

2017

Financial Statements

31st December 2017 (Together with the Auditor's Report)



FEDA
Forces Elèctriques d'Andorra





FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Balance sheets at 31st December, 2017, 31st December, 2016 and 1st January, 2016

(Expressed in Euros)

<u>Assets</u>	<u>31/12/2017</u>	<u>31/12/2016 (*)</u>	<u>01/01/2016 (*)</u>	<u>Liabilities</u>	<u>31/12/2017</u>	<u>31/12/2016 (*)</u>	<u>01/01/2016 (*)</u>
Non-current assets	160,093,667	155,937,403	151,798,051	Net Equity (note 12)	156,971,723	151,018,007	143,161,206
Intangible assets (note 5)	3,855,816	4,002,389	4,434,538	Capital	-	-	-
Set-up expenses	-	-	-	Capital	-	-	-
Research and Development expenses	-	-	-	Share premium	-	-	-
Goodwill	-	-	-	Reserves	-	-	-
Other intangible assets	3,855,816	4,002,389	4,434,538	Legal reserve	-	-	-
Tangible assets (note 6)	142,266,586	144,406,695	143,838,464	Revaluation reserve	-	-	-
Land and buildings	25,793,129	26,299,860	21,031,386	Reserve for treasury shares	-	-	-
Technical facilities and other tangible fixed assets	112,830,746	115,400,790	112,707,474	Statutory reserves	-	-	-
Tangible fixed assets under construction and advance payments	3,642,711	2,706,045	10,099,604	Other reserves	-	-	-
Investments in real estate (note 7)	-	-	-	Shareholders' equity instruments	-	-	-
Financial assets (note 8 (a))	13,971,265	7,528,319	3,525,049	Results of previous years	147,717,343	140,667,486	134,848,806
Group companies and associates	13,416,578	6,930,368	2,885,122	Unappropriated profits brought forward	147,717,343	140,667,486	134,848,806
Equity instruments	2,885,122	2,885,122	2,885,122	Losses of previous years	-	-	-
Loans and accounts receivable	10,531,456	4,045,246	-	Income for the year	9,254,380	10,350,521	8,312,400
Other	-	-	-	Interim dividend	-	-	-
Other companies	554,687	597,951	639,927	Non-current liabilities	19,742,966	21,759,217	24,827,634
Equity instruments	12,020	12,020	12,020	Long-term provisions (note 14 (a))	2,841,915	2,445,517	2,760,326
Loans and accounts receivable	-	-	-	Long-term debts (note 13 (a))	9,478,525	11,582,130	13,794,775
Other	542,667	585,931	627,907	Debentures and other marketable securities	-	-	-
				Amounts owed to credit institutions	7,706,591	9,962,502	12,200,872
				Other	1,771,934	1,619,628	1,593,903
Current assets	28,756,432	28,175,769	29,141,262	Long-term debts with group and partner companies (note 13 (b))	-	-	-
Other non-current assets on sale (note 10)	-	-	-	Subsidies (note 17)	7,422,526	7,731,570	8,272,533
Inventories (note 9)	1,428,305	1,239,219	1,036,561	Current liabilities	12,135,410	11,335,948	12,950,473
Raw materials and consumables	1,428,305	1,231,092	1,036,561	Liabilities linked to other non-current assets on sale	-	-	-
Products in progress and manufacturing	-	-	-	Short-term provisions (note 14 (b))	-	-	-
Finished products and goods	-	-	-		226,772	-	-
Advance payments to suppliers	-	8,127	-	Short-term debts (note 13 (c))	3,454,954	2,966,573	3,279,713
Other	-	-	-	Debentures and other marketable securities	-	-	-
Short-term loans and accounts receivable (note 8 (b))	7,293,370	6,853,812	6,522,826	Amounts owed to credit institutions	2,249,031	2,235,587	2,220,156
Clients for sales and provision of services	7,180,305	6,645,529	6,033,448	Short-term financial derivatives	-	-	-
Credits and accounts receivable in Group companies and associates	16,031	-	-	Other	1,205,923	730,986	1,059,557
Rest of credits and accounts receivable	97,034	208,283	489,378	Short-term debts with Group companies and partner companies (note 13 (d))	-	-	-
Short-term financial investments (note 8 (c))	13,519,240	11,903,700	5,507,751	Commercial creditors and other accounts payable (note 13 (e))	8,354,502	8,264,545	9,641,907
In Group companies and associated companies	7,723,381	494,062	-	Suppliers	4,826,743	5,747,492	5,241,982
Rest of financial assets	5,795,859	11,409,638	5,507,751	Group companies and partner companies, creditors	342,328	-	-
Liquid assets (note 8 (d))	6,478,725	8,142,218	16,052,379	Sundry creditors	3,050,408	2,395,553	4,332,064
Accruals and prepayments (note 11)	36,792	36,820	21,745	Advances from customers	41,362	35,065	-
				Other	93,661	86,435	67,861
				Accruals and prepayments (note 15)	99,182,,	104,830	28,853
Total assets	188,850,099	184,113,172	180,939,313	Total liabilities	188,850,099	184,113,172	180,939,313

(*) It is presented solely and exclusively for comparative purposes.

The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31st December 2017.

**Profit and Loss Account for the reporting period ended 31 December 2017
with comparative figures corresponding to the previous reporting period**

(Expressed in Euros)

	31/12/2017	31/12/2016 (*)
Operating income		
Net revenues (note 16 (a.1))	61,538,785	61,183,041
Variation of inventories of finished products and products in manufacturing process	-	-
Works carried out for the entity's fixed assets (note 16 (a.2))	1,352,579	1,012,723
Other trading income	42,081	43,820
Total trading income	62,933,445	62,239,584
Trading expenses		
Consumption of goods, raw materials and other materials (note 16 (b))	(32,478,069)	(31,369,923)
Staff expenses (note 16 (c))	(6,059,776)	(5,579,053)
Wages, salaries and similar	(4,832,068)	(4,504,965)
Staff welfare expenses	(733,094)	(691,560)
Other staff expenses	(494,614)	(382,528)
Depreciation, impairment of intangible and tangible assets (notes 5 and 6)	(8,986,638)	(9,195,939)
Depreciation	(8,920,966)	(9,119,392)
Income from sale or disposal	(65,672)	(76,547)
Impairment of current assets	(51,469)	101,372
Credits and accounts receivable	(20,278)	(21,735)
Impairment of inventories	(56,608)	(4,160)
Excess in provisions	25,417	127,267
Other trading expenses (note 16 (d))	(5,542,490)	(5,373,187)
Leases and royalties	(79,755)	(42,768)
Repairs and maintenance	(2,550,669)	(2,191,355)
Independent professional services	(780,141)	(1,182,695)
Insurance	(424,221)	(412,676)
Banking services	(115,485)	(111,013)
Advertising	(266,239)	(233,606)
Supplies	(204,216)	(204,301)
Taxes and duties	(227,126)	(227,127)
Other external services	(894,638)	(767,646)
Total trading expenses	(53,118,442)	(51,416,730)
Trading profit or loss	9,815,003	10,822,854
Financial income and expenses		
Financial income	84,316	51,039
From participations in equity instruments	200	-
From other financial assets	84,116	51,039
Financial expenses	(238,568)	(290,567)
Payable to related parties	-	-
Other accounts payable	-	-
Variation of fair value in financial instruments	(238,568)	(290,567)
Exchange differences	71,926	-
Impairment and income from sale or disposal of financial assets	-	-
Impairment	-	-
Income from sales or disposals	-	-
Financial profit/loss	(82,326)	(239,528)
Operating result	9,732,677	10,583,326
Other non-recurring income and expenses		
Other non-recurring income	256,769	25,988
Other non-recurring expenses	(109,793)	(63,314)
Total of other non-recurring income and expenses (note 16 (e))	146,976	(37,326)
Result before tax	9,879,653	10,546,000
Corporation tax (note 18)	(625,273)	(195,479)
Profit for the year	9,254,380	10,350,521

(*) It is presented solely and exclusively for comparative purposes.

