitalized financial expenses on its intangible assets.

**(7) Tangible assets**

A summary of the tangible assets on 31 December 2020 and 2019, in addition to their movement during the 2020 reporting period is as follows:

	Euros				Balance on the 31/12/20
	Balance on the 31/12/19	Additions	Disposals	Transfers	
<b>Cost</b>					
Land and constructions	30,157,999	14,231	-	76,188	30,248,418
Equipment and technical facilities	200,698,548	1,858,371	(63,691)	614,248	203,107,476
Assets under construction	2,240,626	2,486,887	-	(690,435)	4,037,078
	<u>233,097,173</u>	<u>4,359,489</u>	<u>(63,691)</u>	<u>-</u>	<u>237,392,972</u>
<b>Accumulated Depreciation</b>					
Buildings and other constructions	(12,148,400)	(750,231)	-	-	(12,898,631)
Equipment and technical facilities	(97,505,820)	(6,362,720)	63,691	-	(103,804,849)
	<u>(109,654,220)</u>	<u>(7,112,951)</u>	<u>63,691</u>	<u>-</u>	<u>(116,703,480)</u>
<b>Net book value</b>	<u>123,442,953</u>	<u>(2,753,461)</u>	<u>-</u>	<u>-</u>	<u>120,689,492</u>

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 the 31/12/18	Additions	Disposals	Disposals for aportation	Transfers	
<b>Cost</b>						
Land and constructions	36,597,166	30,890	(213,305)	(6,440,266)	183,514	30,157,999
Equipment and technical facilities	207,613,651	3,018,612	(2,891,903)	(8,082,705)	1,040,893	200,698,548
Assets under construction	2,038,190	1,948,693	(232,218)	(289,282)	(1,224,757)	2,240,626
	<u>246,249,007</u>	<u>4,998,195</u>	<u>(3,337,426)</u>	<u>(14,812,253)</u>	<u>(350)</u>	<u>233,097,173</u>
<b>Accumulated Depreciation</b>						
Buildings and other constructions	(11,751,416)	(895,343)	20,575	664,293	(186,509)	(12,148,400)
Equipment and technical facilities	(94,441,027)	(6,364,954)	2,662,887	637,274	-	(97,505,820)
	<u>(106,192,443)</u>	<u>(7,260,297)</u>	<u>2,683,462</u>	<u>1,301,567</u>	<u>(186,509)</u>	<u>(109,654,220)</u>
<b>Net book value</b>	<u>140,056,564</u>	<u>(2,262,102)</u>	<u>(653,964)</u>	<u>(13,510,686)</u>	<u>(186,859)</u>	<u>123,442,953</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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 9 (a.1)).

The investments made during the year 2020 correspond mainly to the construction of the new TRS (transformer and repeater station) of la Gonarda, which is scheduled to be completed in 2023, as well as improvements and extensions to the medium and low voltage infrastructure.

At 31 December 2020, there were fully depreciated assets in use worth 41,291,883 euros (38,614,752 euros at 31 December 2019).

As of December 31, 2020 and 2019, the Ent has not capitalized financial expenses.

At 31 December 2020 and 2019, the Ent had activated work for its property, plant and equipment worth 881,697 euros and 1,312,897 euros, respectively (see note 17 (a.2)).

The policy of the Entity is to formalize insurance policies to cover the possible risks to which the various elements of its tangible fixed assets are subject. The directors review annually, or when circumstances require, the coverages and risks covered and agree on the amounts that should reasonably be covered for the following year.

**(8) Investments in real estate**

This section is not applicable in these Financial Statements.

**(9) Financial assets**

The table below shows details of the categories of financial assets at 31 December 2020:

	Euros			
	<u>Amortized cost</u>	<u>Held for trading</u>	<u>Cost</u>	<u>Total</u>
<b><u>Non-current assets</u></b>				
Financial investments	379,263	7,470,144	19,283,543	27,132,950
	<u>379,263</u>	<u>7,470,144</u>	<u>19,283,543</u>	<u>27,132,950</u>
<b><u>Current Assets</u></b>				
Short-terms loans and accounts receivable	6,724,537	-	-	6,724,537
Short-term financial investments	-	19,804,122	-	19,804,122
Liquid assets	23,136,161	-	-	23,136,161
	<u>29,860,698</u>	<u>19,804,122</u>	<u>-</u>	<u>49,664,820</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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

	Euros			
	Amortized cost	Held for trading	Cost	Total
<b>Non-current Assets</b>				
Financial investments	419,656	13,293,682	18,459,391	32,172,729
	<u>419,656</u>	<u>13,293,682</u>	<u>18,459,391</u>	<u>32,172,729</u>
<b>Current Assets</b>				
Short-terms loans and accounts receivable	8,171,151	-	-	8,171,151
Short-term financial investments	-	22,247,598	-	22,247,598
Liquid assets	15,978,457	-	-	15,978,457
	<u>24,149,608</u>	<u>22,247,598</u>	<u>-</u>	<u>46,397,206</u>

(a) Financial investments

A summary of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Equity instruments	19,283,543	18,459,391
Long-term financial investments	7,470,144	13,293,682
Other	379,263	419,656
	<u>27,132,950</u>	<u>32,172,729</u>

(a.1) Equity instruments

A summary of the heading "Equity instruments" on 31 December 2020 and 2019, in addition to its movement during the 2020 reporting period, is as follows:

Cost	Euros				
	Balance on the 31/12/19	Additions	Disposals	Transfers	Balance on the 31/12/20
SEMTEE, S,A, shares	12,020	-	-	-	12,020
Centre de Tractament de Residus, SA shares (*)	2,885,122	-	-	-	2,885,122
FEDA Solucions, S,A,U, shares (*)	60,000	1,008,000	-	-	1,068,000
Capçalera d'Infraestructures Energètiques, S,A,U, shares (*)	15,564,000	-	-	-	15,564,000
	<u>18,521,142</u>	<u>1,008,000</u>	<u>-</u>	<u>-</u>	<u>19,529,142</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

Impairment

SEMTEE, S,A, shares	-	-	-	-	-
Centre de Tractament de Residus, SA shares (*)	-	-	-	-	-
FEDA Solucions, S,A,U, shares (*)	(60,000)	(145,957)	-	(37,891)	(243,848)
Capçalera d'Infraestructures Energètiques, S,A,U, shares (*)	(1,751)	-	-	-	(1,751)
	<u>(61,751)</u>	<u>(145,957)</u>	<u>-</u>	<u>(37,891)</u>	<u>(245,599)</u>
	<u>18,459,391</u>	<u>862,043</u>	<u>-</u>	<u>(37,891)</u>	<u>19,283,543</u>