 The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31st December 2017.



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Statement of Changes in Equity for the reporting period ended 31 December 2017, 31 December 2016 and 1 January 2016

(Expressed in Euros)

	Company Capital	Legal Reserve	Other Reserves	Results of previous financial years	Other partners' contributions	Result of the financial year	Total Net Equity
Balance on the 31/12/2015	-	-	-	136,934,470	-	8,312,400	145,246,870
Adjustments for changes in accounting criteria	-	-	-	(2,085,664)	-	-	(2,085,664)
Adjustments for errors 2015 and previous years	-	-	-	-	-	-	-
Adjusted balance at 01/01/2016 (*)	-	-	-	134,848,806	-	8,312,400	143,161,206
Result of the 2016 Financial Year	-	-	-	-	-	10,350,521	10,350,521
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	5,818,680	-	(8,312,400)	(2,493,720)
Distribution of dividends	-	-	-	(2,493,720)	-	-	(2,493,720)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	8,312,400	-	(8,312,400)	-
Balance on the 31/12/2016 (*)	-	-	-	140,667,486	-	10,350,521	151,018,007
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-
Adjustments for errors 2016 and previous years (note 2 (e))	-	-	-	(41,716)	-	-	(41,716)
Adjusted balance at 01/01/2017	-	-	-	140,625,770	-	10,350,521	150,976,291
Result of the 2017 Financial Year	-	-	-	-	-	9,254,380	9,254,380
Income/expenses recognized in Net Equity	-	-	-	-	-	-	-
Operations with partners and owners	-	-	-	7,091,573	-	(10,350,521)	(3,258,948)
Distribution of dividends	-	-	-	(512,636)	-	-	(512,636)
Increases/Decreases of capital	-	-	-	-	-	-	-
Increase of reserves	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Distribution of result	-	-	-	7,604,209	-	(10,350,521)	(2,746,312)
Balance on the 31/12/2017	-	-	-	147,717,343	-	9,254,380	156,971,723

(*) It is presented solely and exclusively for comparative purposes.

The accompanying notes to the Financial Statements form an integral part of the Financial Statements for the reporting period ended 31st December 2017.

**Cash flow Statement for the reporting period ended 31 December 2017,
with comparative figures corresponding to the previous reporting period**

(Expressed in Euros)

	31/12/2017	31/12/2016 (*)
CASH FLOWS OF TRADING ACTIVITIES		
Profit for the Year	9,254,380	10,350,521
Profit adjustments	9,037,918	8,518,246
Depreciation of intangible and tangible assets	8,920,966	9,119,392
Valuation corrections for impairment	76,886	25,895
Variation de provisions	(25,417)	(127,267)
Allocation of grants/subsidies	-	-
Income from disposals and disposal of tangible/intangible assets	65,672	76,547
Income from disposals and disposal of financial instruments	-	-
Financial income	(156,242)	(51,039)
Financial expenses	238,568	290,567
Exchange differences	-	-
Variation of fair value in financial instruments	-	-
Other income and expenses	(82,515)	(815,849)
Changes in the current capital	25,855	(2,254,822)
Inventories	(245,694)	(206,818)
Debtors and other accounts receivable	(459,836)	(352,721)
Other current assets	28	(15,075)
Creditors and other accounts payable	(252,371)	(1,484,877)
Other current liabilities	831,422	(221,056)
Other non-current assets and liabilities	152,306	25,725
Other cash flows of trading activities	363,950	(34,231)
Interest payments	(238,568)	(290,567)
Dividends receipts	200	-
Interest receipts	156,042	51,039
Receipts (payments) due to income tax	(14,157)	-
Other payments (receipts)	460,433	205,297
Cash flows of trading activities	<u>18,682,103</u>	<u>16,579,714</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for investments	(26,747,881)	(19,773,216)
Group companies and associated companies	(14,209,591)	(4,539,308)
Intangible assets	(714,355)	(926,163)
Tangible assets	(6,028,076)	(8,405,858)
Real estate investments	-	-
Other financial assets	(5,795,859)	(5,901,887)
Other non-current assets held for sale	-	-
Other assets	-	-
Receipts from disinvestments	11,903,700	-
Group companies and associated companies	494,062	-
Intangible assets	-	-
Tangible assets	-	-
Real estate investments	-	-
Other financial assets	11,409,638	-
Other non-current assets held for sale	-	-
Other assets	-	-
Cash flows from investment activities	<u>(14,844,181)</u>	<u>(19,773,216)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts and payments for equity instruments	-	-
Issue of equity instruments	-	-
Amortization of equity instruments	-	-
Purchase of own equity instruments	-	-
Sale of own equity instruments	-	-
Receipts and payments for financial liability instruments	(2,242,467)	(2,222,939)
Issue:	-	-
Bonds and similar securities	-	-
Amounts owed to credit institutions	-	-
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Repayment and amortization of:	(2,242,467)	(2,222,939)
Bonds and similar securities	-	-
Amounts owed to credit institutions	(2,242,467)	(2,222,939)
Amounts owed to Group companies and associated companies	-	-
Other	-	-
Payments for dividends and remunerations of other equity instruments	(3,258,948)	(2,493,720)
Dividends	(3,258,948)	(2,493,720)
Remunerations of other equity instruments	-	-
Cash flow from financing activities	<u>(5,501,415)</u>	<u>(4,716,659)</u>
EFFECT OF EXCHANGE RATE VARIATIONS		
	-	-
NET INCREASE /DECREASE IN CASH OR EQUIVALENT	(1,663,493)	(7,910,161)
Cash or equivalent at the start of the period	8,142,218	16,052,379
Cash or equivalent at the end of the period	6,478,725	8,142,218

(Continued)

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

(a) Activity of the Entity

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 14th January 1988 and subsequently amended on 18th January 1991, 4th November 1993 and 18th November 2010, as a public law Entity with its own legal status as a separate entity and autonomous organization with its own equity and full capacity for the development of its purposes, without prejudice to the limitations established in the law and in its regulations.

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

FEDA is entrusted by law with the following functions:

1) Activities managed directly:

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

2) Activities under a scheme of administrative concession:

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

The activities under an administrative concession scheme may also be developed directly through a mercantile company, which must be authorised by the Government, and the majority of the capital must belong to FEDA.

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.

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

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

FEDA electricity rates for the reporting period ending 31st December 2017 are governed by the Decree of 28th December 2016 amending electricity rates, which was published in the Official Gazette of the Principality of Andorra of 30th December 2016. Additionally, and concerning charges for the retail sale of useful heat, these are governed by the Decree of 14 September 2016 creating the charges for the retail sale of useful heat, which was published in the Official Gazette of the Principality of Andorra of 21st September 2016, and by subsequent reviews that modify these charges.

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

(2) Rules of presentation

a) Accurate Portrayal

These financial statements comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Equity as at 31st December 2017, 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 Management of the Entity for the purpose of reflecting a fair true image of the equity and the financial situation of the Entity on 31st December 2017 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 Management of the Entity expects that these annual accounts will be approved without any significant variations.

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.

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 implemented 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 30 July 2008 and amended by the Decree of 15 February 2012 (note 1) as their accounting plan framework.

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

The annual accounts corresponding to 31 December 2017 are the first annual accounts prepared by FEDA in accordance with the Andorran National Chart of Accounts (PGCA). Up to now, 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.

In this regard, the Entity has prepared these first annual accounts corresponding to the period ended 31 December 2017 in accordance with the Andorran National Chart of Accounts and the IFRS, and together it presents, solely and exclusively for comparison purposes, this information not only at 31 December 2016, but also the information corresponding to the period of the reporting period ended on the aforementioned date. In the preparation of these annual accounts, the Balance Sheet at 1 January 2016 has been considered as an opening balance sheet as this was the date of the transition to the new accounting regulations.

Regarding the regulations in force when the financial statements of the Entity were prepared on 31 December 2016, the application of the new regulations implies:

- Important changes to the accounting policies, appraisal criteria and form of presenting the annual accounts;
- The incorporation of two new financial statements: the statement of changes in equity and the cash flow statement; and
- A significant increase in the information provided in the Report.

As required under IFRS 1, the main adjustments made by the Entity when re-expressing the financial statement prepared according to the regulations on 1 January 2016 and at 31 December 2016 are shown below together with the exemptions that FEDA has invoked in accordance with the applicable regulations:

Exemptions applied:

All the accounting principles and assessment criteria that have a significant effect on the annual accounts were applied in the preparation of these statements.

Accounting estimates:

The results and the determination of equity are sensitive to the accounting principles and policies, appraisal criteria and estimates followed by the Administrators of the Entity when preparing the annual accounts. The main principles, accounting policies and appraisal criteria are detailed in note 3. No additional accounting estimates have been applied to these annual accounts.

The accounting estimates made by the Entity on 1 January 2016 and 31 December 2016 are consistent with those carried out on the same dates in accordance with the regulations that were previously in force (without considering the adjustments corresponding to the differences that correspond to the application of different accounting principles).

The estimates made by the Entity in the presentation of these annual accounts in accordance with the Andorran National Chart of Accounts refer to the existing information available in each of the estimates that have been made.

Conciliations:

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

The effects that the adoption of the Andorran National Chart of Accounts have had on the balance sheet of the Entity at 31 December 2016 and at 1 January 2016 are shown below:

		At 1 January 2016 (date of first application)			
<u>ASSETS</u>	Note	Previous PGCP	Adjustments	Reclassifications	Opening balances PGCA
Intangible fixed assets		4,434,538	-	(4,434,538)	-
Intangible assets	5	-	-	4,434,538	4,434,538
Tangible fixed assets		145,924,128	-	(145,924,128)	-
Tangible assets	6	-	(2,085,664)	145,924,128	143,838,464
Permanent financial assets		2,897,142	-	(2,897,142)	-
Financial fixed assets	8 (a)	-	-	3,525,049	3,525,049
Deferred expenses		627,907	-	(627,907)	-
Stocks	9	1,036,561	-	-	1,036,561
Debtors		6,522,826	-	(6,522,826)	-
Short-term loans and accounts receivable	8 (b)	-	-	6,522,826	6,522,826
Temporary financial investments		5,507,751	-	(5,507,751)	-
Short-term financial investments	8 (c)	-	-	5,507,751	5,507,751
Liquid assets	8 (d)	16,052,379	-	-	16,052,379
End of period adjustments of assets	1100	21,745	-	-	21,745
TOTAL ASSETS		183,024,977	(2,085,664)	-	180,939,313

(note 6)

		At 31 December 2016			
<u>ASSETS</u>	Note	Previous PGCP	Adjustments	Reclassifications	Opening balances PGCA
Intangible fixed assets		4,002,389	-	(4,002,389)	-
Intangible assets	5	-	-	4,002,389	4,002,389
Tangible fixed assets		147,004,995	-	(147,004,995)	-
Tangible assets	6	-	(2,598,300)	147,004,995	144,406,695
Permanent financial assets		6,942,388	-	(6,942,388)	-
Financial fixed assets	8 (a)	-	-	7,528,319	7,528,319
Deferred expenses		585,931	-	(585,931)	-
Stocks	9	1,239,219	-	-	1,239,219
Debtors		6,853,812	-	(6,853,812)	-
Short-term loans and accounts receivable	8 (b)	-	-	6,853,812	6,853,812
Temporary financial investments		11,903,700	-	(11,903,700)	-
Short-term financial investments	8 (c)	-	-	11,903,700	11,903,700
Liquid assets	8 (d)	8,142,218	-	-	8,142,218
End of period adjustments of assets	1100	36,820	-	-	36,820
TOTAL ASSETS		186,711,472	(2,598,300)	-	184,113,172

At 1 January 2016 (date of first application)

<u>LIABILITIES</u>	Note	Previous PGCP	Adjustments	Reclassifications	Opening balances PGCA
Reserves		136,934,470	-	(136,934,470)	-

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

Results of previous years (Carry-over)	12	-	(2,085,664)	136,934,470	134,848,806
Result of the financial year		8,312,400	-	-	8,312,400
Deferrable income		8,272,533	-	(8,272,533)	-
Provisions for risks and expenditure		2,760,326	-	(2,760,326)	-
Long-term provisions	14 (a)	-	-	2,760,326	2,760,326
Other long-term debts		13,794,775	-	(13,794,775)	-
Long-term debts	13 (a)	-	-	13,794,775	13,794,775
Subsidies	17	-	-	8,272,533	8,272,533
Debts with credit institutions		2,220,156	-	(2,220,156)	-
Short-term debts	13 (c)	-	-	3,279,713	3,279,713
Creditors		10,701,464	-	(10,701,464)	-
Trade creditors and other accounts payable	13 (e)	-	-	9,641,907	9,641,907
End of period adjustments of liabilities	1500	28,853	-	-	28,853
TOTAL LIABILITIES		183,024,977	(2,085,664)	-	180,939,313

(note 6)

At 31 December 2016

<u>LIABILITIES</u>	Note	Previous PGGP	Adjustments	Reclassifications	Opening balances PGGP
Reserves		142,753,150	-	(142,753,150)	-
Results of previous years (Carry-over)	12	-	(2,085,664)	142,753,150	140,667,486
Result of the financial year		10,863,157	(512,636)	-	10,350,521
Deferrable income		7,731,570	-	(7,731,570)	-
Provisions for risks and expenditure		2,445,517	-	(2,445,517)	-
Long-term provisions	14 (a)	-	-	2,445,517	2,445,517
Other long-term debts		11,582,130	-	(11,582,130)	-
Long-term debts	13 (a)	-	-	11,582,130	11,582,130
Subsidies	17	-	-	7,731,570	7,731,570
Debts with credit institutions		2,235,587	-	(2,235,587)	-
Short-term debts	13 (c)	-	-	2,966,573	2,966,573
Creditors		8,995,531	-	(8,995,531)	-
Trade creditors and other accounts payable	13 (e)	-	-	8,264,545	8,264,545
End of period adjustments of liabilities	1500	104,830	-	-	104,830
TOTAL LIABILITIES		186,711,472	(2,598,300)	-	184,113,172

Equity reconciliation at 31 December 2016 and on 1 January 2016 are shown below:

	Notes	At 1 January 2016 (transition date)	At 31 December 2016
Equity according to the previous PGGP	-	145,246,870	153,616,307
Past adjustments	6	(2,085,664)	(2,598,300)
Fiscal impact of previous adjustments	-	-	-
Equity according to PGCA	12	143,161,206	151,018,007

(Continued)

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The effects that the adoption of the Andorran National Chart of Accounts have had on the Profit and Loss Account for the reporting period ended 31 December 2016 are shown below:

<u>INCOME STATEMENT</u>	Notes	At 31 December 2016 (date of first application)			
		Previous	Adjustments	Reclassifications	Opening balances PGCA
Operating income					
Net amount of turnover	16 (a)	-	-	61,183,041	61,183,041
Sales and provision of services		61,183,041	-	(61,183,041)	-
Other management income		130,308	-	(130,308)	-
Work carried out by the business on its fixed assets	16 (b)	-	-	1,012,723	1,012,723
Work carried out for the Entity		1,012,723	-	(1,012,723)	-
Other trading income		-	-	43,820	43,820
Common subsidies		40,779	-	(40,779)	-
Trading expenses					
Consumption of goods, raw materials and other materials	16 (b)	(31,365,198)	-	(4,725)	(31,369,923)
Personnel expenses	16 (c)	(5,365,770)	-	(213,283)	(5,579,053)
Social benefits		(213,283)	-	213,283	-
Depreciation of fixed assets	5 i 6	(8,606,756)	(512,636)	-	(9,119,392)
Income from sale or disposal of fixed assets	5 i 6	-	-	(76,547)	(76,547)
Impairment of current assets (excess in provisions)		-	-	101,372	101,372
Variation in operating provisions		(4,160)	-	4,160	-
Other trading expenses	16 (d)	-	-	(5,373,187)	(5,373,187)
Other management expenses		(4,759,214)	-	4,759,214	-
Currents transfers and capital transfers		(613,973)	-	613,973	-
TOTAL TRADING PROFIT OR LOSS		11,438,497	(512,636)	(103,007)	10,822,854
Financial income		-	-	51,039	51,039
Income from marketable securities of fixed asset loans		51,039	-	(51,039)	-
Financial expenses		(290,567)	-	-	(290,567)
TOTAL FINANCIAL PROFIT OR LOSS		(239,528)	-	-	(239,528)
Other non-recurrent income (extraordinary)	16 (e)	25,988	-	-	25,988
Other non-recurrent expenses	16 (e)	(166,321)	-	103,007	(63,314)
TOTAL OF OTHER NON-RECURRENT INCOME AND EXPENSES		(140,333)	-	103,007	(37,326)
RESULT BEFORE TAX		11,058,636	(512,636)	-	10,546,000
Income tax		(195,479)	-	-	(195,479)
PROFIT FOR THE YEAR		10,863,157	(512,636)	-	10,350,521