(\*) These investments correspond to Group Companies

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>	Balance on the 31/12/18	Additions	Disposals	Balance on the 31/12/19
SEMTEE, S,A, shares	12,020	-	-	12,020
Centre de Tractament de Residus, SA shares (*)	2,885,122	-	-	2,885,122
FEDA Solucions, S,A,U, shares (*)	60,000	-	-	60,000
Capçalera d'Infraestructures Energètiques, S,A,U, shares (*)	60,000	15,504,000	-	15,564,000
	<u>3,017,142</u>	<u>15,504,000</u>	<u>-</u>	<u>18,521,142</u>
<u>Impairment</u>				
SEMTEE, S,A, shares	-	-	-	-
Centre de Tractament de Residus, SA shares (*)	-	-	-	-
FEDA Solucions, S,A,U, shares (*)	-	(60,000)	-	(60,000)
Capçalera d'Infraestructures Energètiques, S,A,U, shares (*)	-	(1,751)	-	(1,751)
	<u>-</u>	<u>(61,751)</u>	<u>-</u>	<u>(61,751)</u>
	<u>-</u>	<u>15,442,249</u>	<u>-</u>	<u>18,459,391</u>

The corporate purpose of the CTRA, SA Company is the development of the project for the conception, construction and operation of the Waste Treatment Center for the provision of the public service for the treatment of waste generated in the Principality of Andorra.

The corporate purpose of FEDA Solutions, S.A.U. Society is the provision of services in the field of energy and savings, as well as energy efficiency.

The corporate purpose of Head of Energy Infrastructures, S.A.U. is the production of electricity, thermal energy (cogeneration), electricity and thermal energy and useful cold (trigeneration) and the distribution and retail sale of cold and useful heat.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

As of March 1, 2020, FEDA Solutions, S.A.U. proceeded to make a capital increase with monetary and non-monetary contribution, by issuing 63 new shares at a nominal value of 6,000 euros each (378 thousand euros), with an issue premium of 10,000 euros per share (630 thousand euros), which were subscribed and paid in full by its sole shareholder (FEDA), through the monetary contribution of 584,206 euros, as well as the non-monetary contribution of 423,794 euros corresponding to the main assets necessary to be able to carry out the activity of the subsidiary company (note 6).

The disbursement of the said capital increase was carried out in accordance with the following detail:

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

A detail of the book and tax value of the assets contributed is as follows:

- Bus management platform valued at 17,822 euros (activated by the transmitting entity on 31 December 2019).
- Property, plant and equipment in progress, consisting of projects for the development of the intermodal mobility platform and the electric vehicle management platform valued at 405,972 euros (investment initiated by the transmitting entity on April 30, 2019).

To carry out its activity, on July 5, 2019, the company Capçalera d'infraestructures energètiques SAU, proceeded to increase its share capital by issuing 17,000 new shares at a nominal value of 600 euros each (10,200 thousand euros), with an issue premium of 312 euros per share (5,304 thousand euros) which were subscribed and paid in full by its sole shareholder (FEDA), through the monetary contribution of 863 thousands of euros, as well as the non-monetary contribution of 14,641 thousand euros corresponding to the main assets necessary to be able to carry out the activity of the subsidiary company (note 7).

The disbursement of the capital increase was carried out in accordance with the following detail:

	Euros
	<u>2019</u>
Monetary contribution	862,975
Non-monetary contribution	<u>14,641,025</u>
	<u>15,504,000</u>

A detail of the assets contributed as a non-monetary contribution, which represent the majority of the Entity's tangible fixed assets losses for the 2019 financial year, carried out to subscribe to the capital increase of the subsidiary. 'Energy Infrastructures, SAU with issue premium, was as follows:

	Euros
	<u>2019</u>
Intangible assets (note 6)	
Soldeu land administrative concession	1,092,778
Intangible fixed assets in progress	<u>37,560</u>
	<u>1,130,338</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

## Tangible fixed assets (note 7)

Buildings and other constructions	5,775,973
Heat distribution network	7,445,432
Property, plant and equipment in progress	<u>289,282</u>
	<u>13,510,687</u>
	<u>14,641,025</u>

The chapter on "Administrative concession of Soldeu land" corresponded to the transfer to FEDA (sole shareholder) of the right to use the communal land plot, located in the town of Soldeu, in the place called solà d'Incles, of the Parish of Canillo. This assignment was carried out through a concession contract dated November 12, 2012, subsequently modified with a novation modifying it dated April 15, 2019, through which the Municipality of Canillo granted to FEDA, for a period of 30 years from the date of the said contract, the use of said plot in order for FEDA to use it for the construction of a cogeneration plant for heat and electricity with liquefied natural gas (LNG), included in the LNG storage tank and the auxiliary facilities necessary for the operation of the cogeneration plant and the urban heat network. During the 2019 financial year, the aforementioned activity was transferred to the Sociedad Capçalera de Infraestructures Energètiques, S.A.U., through the contribution of the said concession, and the assets to carry it out.

The chapter on "Buildings and technical installations for Cogeneration" corresponded to the contribution of the building that houses the "Soldeu Cogeneration Plant", together with all the interior facilities, the cogeneration engine, the boiler room and all the existing auxiliary elements for the operation of the plant, the satellite gas regasification plant, as well as the remaining tangible fixed assets that integrated the equipment of the "Soldeu Cogeneration Plant" and / or that they were affected by its exploitation and operation.

The chapter of "Heat distribution network", corresponded to the installations of urban heating of a total length approximated of 3.000 meters, situated in the subsoil of the public road, whose tracing runs from the town of The Tarter to the "Soldeu Cogeneration Plant", and from there to the village of Soldeu, along with substations consisting of variable power heat exchanger, as needed by end users.

The chapter on "Property, plant and equipment in progress" corresponded to the projects and feasibility studies for the future cogeneration plant and urban heat network in the town and parish of Andorra la Vella, in the place known as La Comella.