It is not possible to show the effect that adopting the Andorran National Chart of Accounts has had on the cash flow statement since the previous regulations did not include the concepts of cash flows of operating activities, investment activities or financing activities.

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 23rd July 2008.

(Continued)

c) Working capital

The accompanying Balance Sheet at 31st December 2017 shows a positive working capital for the sum of €16,621,000 (positive working capital for the sum of €16,840,000 at 31st December 2016). This situation is mainly a consequence of the benefits obtained during the last reporting periods and the application of the business plan which envisages the financing of investments with own funds and long-term borrowing.

As at 31st December 2017 cash flow provisions are positive and accordingly the Entity has sufficient liquidity to avoid the creation of cash-flow problems or to prevent the operating principle.

d) Comparing information

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

e) Changes in accounting criteria and correction of errors

In accordance with what is established in the Andorran National Chart of Accounts, during the reporting period ended 31 December 2017, at 31 December 2016 the Administrators adjusted the sum of 41,716 euros corresponding to studies of prototypes activated against reserves, given that these did not function satisfactorily in the end.

(3) Distribution of results

The proposal for the distribution of results for the reporting period ended 31st December 2017, pending the approval by the Board of Directors, is as follows:

	Euros
Reserves	6,478,066
Dividends	2,776,314
	<u>9,254,380</u>

(4) Registry norms and evaluation

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

a) Intangible Assets

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

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

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

(Continued)

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

b) Tangible Assets

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

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

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

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

Impairment loss in value for tangible and intangible assets

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

c) Investments in real estate

This section is not applicable in these financial statements.

d) Financial Assets

Classification

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

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

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Distributable expenses corresponding to the Entity's contribution to the outsourcing of the pensions plan for the future expense of staff members until they reach retirement age are among the financial assets measured at amortized cost that the Entity has recorded for the long term under the caption "Expenses to be distributed over several reporting periods". 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.

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.

(Continued)

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 liabilitiesClassification

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

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

Initial and subsequent measurement

Liabilities at amortized cost, which cover debts 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 abridged 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.

(Continued)

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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 1st March 1988 and 31st December 2000, as well as all FHASA/EASA employees, who joined those entities between 1st May 1985 and 1st March 1988, is entitled to a retirement scheme complementary to that of the Andorran Social Security System guaranteed by FEDA.

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

Nominal discount rate	2.50%
Salary increase	1%
Mortality tables	PERM/F2000

Since the invalidity table has no economic effect on the measurement, it has been eliminated from the hypotheses of the actuarial calculation carried out for the 2017 reporting period.

The accrued liability, at 31st December 2017, is €2,051,132 (€2,098,126 at 31st December 2016) (see note 14 (a)).

Employees who join FEDA from 1st January 2001 will participate in a pension fund managed by an external company to which FEDA contributes 4% with the worker contributing 4% of his salary to the fund. This plan has been extended to all employees who have decided to join the plan. FEDA has contributed the total risk of the actuarial study of the employees who joined FEDA before 1st January 2001 and who have opted to join new plan. The contributions accrued in the 2017 reporting period amount to €172,057 (€170,769 in the 2016 reporting period), corresponding to the participation of FEDA in plans B and C for €128,793 (€128,793 in the 2016 reporting period) and the transfer of plan A to deferred expenditure for €43,264 (€41,976 in the 2016 reporting period).

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

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

On the other hand, the technical interest to be applied is now aligned with that used by Mora Assegurances in the assessment of the provision for pensions made in 2017. Accordingly, the interest has changed from 3% to the current rate of 2.5%.

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.

(Continued)

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

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

i) Classification of assets as current/non-current

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

j) Transactions in foreign currency

j.1) Tangible and intangible assets

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

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

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

j.2) Stocks

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

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

j.3) Variable income securities

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

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

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

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

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

k) Indirect General Tax

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

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

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

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

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

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

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

l) Corporate Tax

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

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

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

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

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

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

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

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

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

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

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

(5) Intangible assets

A summary on the intangible assets on the 31st December 2017 and 2016, in addition to their movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
<u>Cost</u>					
I.T. Applications	397,454	402,181	(18,588)	-	781,047
Other intangible assets	17,587,422	663	(43,336)	39,173	17,583,922
Intangible assets under construction	774,996	311,511	-	(790)	1,085,717
	<u>18,759,872</u>	<u>714,355</u>	<u>(61,924)</u>	<u>38,383</u>	<u>19,450,686</u>
<u>Accumulated Depreciation</u>					
I.T. Applications	(55,018)	(158,823)	5,077	-	(208,764)
Other intangible assets	(14,702,465)	(684,599)	958	-	(15,386,106)
	<u>(14,757,483)</u>	<u>(843,422)</u>	<u>6,035</u>	<u>-</u>	<u>(15,594,870)</u>
<u>Net book value</u>	<u>4,002,389</u>	<u>(129,067)</u>	<u>(55,889)</u>	<u>38,383</u>	<u>3,855,816</u>

A summary on the intangible assets on the 31st December 2016 and 2015, in addition to their movement during the 2016 reporting period is as follows:

	Euros						Balance on the 31/12/16
	Balance on the 31/12/15	Adjustment GAPA	Balance on the 01/01/16	Additions	Disposals	Transfers	
<u>Cost</u>							
I.T. Applications	8,254,502	(8,254,502)	-	397,454	-	-	397,454
Other intangible assets	9,325,309	8,254,502	17,579,811	-	-	7,611	17,587,422
Intangible assets under construction	809,261	-	809,261	528,709	-	(562,974)	774,996
	<u>18,389,072</u>	<u>-</u>	<u>18,389,072</u>	<u>926,163</u>	<u>-</u>	<u>(555,363)</u>	<u>18,759,872</u>
<u>Accumulated Depreciation</u>							
I.T. Applications	-	-	-	(54,864)	-	(154)	(55,018)
Other intangible assets	(13,954,534)	-	(13,954,534)	(748,085)	-	154	(14,702,465)
	<u>(13,954,534)</u>	<u>-</u>	<u>(13,954,534)</u>	<u>(802,949)</u>	<u>-</u>	<u>-</u>	<u>(14,757,483)</u>
<u>Net book value</u>	<u>4,434,538</u>	<u>-</u>	<u>4,434,538</u>	<u>123,214</u>	<u>-</u>	<u>(555,363)</u>	<u>4,002,389</u>

(Continued)

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Notes to the Financial Statements

As at 31st December 2017 there were fully-depreciated assets in use for a value of €13,279,822 (€12,530,683 as at 31st December 2016).

On 31st December 2017 and 2016 the Entity had not capitalized financial expenses on its fixed assets.

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

(6) Tangible assets

A summary of the tangible assets on 31st December 2017 and 2016, in addition to their movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
<u>Cost</u>					
Land	4,748,016	-	-	(118,334)	4,629,682
Buildings and other constructions	67,138,497	625,252	-	1,175,746	68,939,495
Equipment and technical facilities	161,172,651	2,916,943	(2,358,275)	270,326	162,001,645
Furniture and other assets	4,088,173	12,500	(73,416)	170,591	4,197,848
Assets under construction	2,706,046	2,473,381	-	(1,536,712)	3,642,715
	<u>239,853,383</u>	<u>6,028,076</u>	<u>(2,431,691)</u>	<u>(38,383)</u>	<u>243,411,385</u>
<u>Accumulated Depreciation</u>					
Buildings and other constructions	(19,492,272)	(2,030,729)	-	-	(21,523,001)
Equipment and technical facilities	(72,251,452)	(5,729,533)	2,358,276	-	(75,622,709)
Furniture and other assets	(3,702,964)	(317,283)	21,158	-	(3,999,089)
	<u>(95,446,688)</u>	<u>(8,077,545)</u>	<u>2,379,434</u>	<u>-</u>	<u>(101,144,799)</u>
<u>Net book value</u>	<u>144,406,695</u>	<u>(2,049,469)</u>	<u>(52,257)</u>	<u>(38,383)</u>	<u>142,266,586</u>

(Continued)

A summary of the tangible assets on 31st December 2016 and 2015, in addition to their movement during the 2016 reporting period is as follows:

	Euros						Balance on the 31/12/16
	Balance on the 31/12/15	Adjustment GAPA	Balance on the 01/01/16	Additions	Disposals	Transfers	
<u>Cost</u>							
Land	4,748,016	-	4,748,016	-	-	-	4,748,016
Buildings and other constructions	60,224,799	-	60,224,799	1,596,549	(237,661)	5,554,810	67,138,497
Equipment and technical facilities	154,946,543	-	154,946,543	5,033,194	(2,973,082)	4,165,996	161,172,651
Furniture and other assets	4,219,735	-	4,219,735	4,230	(135,792)	-	4,088,173
Assets under construction	10,099,604	-	10,099,604	1,771,885	-	(9,165,443)	2,706,046
	<u>234,238,697</u>	<u>-</u>	<u>234,238,697</u>	<u>8,405,858</u>	<u>(3,346,535)</u>	<u>555,363</u>	<u>239,853,383</u>
<u>Accumulated Depreciation</u>							
Buildings and other constructions	(17,119,636)	(841,703)	(17,961,339)	(1,692,046)	161,113	-	(19,492,272)
Equipment and technical facilities	(67,728,460)	(1,243,961)	(68,972,421)	(6,252,113)	2,973,082	-	(72,251,452)
Furniture and other assets	(3,466,473)	-	(3,466,473)	(372,284)	135,793	-	(3,702,964)
	<u>(88,314,569)</u>	<u>(2,085,664)</u>	<u>(90,400,233)</u>	<u>(8,316,443)</u>	<u>3,269,988</u>	<u>-</u>	<u>(95,446,688)</u>
<u>Net book value</u>	<u>145,924,128</u>	<u>(2,085,664)</u>	<u>143,838,464</u>	<u>89,415</u>	<u>(76,547)</u>	<u>555,363</u>	<u>144,406,695</u>
		(note 2 (b))					

On 31st December 2017, there are fully depreciated assets in use for a value of €39,617,634 (€34,423,242 on 31st December 2016).

On 31st December 2017 and 2016 the Entity had not capitalized financial expenses. Notwithstanding, on 31st December 2017 and 2016 it has carried out works on its fixed assets for a value of €1,352,579 and €1,012,723, respectively (see Note 16(a.2)).

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

(7) **Investments in real estate**

This section is not applicable in these Financial Statements.

(8) Financial assets

The table below shows details of the categories of financial assets at 31 December 2017:

Financial Assets	Euros		
	Amortized cost	Held for trading	Cost
<u>Non-current assets</u>			
Financial investments	542,667	10,531,456	2,897,142
Total	<u>542,667</u>	<u>10,531,456</u>	<u>2,897,142</u>
<u>Current Assets</u>			
Short-terms loans and accounts receivable	7,293,370	-	-
Short-term financial investments	-	13,519,240	-
Liquid assets	<u>6,478,725</u>	-	-
Total	<u>13,772,095</u>	<u>13,519,240</u>	-

(a) Financial investments

A summary of this heading of the balance sheet on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Equity instruments	2,897,142	2,897,142
Long-term financial investments	10,531,456	4,045,246
Other	<u>542,667</u>	<u>585,931</u>
	<u>13,971,265</u>	<u>7,528,319</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

(a.1) Equity instruments

A summary of the heading "Equity instruments" on 31st December 2017 and 2016, in addition to its movement during the 2017 reporting period, is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>
Impairment	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>

A summary of this heading of the balance sheet on 31st December 2016 and 2015, in addition to its movement during the 2016 reporting period is as follows:

	Euros				Balance on the 31/12/16
	Balance on the 01/01/16	Additions	Disposals	Transfers	
SEMTEE, SA shares	12,020	-	-	-	12,020
CTRA, SA shares	2,885,122	-	-	-	2,885,122
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,142</u>

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

Details of the most representative information on participations in group companies as at 31st December 2017 are shown here:

Company / Domicile/ Activity	% Direct participation	Euros					
		Capital	Legal Reserve	Other Reserves	Negative results of previous years	Result of year 2017	Total net assets
CTRA, SA Comella, Andorra la Vella	71.70%	3,289,700	553,190	2,713,599	-	(92,401)	6,464,088

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

(a.2) Long-term financial investments

A summary of the heading "Long-term financial investments" on 31st December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
Long-term Public Debt	4,045,246	10,531,456	-	(4,045,246)	10,531,456
	<u>4,045,246</u>	<u>10,531,456</u>	<u>-</u>	<u>(4,045,246)</u>	<u>10,531,456</u>
				(note 8 (c))	

A summary of the heading "Long-term financial investments" on 31st December 2016 and 2015, in addition to its movement during the 2016 reporting period is as follows:

	Euros				Balance on the 31/12/16
	Balance on the 01/01/16	Additions	Disposals	Transfers	
Long term Public Debt	-	4.045.246	-	-	4.045.246
	<u>-</u>	<u>4.045.246</u>	<u>-</u>	<u>-</u>	<u>4.045.246</u>

The amount registered at 31st December 2017 corresponds in full to the Entity's acquisition of Andorran Treasury Bills maturing on 1st June 2019 and 29th May 2022 with an interest rate between 0%-0.75% and of 1,75%, respectively (note 19 (a)).

(a.3) Other

The amount registered as at 31st December 2017 corresponds fully to the contribution of the Entity in 2003 to the externalization of the pensions plan for the concept of the future cost of staff until their retirement. The expenditure of the reporting period ended on 31 December 2017 and 2016 is registered in the Profit and Loss Account under the heading "Staff expenses".

(Continued)

A summary of this heading on 31st December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros			Balance on the 31/12/17
	Balance on the 31/12/16	Expenditure for the reporting period	Redemptions for early retirements	
Deferred expenses	585,931	(40,770)	(2,494)	542,667
	<u>585,931</u>	<u>(40,770)</u>	<u>(2,494)</u>	<u>542,667</u>
		(note 16 (c))		

A summary of this heading of the balance sheet on 31st December 2016 and 2015, in addition to its movement during the 2016 reporting period is as follows:

	Euros		
	Balance on the 01/01/16	Expenditure for the reporting period	Balance on the 31/12/16
Deferred expenses	627,907	(41,976)	585,931
	<u>627,907</u>	<u>(41,976)</u>	<u>585,931</u>

(b) Short-term loans and accounts receivable

A summary of this heading of the balance sheet on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Clients for provision of services	3,460,834	3,393,002
Clients under collection management	2,293,479	1,872,015
Clients of group companies (note 19 (a))	5,386	-
Accounts receivable with partner companies (note 19 (a))	16,031	-
Energy pending invoicing	1,374,493	1,344,508
Doubtful trade debts	46,113	54,425
Public Administrations, debtors (Note 18)	97,034	208,283
	<u>7,293,370</u>	<u>6,872,233</u>
Impairment of clients for trading operations	-	(18,421)
	<u>7,293,370</u>	<u>6,853,812</u>

The caption "Clients for provision of services" mainly corresponds to the pending balance that the country's electricity supply companies had with the Entity at 31 December 2017.