Details of the most representative information on participations in group companies as at 31 December 2020 are shown here:

<u>Company / Domicile/ Activity</u>	<u>% Direct participation</u>	<u>Capital</u>	<u>issue premium</u>	<u>Legal Reserve</u>	<u>Other reserves</u>	<u>Result of year 2020</u>	<u>Total equity</u>
<b>CTRA, SA</b> La Comella Andorra la Vella	71,70%	3,289,700	-	657,940	3,567,902	670,360	8,185,902
<b>FEDA SOLUCIONS, S,A,U,</b> Av, La Bartra Encamp	100%	438,000	630,000	-	(97,892)	(145,957)	824,151
<b>Capçalera d'Infraestructures Energètiques, S,A,U,</b> Av, La Bartra Encamp	100%	10,260,000	5,304,000	-	(1,751)	49,282	15,611,531

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

A detail of the most representative information of the participations in companies of the group as of December 31, 2019 is as follows:

Company / Domicile/ Activity	% Direct participation	Capital	issue premium	Legal Reserve	Other reserves	Result of year 2020	Total equity
<b>CTRA, SA</b> La Comella Andorra la Vella	71,70%	3,289,700	-	657,940	2,894,843	673,059	7,515,542
<b>FEDA SOLUCIONS, S,A,U,</b> Av, La Bartra Encamp	100%	60,000	-	-	-	(97,892)	(37,892)
<b>Capçalera d'Infraestructures Energètiques, S,A,U,</b> Av, La Bartra Encamp	100%	10,260,000	5,304,000	-	-	(1,751)	15,562,249

(a.2) Long-term financial investments

A summary of the heading "Long-term financial investments" on 31 December 2020 and 2019, in addition to its movement during the 2020 reporting period is as follows:

	Euros				Balance on the 31/12/20
	Balance on the 31/12/19	Additions	Disposals	Transfers	
Long-term Public Debt	10,509,648	-	-	(7,119,648)	3,390,000
Other Long-term Debt	2,784,034	1,620,000	-	(323,890)	4,080,144
	<u>13,293,682</u>	<u>1,620,000</u>	<u>-</u>	<u>(7,443,538)</u>	<u>7,470,144</u>
				(note 9 (c))	

A summary of the heading "Long-term financial investments" on 31 December 2019 and 2018, 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	62,879,164	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 9 (c))	

The amount of "Long-term Public Debt" registered at 31 December 2020 corresponds in full to the Entity's acquisition of Andorran Treasury Bills maturing on 30 March 2022 with an interest rate between 0.45% and of 1.75%, respectively (note 20 (a)).

(Continued)



## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

The amount of "other Long-term Debt" registered at 31 December 2020 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	
	2020	2019
L/T Debt from Feda Solucions, SAU (note 20 (a))	53,406	48,000
L/T Debt from CIE, SAU (note 20 (a))	4,026,738	2,736,034
	<u>4,080,144</u>	<u>2,784,034</u>

The chapter of "Credits a long term Feda Solucions, S.A.U.", including the loans from the company, the quals have been formalized and granted mitjançant contracts between the parties, based on the agreement signats between the companies and the company FEDA Solucions, S.A.U. (SOLUCIONS, S.A.U.) dated April 18, 2019 and February 20, 2020, according to the following detail:

Entity	Type	Euros		Borrowing date	Maturity date	Interest
		Credit limit / Principal	Unpaid Principal Balance			
FEDA	Préstec	60,000	48,810	18/04/19	18/04/24	3.50%
FEDA	Préstec	20,000	20,000	13/02/20	13/02/25	2.25%
	Total debts with group companies		<u>68,810</u>			
	Short-term loans (note 9 c)		<u>(15,404)</u>			
	Total long-term debts (note 20 a)		<u>53,406</u>			

As of December 31, 2019, the Entity had granted SOLUCIONS, SAU a single loan in accordance with the following details:

Entity	Type	Euros		Borrowing date	Maturity date	Interest
		Credit limit / Principal	Unpaid Principal Balance			
FEDA	Préstec	60,000	60,000	18/04/19	18/04/24	3.50%
	Total debts with group companies		<u>60,000</u>			
	Short-term loans (note 9 c)		<u>(12,000)</u>			
	Total long-term debts (note 20 a)		<u>48,000</u>			

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

The "Long-term loans CIE, SAU" chapter includes loans with this company, which have been formalized and granted through contracts between the parties, based on a Framework Agreement signed between the Entity and the company. Energy Infrastructures, SAU (CIE, SAU) dated October 1, 2019, by which the two parties agree that, in order for the said company to finance the first phase of the construction project of the Comella Cogeneration Plant and the network of heat distribution (note 7), understanding as the first stage the investments planned to be settled during the financial year 2019 and 2020, will need a global financing of 5,500,000 euros, and that FEDA is willing to provide this amount during the period between October 1, 2019 and October 1, 2020, through the consecutive granting of different loans of a maximum of ten (10), depending on the plan of payments of the company CIE, SAU

In this regard, as of December 31, 2020, the Entity has granted CIE, S.A.U. a total of six (6) loans, five of which (those formalized as of October 1, 2019) count under the aforementioned Framework Agreement, in accordance with the following detail:

Entity	Type	Euros		Borrowing date	Maturity date	Interest
		Credit limit / Principal	Unpaid Principal Balance			
FEDA	Préstec	140,000	113,884	18/04/19	18/04/24	3.50%
FEDA	Préstec	600,000	571,142	20/11/19	20/11/34	2.25%
FEDA	Préstec	1,500,000	1,435,130	16/12/19	16/12/34	2.25%
FEDA	Préstec	650,000	625,037	24/01/20	24/01/35	2.25%
FEDA	Préstec	600,000	582,750	19/03/20	19/03/35	2.25%
FEDA	Préstec	1,000,000	980,878	04/05/20	04/05/35	2.25%
Total debts with group companies			<u>4,308,821</u>			
Short-term loans (note 9 c)			<u>(282,083)</u>			
Total long-term debts (note 20 a)			<u>4,026,738</u>			

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

As of December 31, 2019, the Ens granted CIE, S.A.U. a total of four (4) loans, three of which (those formalized as of October 1, 2019) count under the aforementioned Framework Agreement, in accordance with the following detail:

Entity	Type	Euros		Borrowing date	Maturity date	Interest
		Credit limit / Principal	Unpaid Principal Balance			
FEDA	Préstec	140,000	140,000	18/04/19	18/04/24	3.50%
FEDA	Préstec	600,000	600,000	20/11/19	20/11/34	2.25%
FEDA	Préstec	1,500,000	1,500,000	16/12/19	16/12/34	2.25%
FEDA	Préstec	650,000	650,000	24/01/20	24/01/35	2.25%
Total debts with group companies			<u>2,890,000</u>			
Short-term loans (note 9 c)			<u>(153,966)</u>			
Total long-term debts (note 20 a)			<u>2,736,034</u>			

On the other hand, the transaction of the balance corresponding to the loan in the amount of 650,000 euros that was pending execution on December 31, 2019 (see notes 14.d and 20.a) was completed and disbursed during the month of January 2020.

(a.3) Other

The amount registered as at 31 December 2020 corresponds fully to the contribution of the Entity in 2003 to the externalization of the pEntityions plan for the concept of the future cost of staff until their retirement. The expenditure of the reporting period ended on 31 December 2020 and 2019 is registered in the Profit and Loss Account under the heading "Staff expenses".