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

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)
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The caption "Energy pending invoicing" mainly corresponds to the estimated energy consumption by clients whose meters have not yet been read.

The caption "Impairment of clients for trading operations" covers outstanding customer account provisions that are more than 180 days old. Details of this caption at 31 December 2017 and 2016 are shown below:

	Euros	
	2017	2016
Balance at the start of the reporting period	(18,421)	(45,321)
Applications of the reporting period	25,256	36,748
Recoveries to be charged against profits for the reporting period	13,443	11,887
Allocations to be charged against profits for the reporting period	<u>(20,278)</u>	<u>(21,735)</u>
Balance at the end of the reporting period	<u>-</u>	<u>(18,421)</u>

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

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

(c) Short-term financial investments

A summary of the heading "Short-term financial investments" on 31st December 2017 and 2016, in addition to its movement during the 2017 reporting period is as follows:

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfers	
Short-term public debt	494,062	3,678,135	(494,062)	4,045,246	7,723,381
Short-term deposits	11,409,638	5,795,766	(11,409,638)	-	5,795,766
Other short-term loans	-	93	-	-	93
	<u>11,903,700</u>	<u>9,473,994</u>	<u>(11,903,700)</u>	<u>4,045,246</u>	<u>13,519,240</u>
				(note 8 (a.2))	

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

A summary of the heading "Short-term financial investments" on 31st December 2016 and 2015, in addition to its movement during the 2016 reporting period is as follows:

	Euros				Balance on the 31/12/16
	Balance on the 01/01/16	Additions	Disposals	Transfers	
Short-term public debt	-	494,062	-	-	494,062
Short-term deposits	5,507,751	5,901,887	-	-	11,409,638
Other short-term loans	-	-	-	-	-
	<u>5,507,751</u>	<u>6,395,949</u>	<u>-</u>	<u>-</u>	<u>11,903,700</u>

The amount registered at 31 December 2017 for "Short-term Public Debt" corresponds in full to the Entity's acquisition of Andorran Treasury Bills maturing on 13 April 2018 and 17 October 2018 with an interest rate between 0%-1% and between 0%-0.65%, respectively (note 19 (a)).

Short-term deposits are made up of several deposits in Andorran banking entities with a maturity of less than one year from the closing date and which have an interest rate between 0.3% and 2%.

(d) Liquid assets

On 31st December 2017 and 2016, the "Liquid assets" heading corresponds to different current accounts, which the Entity has with various Andorran banking institutions

(9) Inventories

A summary of this heading of the balance sheet on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Stocks to be consumed by the entity itself and replacements	1,598,219	1,352,525
Advances to suppliers	-	-
	<u>1,598,219</u>	<u>1,352,525</u>
Provision	<u>(169,914)</u>	<u>(113,306)</u>
	<u>1,428,305</u>	<u>1,239,219</u>

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

(Continued)

The detail of the balance and of the movement of the provision for inventories at 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Balance at the start of the reporting period	(113,306)	(109,146)
Allocation for the reporting period	(65,838)	(6,264)
Recoveries of the reporting period	9,230	2,104
Applications of the reporting period	-	-
	(169,914)	(113,306)

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

(10) Other non-current assets on sale

This section is not applicable in these Financial Statements.

(11) End of period adjustments of assets

The Entity, in accordance with the accounting principle of correlation of income and expenditure, as well as the accounting principle of accrual, has proceeded to enter certain expenses into the accounts, such as maintenance and other recurring costs, according to their respective accruals.

The amount recorded under this heading of the balance sheet at 31 December 2017 which is 36,792 euros, mainly corresponds to anticipated costs for software maintenance (36,820 euros at 31 December 2016).

(12) Net equity

The distribution of profits is made in accordance with the Law of 14th January 1998 for the Establishment of FEDA which establishes that a part of the operating surpluses can be used to form a reserve fund which should be applied exclusively to the financing of improvements and extensions to the installations, while the remainder will revert to the General Administration. The amount to be distributed through dividends is decided by the Board of Directors of FEDA.

At 31 December 2017 the Entity had a remaining balance for the sum of 147,717,343 euros proceeding from the positive results of previous reporting periods (140,667,486 euros at 31 December 2016).

(13) Financial liabilities

A detail of the financial liabilities classified by categories at 31st December 2017 is shown below:

Financial liabilities	Euros	
	Amortized cost	Held for trading
<u>Non-current liabilities</u>		
Long-term debts	9,478,525	-
Long-term debts with group and partner companies	-	-
Total	<u>9,478,525</u>	<u>-</u>
<u>Current liabilities</u>		
Short-term debts	3,454,954	-
Short-term debts with group and partner companies	-	-
Commercial creditors and other accounts payable	<u>8,354,502</u>	<u>-</u>
Total	<u>11,809,456</u>	<u>-</u>

(a) Long-term liabilities

A summary of this heading of the balance sheet on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Long-term debts with credit institutions	7,706,591	9,962,502
Long-term advances from customers	1,726,987	1,619,628
Other debts	44,947	-
	<u>9,478,525</u>	<u>11,582,130</u>

A detail of the conditions of the loans appearing in the heading "Long-term debts with credit institutions" at 31st December 2017 are shown below:

Type	Maturity date	Interest	Euros	
			Initial amount	Pending amount
Morabanc loan	31/12/2023	3.46%	8,000,000	4,800,000
Crèdit Andorrà loan	01/06/2021	Euribor+ 0.87%	14,000,000	5,155,622
				<u>9,955,622</u>
				<u>(2,249,031)</u>
				<u>7,706,591</u>

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

The heading "Other debts" includes the amount retained from suppliers as a guarantee with a maturity of more than one year.

(Continued)

(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 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Short-term amounts owed to credit institutions (note 13 (a))	2,249,031	2,235,587
Public Administrations, creditors (note 18)	1,205,923	730,986
	<u>3,454,954</u>	<u>2,966,573</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 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Suppliers of energy	4,826,743	5,747,492
Partner-company creditors (note 19 (a))	342,328	-
Sundry accounts payable	3,050,408	2,395,553
Short-term advances from customers	41,362	35,065
Other	93,661	86,435
	<u>8,354,502</u>	<u>8,264,545</u>

The balance for the caption "Suppliers of energy" corresponds to the balance pending settlement at 31st December 2017 and 2016 by the Entity to its suppliers of energy.

The balance for the caption "Sundry accounts payable" corresponds to the balance pending settlement at 31st December 2017 and 2016 by the Entity to its suppliers of assets and services.

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

The "Other" caption corresponds to the amount still to be contributed at 31 December 2017 to the pensions fund managed by an external company that the Entity guarantees to its workers. To comply with this, FEDA withholds 4% of the consolidated monthly salary. Moreover, FEDA contributes this 4%. This fund is paid directly to workers when they leave the company.

(14) Provisions

A summary of this heading of the balance sheet on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Long-term provisions	2,841,915	2,445,517
Short-term provisions	226,772	-
	<u>3,068,687</u>	<u>2,445,517</u>

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

(a) Long-term provisions

A detail of the balance of this heading of the balance sheet at 31st December 2017 and 2016, and its movement during the 2017 reporting period is shown below:

	Euros				Balances at 31/12/17
	Balances at 31/12/16	New clients	Disconnections	Payments	
Pension fund provision (note 4 (g.1))	2,098,126	123,100	(41,272)	(128,822)	2,051,132
Staff consumption provision	347,391	-	15,855	-	363,246
Dismantling provision	-	427,537	-	-	427,537
	<u>2,445,517</u>	<u>550,637</u>	<u>(25,417)</u>	<u>(128,822)</u>	<u>2,841,915</u>

In accordance with the actuarial study carried out in the 2017 reporting period, the allocations deriving from the pension fund provision of the annual reporting period ending 31st December 2017 correspond to expenses for the sum of €123,100, that is staff costs of €120,946 and financial costs of €2,154.