A summary of this heading on 31 December 2020 and 2019, in addition to its movement during the 2020 reporting period is as follows:

	Euros				
	Balance on the 31/12/19	Expenditure for the reporting period	Redemptions for early retirements	Transfert to short term	Balance on the 31/12/20
Deferred expenses	<u>419,656</u>	<u>(38,696)</u>	<u>(1,697)</u>	-	<u>379,263</u>
	<u>419,656</u>	<u>(38,696)</u>	<u>(1,697)</u>	-	<u>379,263</u>

note 17.c

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

A summary of this heading on 31 December 2019 and 2018, in addition to its movement during the 2018 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	462,336	(39,648)	(3,032)	-	419,656
	<u>462,336</u>	<u>(39,648)</u>	<u>(3,032)</u>	<u>-</u>	<u>419,656</u>
		note 17.c			

(b) Short-term loans and accounts receivable

A summary of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Customers for the provision of services	4,006,392	3,629,763
Customers in collection management	1,610,317	3,386,762
Energy pending billing	698,786	935,063
Doubtful collection customers	161,697	54,970
Clients of group companies (note 20.a)	170,665	121,168
Accounts receivable from associated companies (note 20.a)	6,915	11,230
Remuneration advances	-	991
Public administrations, debtors (note 19)	69,765	31,204
	<u>6,724,537</u>	<u>8,171,151</u>
Deterioration of customers due to commercial operations	-	-
	<u>6,724,537</u>	<u>8,171,151</u>

The chapter "Customers for the provision of services" mainly corresponds to the balance that the country's electricity distribution companies have to settle with the Entity at 31 December.

The chapter "Customers in collection management" corresponds, mainly, to the invoicing of the month of December carried out on the basis of the reading of meters carried out in dates close to the closing. These amounts will be settled at the beginning of the following year.

The chapter "Energy pending billing" mainly corresponds to the forecast of energy consumption made by customers for whom meters have not yet been read (note 4.m).

As of December 31, 2020 and 2019, the Entity has not recorded any value adjustments due to impairment of accounts receivable in the short term. It has also recorded a loss for bad debts of 56,012 euros (41,547 euros at December 31, 2018).

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(c) Short-term financial investments

A summary of the heading "Short-term financial investments" on 31 December 2020 and 2019, in addition to its movement during the 2020 reporting period is as follows:

	Euros				Balance on the 31/12/20
	Balance on the 31/12/19	Additions	Disposals	Transfers	
Short-term public debt	6,452,436	-	(13,572,084)	7,119,648	-
Short-term deposits	15,621,484	39,502,240	(35,621,484)	-	19,502,240
Other short-term loans	173,678	41,548	(237,234)	323,890	301,882
	<u>22,247,598</u>	<u>39,543,788</u>	<u>(49,430,802)</u>	<u>7,443,538</u>	<u>19,804,122</u>

(note 9 (a.2))

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 31/12/19
	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 9.a.2

The short-term public debt recorded at 31 December 2019 corresponded to the Andorran Treasury Bills maturing during the 2020 financial year.

Short-term deposits are made up of various taxes in Andorran banks with a maturity of less than one year from the closing date and with a remunerated interest rate of between 0.05% and 0.20%.

The chapter "Other short-term loans" corresponds to the short-term part of the loans granted during 2019 to the subsidiary companies of FEDA, that is, to Capçalera d'Infraestructures Energètiques, S.A.U. and Feda Solutions, S.A.U., as well as accrued and outstanding interest thereon, in accordance with the following detail.

	Euros	
	2019	2018
Feda Solucions, SAU's S/T loan (note 20 (a))	15,404	12,000
CIE, SAU's S/T loan (note 20 (a))	282,083	153,966
Interest receivable (note 20 (a))	4,395	7,712
	<u>301,882</u>	<u>173,678</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(d) Liquid assets

On 31 December 2020 and 2019, the "Liquid assets" heading corresponds to different current accounts, which the Entity has with various Andorran banking institutions.

**(10) Inventories**

A summary of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Stocks to be consumed by the entity itself and replacements	1,447,516	1,295,887
	1,447,516	1,295,887
Provision	(237,899)	(175,996)
	<u>1,209,617</u>	<u>1,119,891</u>

The caption for inventories corresponds mainly to material to be consumed by the Entity itself and to replacements. It includes material for extEntityions 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 2020 and 2019 is as follows:

	Euros	
	2019	2018
Balance at the start of the reporting period	(175,996)	(219,815)
Allocation for the reporting period	(64,174)	(74,150)
Recoveries of the reporting period	2,271	117,969
Applications of the reporting period	-	-
	<u>(237,899)</u>	<u>(175,996)</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".

**(11) Other non-current assets on sale**

This section is not applicable in these Financial Statements.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

**(12) 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 2020 and 2019 is as follows:

	Euros	
	2020	2019
Anticipated expenses for maintenance	23,433	87,792
Anticipated expenses for leases	1,023	741
Anticipated expenses for rent	18,249	12,809
Anticipated expenses for the retirement plan	37,438	39,131
	80,143	140,473

**(13) 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 extEntityions 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 2020 the Entity had a remaining balance for the sum of 164,643,814 euros proceeding from the positive results of previous reporting periods (164,220,017euros at 31 December 2019).

**(14) Financial liabilities**

A detail of the financial liabilities classified by categories at 31 December 2020 is shown below:

	Euros		
	Amortized cost	Held for trading	Total
<u>Non-current liabilities</u>			
Long-term debts	3,282,161	-	3,282,161
	3,282,161	-	3,282,161
<u>Current liabilities</u>			
Short-term debts	3,109,755	-	3,109,755
Short-term debts with group and partner companies	-	-	-
Commercial creditors and other accounts payable	5,951,360	-	5,951,360
	9,061,115	-	9,061,115

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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

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

(a) Long-term liabilities

A summary of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Long-term debts with credit institutions	1,600,000	3,144,098
Long-term advances from customers	1,682,161	1,618,563
	<u>3,282,161</u>	<u>4,762,661</u>

A detail of the conditions of the loans appearing in the heading "Long-term debts with credit institutions" at 31 December 2020 are shown below:

Entitat	Euros		Inici	Maturity date	Interest
	Principial	Outstanding principal			
Loan Morabanc	8,000,000	2,400,000	31/12/2013	31/12/2023	3,46%
Loan Crèdit Andorrà	14,000,000	745,083	01/06/2011	01/06/2021	Euríbor + 1%
	Total deutes	<u>3,145,083</u>			
	Less short term maturity (note 14 (c))	<u>(1,545,083)</u>			
	Total long term debt	<u>1,600,000</u>			

The chapter "Long-term customer advances" corresponds to deposits made by customers of the Entity at the time of contracting the registration or change of electricity service, which are expected to be returned in a period of more than one year.

(Continued)



## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(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 2020 and 2019 is as follows:

	Euros	
	2020	2019
Short-term debts with credit institutions (note 14 (a))	1,545,083	2,283,147
Short-term advances from customers	1,564,672	1,663,156
	<u>3,109,755</u>	<u>3,946,303</u>

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

This section is not applicable in these Financial Statements.

(e) Commercial creditors and other accounts payable

The breakdown of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Suppliers of energy	3,500,007	3,454,114
Partner-company creditors (note 20 (a))	414,046	282,981
Sundry accounts payable	1,691,798	1,897,153
Short-term advances from customers	243,166	257,019
Other	102,343	100,261
	<u>5,951,360</u>	<u>5,991,528</u>

The balance for the caption "Suppliers of energy" corresponds to the balance pending settlement at 31 December 2020 and 2019 by the Entity to its suppliers of energy.

The chapter "Creditors associated companies" corresponds to balances pending settlement with CTRASA in the amount of 128,581 euros (138,099 euros at December 31, 2019), with CIE, S.A.U. for an amount of 119,517 euros (104,925 euros at December 31, 2019), 275 euros for the fee for the electric vehicle platform at FEDA SOLUCIONS and 165,673 euros (39,957 euros at December 31, 2019) of debts with other associated companies.

The "Miscellaneous creditors" chapter corresponds to the balance outstanding to be paid at 31 December 2020 and 2019 by the Entity to its suppliers of fixed assets and services.

The chapter "Short-term customer advances" corresponds to deposits made by customers of the Entity at the time of contracting the registration or change of electricity service, which are expected to be returned in a period of less than one year.

(Continued)

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

The "Other" chapter mainly corresponds to the retention of the internal mutual society of the workers of the Entity on December 31, 2020.

**(15) Provisions**

A summary of this heading of the balance sheet on 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Long-term provisions	4,118,248	3,873,502
Short-term provisions	97,538	164,076
	4,215,786	4,039,330

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 2020 and its movement during the reporting period is shown below:

	Euros				Balances at 31/12/20
	Balances at 31/12/19	Allocations	Reversals	Payments	
PEntityion fund provision (note 4 (g.1))	2,069,038	289,181	(18,797)	(161,256)	2,178,166
Staff consumption provision	1,140,032	135,618	-	-	1,275,650
Dismantling provision	645,919	-	-	-	645,919
Other provisions	18,513	-	-	-	18,513
	3,873,502	424,799	(18,797)	(161,256)	4,118,248

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

	Euros				Balances at 31/12/19
	Balances at 31/12/18	Allocations	Reversals	Payments	
PEntityion 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
	2,857,245	1,967,056	(764,532)	3,626,202	3,873,502

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

According to the actuarial study carried out during the current financial year 2020, the provisions arising from the provision of the pension fund for the financial year ended 31 December 2020 correspond to expenses for a total amount of 50,015 euros, result of the variation between the adjustments generated by the update of the provision (result of the actuarial study) and the amounts paid during 2020 in the amount of 211,271 euros and 161,256 euros respectively (18,631 euros at December 31, 2019).

On the other hand, and by virtue of the aforementioned actuarial study carried out during the current financial year 2020, as a result of the same, the Ent has proceeded to update the provision for liabilities to be recognized at 31 December 2020 by updating actuarial assumptions.

The applications derived from the provision of the pension fund in the amount of 161,256 euros (136,812 euros at December 31, 2019), correspond to pensions paid during the financial year 2020.

The provision corresponding to the consumption of employees includes the current net cost at 31 December 2020, of the estimate of the free future consumption that the workers of the Entity are entitled to, who live in parishes where the distribution of electricity is carried out. of private distributors, once they retire. The provisions corresponding to this provision are broken down in the "Other non-recurring expenses" section of the accompanying income statement (see note 17.e).

With regard to the "Provisions for dismantling", during the 2019 financial year, the Entity proceeded to transfer the reversal of the provision for the estimated expenditure corresponding to the dismantling of the facility supplied to the land ceded by the Municipality of Canillo by the Cogeneration plant for an amount of 458,858 euros, given that the assets installed in the said land have been transferred to the subsidiary Capçalera d'Infraestructures Energètiques, SAU (notes 7 and 8). Also, during the 2019 financial year, the Ent proceeded to reverse the dismantling provision corresponding to the estimated cost of dismantling the High and Medium Voltage line that went from Canillo to Ransol (LMT 212 from A68 to A88 d / 6067 CAN) for an amount of 64,397 euros.

On the other hand, during 2019, the Entity proceeded to register a provision for the estimated expenditure corresponding to the dismantling of the installation of the High Voltage Overhead Line between Encamp and Grau Roig, which is planned to be executed. -in the middle of the year 2023 for a total amount of 645,919 euros.

(b) Short-term provisions

A detail of the balance of this heading of the balance sheet at 31 December 2020 and its movement during the reporting period is shown below:

	Euros				Balance at 31/12/19
	Balance at 31/12/18	Allocations	Reversals	Payments	
	82,704	83,305	(78,157)	-	87,852
Provision for holidays	19,864	-	(19,864)	-	-
Provision for social contributions for payments in kind	61,508	6,444	(20,375)	(37,891)	9,686
Other provisions	82,704	83,305	(78,157)	-	87,852
	<u>164,076</u>	<u>89,749</u>	<u>(121,638)</u>	<u>(37,891)</u>	<u>97,538</u>

As of December 31, 2020 and 2019, the Entity has registered the provision corresponding to the amount of holidays accrued but pending enjoyment by its employees on that date. For the purposes of the calculation, the gross salary plus the average of the variable salary for the whole year has been taken into account to calculate the daily wage, as established by Law 35/2008, of the Labor Relations Code.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The chapter "Other provisions" at 31 December 2020 and 2019 corresponds to the fee that the Ent will have to pay to the distributors for the recharges of electric vehicle made in the chargers owned by them. The Entity has also accounted for the provision of water consumption that the Comú d'Encamp has stopped billing due to an error in the readings made and the amount at 31 December has been estimated at 5,500 euros.

At 31 December 2019, it also included the provision for the reinstatement of the equity of the subsidiary FEDA Solucions, S.A.U., which at 31 December 2019 had negative equity of 37,891 euros. This provision has been transferred to the caption "Equity instruments of Group companies and associates" (note 9).