Reversals covering the pensions fund provision for the sum of 41,272 euros, corresponds to the lesser contingent risk resulting from the updating of the actuarial calculation, broken down under the "Excess of provisions" caption of the attached Profit and Loss Account.

The payments for €128,822 deriving from the pension fund provision correspond to pensions paid during the 2017 reporting period.

The provision corresponding to the consumption by employees includes the actual net cost at 31st December 2017 of the estimate of the future free consumption that the workers of the Entity are entitled to once they retire. There is a breakdown of the reversals corresponding to the aforementioned provision in the "Excess of provisions" caption of the attached Profit and Loss Account.

The provision for major repairs corresponds to the estimated cost of dismantling the high and medium voltage line between Canillo and Ransol (LMT 212 from A68 to A88 d/6067 CAN) for the sum of €64,396; as well as the estimated cost of 363,141 euros for dismantling the installation erected on the land ceded by the Commune (municipality) of Canillo for the Cogeneration Plant.

(b) Short-term provisions

(Continued)

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A detail of the balance of this heading of the balance sheet at 31st December 2017 and 2016, and its movement during the 2017 reporting period is shown below:

	Euros				Balances at 31/12/17
	Balances at 31/12/16	New clients	Disconnections	Payments	
Provision for holidays	-	101,125	-	-	101,125
Provision for social contributions for payments in kind	-	101,278	-	-	101,278
Other provisions	-	24,369	-	-	24,369
	-	226,772	-	-	226,772

During the 2017 reporting period, the Entity made provisions for the amount corresponding to the holidays accumulated by its workers, but which remained to be taken on the aforementioned date. For calculation purposes, the gross salary plus the average of the variable salary for the entire year has been taken in consideration to calculate the daily salary, as established under the Industrial Relations Code Act 35/2008.

Additionally, the Entity recorded the amount that it will have to pay the CASS in relation to the social contributions for payments in kind that had not been declared to the CASS during the last 5 reporting periods, together with the surcharge of 20% payable as a consequence of being presented out of time. These payments in kind correspond to life insurance as well as the supplement for medicines and doctors that FEDA charges its workers (note 16 (e)).

The other provisions recorded by the Entity are related to a charge made by the Commune (municipality) of Canillo, and easements that are also expected to be settled during the next reporting period.

(c) Contingent liabilities

At 31st December 2017, the Board of Directors of the Entity was not aware of any legal proceedings lodged. The Financial Statements at 31st December 2017 do not include any provision for this concept.

(15) End of period adjustments

A summary of this heading on 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Advances from customers	99,182	104,830
	99,182	104,830

The balance of the caption "Advances from customers" at 31 December 2017 and 2016 corresponds to advances from clients received to finance works/projects for electrical installations that are in progress.

At the end of the construction of these works, the advances included under this caption are reclassified as income to be distributed over several reporting periods under the "subsidies" heading of the attached balance sheet, where they get recognized as income as the works that they finance are amortized.

Details of the balance of this caption of the Balance Sheet at 31 December 2017 and 2016 as well as movements thereof during the 2017 reporting period are shown below:

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

	Euros				Balance on the 31/12/17
	Balance on the 31/12/16	Additions	Disposals	Transfer to Income	
Advances from customers	104,830	586,761	(590,313)	(2,096)	99,182
	<u>104,830</u>	<u>586,761</u>	<u>(590,313)</u>	<u>(2,096)</u>	<u>99,182</u>
			(note 17)		

(16) Income and expenses(a) Income(a.1) Net revenues

The following is a breakdown of the Income Statement for the years ended 31 December 2017 and 2016:

	Euros	
	2017	2016
Sales of energy to end consumers	44,485,269	44,402,080
Sales of energy to distributors	15,807,501	15,622,112
Attached sales	<u>1,246,015</u>	<u>1,158,849</u>
	<u>61,538,785</u>	<u>61,183,041</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.

The following is a breakdown of the heading "Attached sales" at 31st December 2017 and 2016:

	Euros	
	2017	2016
Extensions and improvements (note 17)	899,357	877,068
Connection fees (Policies)	246,001	247,704
Other concepts	<u>100,657</u>	<u>34,077</u>
	<u>1,246,015</u>	<u>1,158,849</u>

The caption "Other concepts" includes, amongst others, the variation between the balance of the 2017 and 2016 reporting periods of estimated revenue for energy that is still to be invoiced, whose meters have not yet been read, as well as surcharges for returns.

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

The balance of this caption of the Profit and Loss account on the 31st December 2017 is €1,352,579 (€1,012,723 on the 31st December 2016) and corresponds to the income recognised for use when capitalising the costs incurred internally in the construction of several fixed assets for the concept of direct and/or indirect labour and materials. Given the fact that the Entity considers these costs as a production cost of its fixed assets in progress, it recognizes an entry in the Profit and Loss account under this heading (note 6).

(Continued)

(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 31st December 2017 and 2016:

	Euros	
	2017	2016
Energy purchases (Imports)	29,915,374	29,548,985
Energy purchases from CTRA,SA (note 19 (b))	1,189,753	991,323
Purchase from Liquefied Natural Gas	309,423	-
Other consumptions	1,309,214	1,036,433
Stock variations	<u>(245,695)</u>	<u>(206,818)</u>
	<u>32,478,069</u>	<u>31,369,923</u>

The caption "Energy purchases (Imports)" corresponds to energy acquired from the Spanish and French Companies producers and suppliers, as well as contracts to access the electricity networks of the respective countries with "Réseau de Transport d'Electricité" and with "Red Eléctrica".

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

During the 2017 reporting period, FEDA started to import Liquefied Natural Gas to supply the cogeneration plant located in Soldeu, in order to generate electricity and heat using this new source of energy.

(c) Staff expenses

Detailed information on staff expenses for the reporting period ended 31st December 2017, and 2016 is as follows:

<u>Staff expenses</u>	Euros	
	2017	2016
Wages and the Salaries	4,832,068	4,504,965
Staff welfare expenses	733,094	691,560
Other staff expenses	494,614	382,528
	<u>6,059,776</u>	<u>5,579,053</u>

Detailed information on "Other staff expenses" for the reporting period ended 31st December 2017, and 2016 is as follows:

<u>Other staff expenses</u>	Euros	
	2017	2016
Contribution to the pensions plan (note 8 (a,3))	40,770	41,976
Other social benefits	265,684	171,307
Other	188,160	169,245
	<u>494,614</u>	<u>382,528</u>

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

There was an average number of 106 workers on the staff of the Entity for the reporting period ended 31st December 2017 (99 workers on the staff of the Entity for the reporting period ended 31st December 2016).

Detailed information on the average number of workers for the reporting period ended 31st December 2017 and 2016 distributed by categories is as follows:

	Average number of workers	
	2017	2016
Officials	24	23
Administrative assistants	12	11
Medium-level technicians	24	23
High-level technicians	24	22
Area heads	12	10
Managers	10	10
Total	<u>106</u>	<u>99</u>

(d) Other trading expenses

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

Detailed information on the heading "Other trading expenses" for the years ended 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Leases	79,755	42,768
Repairs and maintenance	2,550,669	2,191,355
Supplies	204,216	204,301
Independent professional services	780,141	1,182,695
Insurance	424,221	412,676
Taxes	227,126	227,127
Banking services	115,485	111,013
Advertising and Public Relations	266,239	233,606
Other services	894,638	767,646
	5,542,490	5,373,187

The caption "Other services" at 31 December 2017 includes 714,000 euros corresponding to the contributions made to the Actua Tech Foundation during the reporting period, as well as other contributions made. The amount of the contributions at 31 December 2016 was 613,973 euros.

(e) Other non-recurring income and expenses

Detailed information on the caption "Other non-recurring income and expenses" for the reporting periods ended 31st December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Other non-recurring income	256,769	25,988
Other non-recurring expenses	(109,793)	(63,314)
	146,976	(37,326)

The caption "Other non-recurring income" at 31 December 2017 includes 173,048 euros proceeding from an insurer as compensation for an accident at the FEDA installations, as well as other concepts of an extraordinary nature.

The caption "Other non-recurring expenses" at 31 December 2017 includes the expenses that the Entity will have to pay the CASS in relation to the social contributions of the last 5 years for payments in kind (note 14 (b)).

(17) Subsidies

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

(Continued)

A detail of the balance of this heading of the balance sheet at 31st December 2017 and 2016, and its movement during the 2017 reporting period is shown below:

	Euros			Balance at 31/12/17
	Balance at 31/12/16	New clients	Transfer to Income	
Deferrable income	<u>7,731,570</u>	<u>590,313</u>	<u>(899,357)</u>	<u>7,422,526</u>
		(note 15)	(note 16 (a.1))	

A detail of the balance of this heading of the balance sheet at 31st December 2016 and 2015, and its movement during the 2016 reporting period is shown below:

	Euros			Balance at 31/12/16
	Balance at 01/01/16	New clients	Transfer to Income	
Deferrable income	<u>8,272,533</u>	<u>336,105</u>	<u>(877,068)</u>	<u>7,731,570</u>

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

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

(18) Tax note

The details of the balances relating to tax assets and liabilities with Public Administrations at 31st December 2017 and 2016 are shown below:

	Euros	
	2017	2016
<u>Tax assets</u>		
Social Security System, debtor (note 19 (a))	12,270	5,866
Deferred tax assets	48,843	40,660
Government in debt for photovoltaic energy	35,921	19,295
Government in debt for 2015 IS	-	142,462
	97,034	208,283
	(note 8 (b))	
<u>Tax liabilities</u>		
Social Security System, creditor (note 19 (a))	206,543	202,634
Andorran Government, creditor for IGI	440,320	444,226
Andorran Government, creditor for IRNR	1,760	3,736
Andorran Government, creditor for IS	534,754	57,917
Andorran Government, creditor for IRPF	22,546	22,473
	1,205,923	730,986
	(note 13 (c))	

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

(a) Calculation of Corporation Tax

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

	Euros	
	2017	2016
Pre-tax income	9,879,653	11,058,636
+/- Permanent differences	133,140	153,833
+/- Temporary differences	81,829	19,244
Adjusted profit (tax base)	10,094,622	11,231,713
Negative tax bases	-	-
Adjusted profit (definitive tax base)	10,094,622	11,231,713

The permanent differences include the Municipal Property Tax for the sum of 101 thousand Euros.

(Continued)

The temporary differences correspond mainly to registered contributions to the provision for the internal pension fund.

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

	Euros	
	2017	2016
Adjusted profit (tax base)	10,094,622	11,231,713
x Tax rate	10%	10%
Gross amount (theoretic positive charge)	1,009,462	1,123,171
- Deductions applied	<u>(376,006)</u>	<u>(925,768)</u>
Tax liability (Current tax)	<u>633,456</u>	<u>197,403</u>

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

At 31st December 2017, the Entity did not have any negative tax bases pending application.

The deductions that the Company had pending application at 31st December 2017 are shown below:

Deductions	Year of generation/expiry	Euros			
		Balance at 31/12/2016	Deductions generated	Deductions applied	Balance at 31/12/2017
Location tax	2017/2020	-	101,254	(101,254)	-
New investments	2017/2020	-	274,752	(274,752)	-
		-	<u>376,006</u>	<u>(376,006)</u>	-

In accordance with Article 24 of the Corporation Tax Law, tax subjects may reduce their tax liability by applying 5% to the amount of new investments made in Andorra in fixed assets that affect their business activity. The total amount of the new investments carried out by the Entity during the 2017 reporting period, as well as activations of the 2017 reporting period corresponding to elements in progress from the 2014, 2015 and 2016 reporting periods, was €5,495,041, which implies a total of €274,752 for deductions for new investments. The Entity plans to maintain these assets for a minimum of five years.

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

	Euros	
	2017	2016
Current tax	633,456	197,403
Deferred assets	(8,183)	(1,924)
Deferred liabilities	-	-
Corporation Income Tax expenditure / (income)	<u>625,273</u>	<u>195,479</u>

(Continued)

(c) Calculation of the Corporation Tax payable

The calculation of the Corporation Tax payable is as follows:

	Euros	
	2017	2016
Tax liability (Current tax)	633,456	197,403
Payments on account	(98,702)	(139,486)
Tax difference/ (to be returned)	<u>534,754</u>	<u>57,917</u>

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

Details of the balances with related parties at 31 December 2017 are shown below:

	Euros	
	Assets	Liabilities
Andorra Telecom, SAU (note 13 (e))	-	13,376
Customs (note 13 (e))	-	12,464
Ministry for Territorial Planning (note 13 (e))	-	148,038
RTVA, SA (note 13 (e))	-	10,456
Government of Andorra (note 8 (b))	15,858	-
Government of Andorra (public debt) (note 8 (a,2) and 8 (c))	18,254,837	-
Ministry of the Economy (note 8 (b))	173	-
CTRA, SA (note 8 (b) and 13 (e))	5,386	157,994
CASS (note 18)	12,270	206,543
	<u>18,288,524</u>	<u>548,871</u>

(b) Transactions with related parties

Details of transactions with related parties at 31 December 2017 are shown below:

	Euros	
	Income	Expenses
Andorra Telecom, SAU	662,827	161,433
SAAS	551,084	-
CASS	70,004	733,094
INAF	4,636	-
Government of Andorra	1,371,607	169,324
Andorra Turisme	5,577	-
Ministry of Economy	660	-
CTRA, SA	36,861	1,189,753
	<u>2,703,256</u>	<u>2,253,604</u>

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

(Continued)

FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

Notes to the Financial Statements

During the 2017 and 2016 reporting periods, the members of the Board of Directors of the Entity had not accrued any amounts as members of the Board, nor have been given any advance or any credit, nor has any type of obligation been contacted with them in matters related to pensions or life insurance policies.

Likewise, at 31st December 2017 and 2016 the Entity did not have any debit or credit balances with the members of the Board of Directors or with the Management of the Entity for advances, credits granted or for any other concept.

(20) Other information

(a) Guarantees

There are guarantees in favour of FEDA for €522,833 for the concept of guarantees deposited by suppliers for the purpose of being able to enter bids in public tenders and to guarantee the execution of the works. Similarly, FEDA has guarantees in favour of the Ministry of the Environment, in favour of the Government of Andorra and in favour of Operador del Mercado Ibérico de Energía – Polo Español, SA and others for a lesser amount, to the sum of €633,482.

(b) Information on data protection

Qualified Law 15/2003 of 18th December on personal data protection came into force on 4th 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 29th 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 12th November 2014, at the proposal of the FEDA Board of Directors, passed the amendment of the decree regulating the creation of files of a personal nature of the public Entity Forces Elèctriques d'Andorra.

(c) Subsequent events

In accordance with the Decree dated 9 January 2018, Mr Jaume Forné Angrill was appointed as a freely-assigned member by the Head of Government.

Additionally, through the Decree dated 10 January 2018, the Board of Directors of the entity was modified with the incorporation of Mr Gilbert Saboya Sunyé who replaced Mr Jordi Cinca Mateos and Mr Carles Miquel Garcia who replaced Mr Josep Maria Missé.

No subsequent fact has occurred between the 31st December 2017 and the date on which the attached Financial Statements were drawn up.



FORCES ELÈCTRIQUES D'ANDORRA (FEDA)

SIGNATURE CERTIFICATE

With the FEDA Administrators having met in compliance with the requirements established under current legislation, they sign and present the annual accounts for the reporting period from 1 January 2017 to 31 December 2017, 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 38 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, on 27 March 2018

Mrs Sílvia Calvó Armengol
(Chairperson)

Mr Gilbert Saboya Sunyé
(Member)

Mr Manel Riera Martínez
(Member)

Mr Carles Miquel Garcia
(Member)

Mr Albert Moles Betriu
(Director General)

Mr Jaume Forné Angrill
(Member)