(c) Contingent liabilities

Contentious-administrative file

The contingent liabilities of the Entity include those corresponding to the normal liability of companies for the commercial activity of the Entity. As of December 31, 2020, in the opinion of the Board of Directors of the Entity, there is no record of instigated legal proceedings that could have significant effects on these annual accounts..

**(16) End of period adjustments**

This section is not applicable in these Financial Statements.

**(17) Income and expenses**

(a) Income

(a.1) Net revenues

The following is a breakdown of the Income Statement for the years ended 31 December 2020 and 2019:

	Euros	
	2020	2019
Sales of energy to end consumers	41,402,422	46,670,862
Sales of energy to distributors	14,215,831	16,143,558
Attached sales	207,364	237,291
	<u>55,825,617</u>	<u>63,051,711</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.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

The following is a breakdown of the heading "Attached sales" at 31 December 2020 and 2019:

	Euros	
	2020	2019
Connection fees (Policies)	207,364	237,291
	<u>207,364</u>	<u>237,291</u>

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

The amount of this caption in the income statement at 31 December 2020 amounts to 881,697 euros (1,312,897 euros at 31 December 2019) and corresponds to the income recognized when proceeding to activate the costs incurred internally, in the construction of various fixed assets for direct and / or indirect labor and materials. Given that the Entity considers these costs to be the cost of production of its current assets, it recognizes an income in the income statement under this heading (note 7).

(a.3) Other operating income

The amount of this caption in the income statement at 31 December 2020 amounts to 1,156,207 euros (1,603,038 euros at 31 December 2019) and corresponds to the income recognized as extensions and improvements in the amount of 855,667 euros (904,382 euros at 31 December 2019) (note 18), as well as income from re-invoicing to Group companies in the amount of 114,869 euros (35,799 euros at 31 December 2019).

(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 2020 and 2019:

	Euros	
	2020	2019
Energy purchase	20,924,685	24,630,088
Buy Liquefied Natural Gas	490,918	698,115
Purchase of energy CTRA, SA (note 20.b)	1,347,423	1,464,552
Cogeneration expenses (note 20.b)	851,676	406,456
Heat purchase (note 20.b)	46,577	-
Other consumption	979,114	924,756
Stock change (note 10)	(151,629)	454,361
	<u>24,488,764</u>	<u>28,171,872</u>

The chapter "Purchase of energy" corresponds to the energy acquired from Spanish and French production and marketing companies, as well as contracts for access to the electricity networks of the respective countries with "Réseau de Transport d'Electricité" and Red Electric. This chapter also includes the purchase of photovoltaic energy produced in the Principality of Andorra and the electricity produced by the Soldeu cogeneration plant.

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The chapter "Purchase of energy (CTRA, SA)" corresponds to the energy acquired from the said company under the agreement signed on November 2006 and which is in force until the end of the concession to operate the Center. of Waste Treatment.

At 31 December 2020, the amount of the purchase of Liquefied Natural Gas was 490,918 euros (698,115 euros at 31 December 2019).

During 2017, FEDA began importing Liquefied Natural Gas in order to supply the cogeneration plant located in Soldeu, with the aim of generating electricity and heat through this new energy source. In this sense, during 2019, the activity of generating electricity and heat through Liquefied Natural Gas was transferred to its subsidiary Capçalera d'Infraestructures Energètiques, S.A.U. (note 7), and the Entity ceded to the said company Liquefied Natural Gas for its transformation into electricity and thermal energy (Cogeneration), for which it bears a transformation expense in the amount of 851,676 euros (406,456) euros at 31 December 2019), and subsequently proceeds with the sale of thermal energy to the same subsidiary company (CIE, SAU) so that it can distribute and retail the thermal energy already transformed from Liquefied Natural Gas.

(c) Staff expenses

Detailed information on staff expenses for the reporting period ended 31 December 2020, and 2019 is as follows:

<u>Staff expenses</u>	Euros	
	2020	2019
Wages and the Salaries	5,130,749	5,218,167
Staff welfare expenses (note 19 (b))	803,031	812,243
Other staff expenses	715,077	950,094
	<u>6,648,857</u>	<u>6,980,504</u>

Detailed information on "Other staff expenses" for the reporting period ended 31 December 2020, and 2019 is as follows:

<u>Other staff expenses</u>	Euros	
	2020	2019
Contribution to the pEntityions plan (note 8 (a.3))	38,696	39,648
Other social benefits	436,727	705,448
Other	239,654	204,998
	<u>715,077</u>	<u>905,094</u>

The balance of the "Contribution to the pension fund" chapters corresponds to the expenses associated with the outsourced pension fund as well as to the expenses of the FEDA internal pension fund.

The balance of the chapter "Other social benefits" mainly corresponds to the endowment of the provision in the amount of 282,556 euros (539,974 euros at December 31, 2019) which, by virtue of the actuarial study carried out during the current financial year 2020 in relation to the external pension fund as well as the FEDA internal pension plan (note 15).

The average workforce of the Ens for the annual year ended December 31, 2020, was 109 employees (105 workers for the annual year ended December 31, 2019).

(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 2020 and 2019 distributed by categories is as follows:

	Average number of workers	
	2020	2019
Officials	21	25
Administrative assistants	15	12
Medium-level technicians	23	21
High-level technicians	28	24
Area heads	13	13
Managers	9	10
Total	<u>109</u>	<u>105</u>

(d) Other trading expenses

Detailed information on the heading "Other trading expenses" for the years ended 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Leases	158,220	129,466
Repairs and maintenance	2,198,090	2,703,983
Supplies	198,508	203,511
Independent professional services	1,301,906	1,064,770
Insurance	405,261	395,209
Taxes	232,348	230,655
Banking services	127,196	135,234
Advertising and Public Relations	212,096	359,057
Other services	441,874	664,863
	<u>5,275,499</u>	<u>5,886,748</u>

The chapter "Services of independent professionals" at 31 December 2020 includes 932,290 euros (575,401 euros at 31 December 2019) corresponding to expenses related to non-legal advice.

The "Other services" chapter at 31 December 2020 includes 334,490 euros (522,807 euros at 31 December 2019) corresponding to the contributions made during the year to the Actua Tech Foundation, as well as other contributions made.

(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 2020 and 2019 is as follows:

	Euros	
	2020	2019
Other non-recurring income	266,923	561,636
Other non-recurring expenses	<u>(140,424)</u>	<u>(759,462)</u>
	<u>126,499</u>	<u>(197,826)</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

The chapter "Other non-recurring income" at 31 December 2020 mainly includes a regularization carried out during the year in which provisions for outstanding invoices in the amount of 230,674 euros (16,725 euros at 31 December 2019).

The chapter "Other non-recurring expenses" at 31 December 2020 mainly includes the provision for the update of the provision corresponding to the consumption of employees corresponding to the current net cost at 31 December 2020, of the estimate of future consumption. free workers entitled to Ens workers, who live in parishes where the distribution of electricity is the responsibility of private distributors, once they retire in the amount of 135,618 euros (744,019 euros at December 31, 2019) (see note 15.a)

**(18) 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 2020 and 2019, and its movement during the 2020 reporting period is shown below:

	Euros			
	Balance at 31/12/19	New clients	Transfer to Income	Balance at 31/12/20
Deferrable income	<u>6,689,927</u>	<u>476,925</u>	<u>(855,667)</u>	<u>6,311,185</u>

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

(Continued)



## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

**(19) 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	
	2020	2019
<u>Non-current Assets</u>		
Deferred tax assets	264,695	259,348
	<u>264,695</u>	<u>259,348</u>
<u>Current Assets</u>		
CASS debtor	20,924	8,198
Debtor government for photovoltaic energy	47,105	23,006
Debtor government for IGI	1,737	-
	<u>69,766</u>	<u>290,552</u>
	<u>334,461</u>	<u>290,552</u>
	note 20.a	
<u>Current liabilities</u>		
CASS creditor	230,951	238,260
Creditor government for IGI	374,123	470,308
Creditor government for IRNR	560	1,031
Creditor government for IS	933,564	925,993
Government creditor for personal income tax	25,474	27,564
	<u>1,564,672</u>	<u>1,663,156</u>
	note 20.a	

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.

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(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	
	2020	2019
Pre-tax income	13,874,181	16,351,207
+/- Permanent differences	715,089	1,126,381
+/- Temporary differences	<u>53,486</u>	<u>18,159</u>
Adjusted profit (tax base)	14,642,756	17,495,747
Negative tax bases	<u>-</u>	<u>-</u>
Adjusted profit (definitive tax base)	<u><u>14,642,756</u></u>	<u><u>17,495,747</u></u>

The permanent differences mainly include the provision of electricity consumption for employees in the amount of 135,618 euros, the amount of collaboration transfers with Actuatech in the amount of 334,490 euros, as well as other recoveries of provisions. Additionally, it includes the provision for impairment of the Company of the FEDA Solutions Group, S.A.U. for an amount of 145,957 euros (note 9).

The temporary differences correspond to the net endowment to the provision of the Pension Plan for FEDA employees in the amount of 289,181 euros, as well as to the imputation of the amounts for depreciation of fixed assets that were regularized in 2017, according to the consultation filed with the Department of Taxes and Borders (216,899).

The conciliation between the tax base and the expense / (income) for the Corporation Tax, is the following

	Euros	
	2020	2019
Adjusted profit (tax base)	14,642,756	17,495,747
x Tax rate	10%	10%
Gross amount (theoretic positive charge)	1,464,275	1,749,574
- Deductions applied	<u>(238,375)</u>	<u>(287,890)</u>
Tax liability (Current tax)	<u><u>1,225,900</u></u>	<u><u>1,461,684</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 2020, the Entity did not have any negative tax bases pending application.

The deductions that the Company had pending application at 31 December 2020 are shown below:

Deductions	Year generation /expiry	Euros			
		Balance at 31/12/2019	Generated deductions	Applied deductions	Balance at 31/12/2020
Settlement tax	2020/2023	-	101,254	(101,254)	-
New investments	2020/2023	-	137,121	(137,121)	-
<b>Total deductions</b>		<b>-</b>	<b>238,375</b>	<b>(238,375)</b>	<b>-</b>

In accordance with article 24 of the Corporation Tax Law, taxpayers may reduce their tax rate by applying 5% to the amount of new investments made in Andorra of fixed assets affected by the business activity.

The total amount of new investments recognized during the year 2020 as well as the activations of the year 2020 corresponding to current items, which generate deductions for this concept, has been 2,742,420 euros, which implies a total of deductions for new investments of 137,121 euros. We plan 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 2020 is shown below:

Type of fixed assets	Year generation /expiry	End year of commitment to remain	Euros					Surplus amount in fixed assets
			Amount connections	Base of the deduction	Deduction (5%)	Deductions applied	Amount pending application	
Computer applications	2018/2021	2023	288,553	288,553	14,428	(14,428)	-	288,553
Other intangible immobility	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 facilities	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 immobility	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 facilities	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

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

Computer applications	2020/2023	2025	234,807	196,693	9,835	(9,835)	-	234,807
Buildings and other constructions	2020/2023	2025	101,303	101,303	5,065	(5,065)	-	101,303
Technical equipment and facilities	2020/2023	2025	2,309,088	2,309,088	115,454	(115,454)	-	2,309,088
Furniture and other fixed assets	2020/2023	2025	152,646	135,335	6,767	(6,767)	-	152,646
			13,722,414	13,666,989	683,349	(683,349)	-	13,722,414

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

	Euros	
	2020	2019
Current tax	1,225,900	1,461,684
Deferred assets	(5,348)	(1,615)
Deferred liabilities	-	-
Corporation Income Tax expenditure / (income)	<u>1,220,552</u>	<u>1,460,069</u>

(c) Calculation of the Corporation Tax payable

The calculation of the Corporation Tax payable is as follows:

	Euros	
	2020	2019
Tax liability (Current tax)	1,225,900	1,461,684
Payments on account	(291,389)	(535,691)
Tax difference/ (to be returned)	<u>934,511</u>	<u>925,993</u>

**(20) Transactions with related companies**

The following are understood to be related parties:

- Entities linked to the Government of Andorra
- The Directors, and the directors considered Senior Management and their close family. "Senior Management" means the managers in charge of planning, directing and controlling the activities of FEDA.
- Any Company or entity of the FEDA Group

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(a) Balances with related parties

Details of the balances with related parties at 31 December 2020 are shown below:

	Euros	
	Assets	Liabilities
Andorra Telecom, SAU (note 14 (e))	373	(14,392)
Customs (note 14 (e))	-	(4,505)
Ministry of the Environment (note 14 (e))	-	(170,935)
RTVA, SA (note 14 (e))	6,463	(3,503)
Government of Andorra (note 9 (b) and note 19)	313,537	(1,333,721)
Ministry of the Economy (note 9 (b))	282	-
INAF	453	-
CTRA, SA (note 9 (b) and 14 (e))	23	(128,581)
CIE, SAU (note 9 (a.2 i c) and 14 (d and e))	139,615	(119,517)
FEDA Solucions, SAU (note 9 (a.2 and c))	31,027	(275)
CASS (note 19)	20,924	(230,951)
	<u>512,697</u>	<u>(2,006,380)</u>

The balance with Energy Infrastructure Heading includes 42,539 euros pending collection from FEDA and paid on 31 December to the subsidiary.

A detail of the main balances with related parties as of December 31, 2019, is as follows:

	Euros	
	Debtors	Creditors
Customs (note 14 (e))	-	(9,800)
Ministry of the Environment (note 14 (e))	-	(27,660)
RTVA, SA (note 14 (e))	-	(2,497)
Government of Andorra (note 9 (b) and note 19)	34,236	(1,424,896)
CTRA, SA (note 9 (b) and 14 (e))	-	(138,099)
CIE, SAU (note 9 (a.2 and c) and 14 (d and e))	127,411	(754,925)
FEDA Solucions, SAU (note 9 (a.2 and c))	1,470	-
CASS (note 19)	8,198	(238,260)
	<u>171,315</u>	<u>(2,596,137)</u>

A detail of the non-trade balances with related parties as of December 31, 2020, is as follows:

	Euros	
	Debtors	Creditors
Government of Andorra (públic debt) (notes 9.a.2 and 9.c)	3,390,000	-
CIE, SAU, (notes 9.a.2, 9.c, 14.d and 14.e)	4,311,620	-
FEDA Solucions, SAU, (notes 9.a.2 and 9.c)	70,407	-
	<u>7,772,027</u>	<u>-</u>

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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

The balance with Head of Energy Infrastructures, S.A.U. corresponds to the outstanding balances of the loans granted by the Entity to its subsidiary during the years 2019 and 2020.

The balance with FEDA Solutions, S.A.U. corresponds to the outstanding balances of the loans granted by the Entity to its subsidiary during the years 2019 and 2020.

A detail of the non-trade balances with related parties as of December 31, 2019, is as follows:

	Euros	
	Debtors	Creditors
Government of Andorra (públic debt) (notes 9.a.2 and 9.c)	16,962,084	-
CIE, SAU, (notes 9.a. 2, 9.c, 14.d and 14.e)	2,890,000	-
FEDA Solucions, SAU, (notes 9.a.2 and 9.c)	60,000	-
	19,642,084	-

(b) Transactions with related parties

Details of transactions with related parties at 31 December 2020 are shown below:

	Euros	
	Debtors	Creditors
Andorra Telecom, S.A.U.	568,345	(167,941)
RTVA, SA	74,058	(20,111)
SAAS	564,635	-
CASS	224,681	(757,215)
INAF	5,142	-
Govern d'Andorra	15,227,057	(16,782,731)
Andorra Turisme	6,055	(256)
Ministeri d'Economia	1,078	-
CIE, S.A.U.	581,108	(817,920)
FEDA Solucions, S.A.U.	-	(264)
CTRA, SA	310,091	(1,394,000)
	17,562,249	(19,940,438)

(Continued)

## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

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

	Euros	
	Debtors	Creditors
Andorra Telecom, S.A.U.	-	(165,119)
RTVA, SA	78,182	(2,241)
SAAS	564,099	-
CASS	148,034	(1,150,898)
INAF	5,761	-
Govern d'Andorra	12,241,532	(10,223,564)
Andorra Turisme	5,851	(402)
Ministeri d'Economia	808	-
CIE, S.A.U.	249,013	(420,654)
FEDA Solucions, S.A.U.	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 years 2020 and 2019, the members of the Board of Directors have not accrued remuneration as members of the Board, nor have they been granted any advance or credit, nor have they contracted with them any type of obligation regarding pensions or life insurance.

During the years 2020 and 2019, the members of the Senior Management of the Entity have earned remuneration in the amount of 410,896 euros and 570,664 euros respectively. No advance or credit has been granted to them, nor has any life insurance obligation been entered into with them. Likewise, the Entity has contracted with the members of the Senior Management the pension obligations detailed in note 15.

Likewise, as of December 31, 2020 and 2019, the Entity does not present any balances of debtors or creditors for advances, credits granted or for any other concept with the members of the Board of Directors or with the management of the Entity.

**(21) Other information**

(a) Guarantees

At 31 December 2020, there are guarantees in favor of FEDA for a total amount of 687,020 euros (931,306 euros at 31 December 2019) for guarantees deposited by suppliers for the purpose of being able to tender in public tenders and to guarantee the execution of the works. However, FEDA has guarantees in favor of the Municipality of La Massana, in favor of the Government of Andorra and in favor of Operator of the Iberian Energy Market - Polo Español, SA and others of smaller amount, for a total amount of 126,206 euros (720,206 euros as of December 31, 2019).

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## FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

## Notes to the Financial Statements

(b) Commitments

In the normal course of its business, FEDA has energy purchase and sale contracts that in most cases include take or pay clauses, under which the buyer assumes the obligation to pay the value of the amount of energy contracted regardless of whether it receives it or not. These contracts are concluded and maintained for the purpose of meeting the needs of reception or physical delivery of energy provided for by FEDA in accordance with the periodic estimates of purchase and sale of energy, monitoring is carried out systematically and they are always settled by physical delivery. Consequently, these are contracts for "own use" and are therefore outside the scope of the financial instruments standard. As of December 31, 2020, the Ent has formalized the following energy and gas purchase contracts:

- Commitment to purchase electricity of 154 GWh in 2021 and 182 GWh per year for the period from 2022 to 2029.
- Commitment to purchase gas of 11,000 MWh from June 30, 2020 to June 30, 2021, and an additional 11,000 MWh from July 1, 2021 to June 30, 2022.

(c) 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.

(d) Subsequent events

Of the aid covered by the Law of Exceptional and Urgent Measures for the Health Emergency Situation Caused by the SARS-CoV-2 Pandemic of March 23, 2020, only the closure of nightclubs remained in force. On 17 March 2021, Decree 75/2021 of 10 March 2021 was published, which allows these premises to carry out the commercial activity "55.40.10 Bar" as long as they cannot be opened as nightclubs. . This conditions the application of discounts to these customers.

There were no other significant subsequent events between December 31, 2020 and the date of signing of these annual accounts.

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**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 2020 to 31 December 2020, 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 51 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, 23 March 2021

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Mrs Sílvia Calvó Armengol  
(Chairperson)

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Mr Albert Moles Betriu  
(Director General)

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Mr Jordi Gallardo Fernández  
(Member)

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Mr Carles Miquel Garcia  
(Vocal)

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Mr César Marquina Pérez de la Cruz  
(Vocal)

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Mrs Imma Jiménez González  
(Vocal)